

# NATIONAL EXPORT STRATEGY OF THE REPUBLIC OF THE UNION OF MYANMAR • 2015-2019



Myanmar Ministry of Commerce



International  
Trade  
Centre

**The National Export Strategy (NES) of Myanmar is an official document of the Government of the Republic of the Union of Myanmar.**

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The National Export Strategy of the The Republic of the Union of Myanmar was developed on the basis of the process, methodology and technical assistance of the ITC. The views expressed herein do not reflect the official opinion of the ITC. This document has not been formally edited by the ITC.

Layout: Jesús Alés – [www.sputnix.es](http://www.sputnix.es)

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## ACKNOWLEDGEMENTS

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This National Export Strategy was made possible with the support of the Government of the Republic of the Union of Myanmar (GRUM), under the leadership of Myanmar Ministry of Commerce (MoC), the financial support from Germany's Federal Ministry for Economic Cooperation and Cooperation (BMZ) in collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the technical assistance of the International Trade centre (ITC). Special thanks to the Export-Import Bank of India (Exim Bank), the United Nations Conference on Trade and Development (UNCTAD) and the Secretariats of the World Trade Organization (WTO) and the Enhanced Integrated Framework (EIF) for their inputs and support throughout the design process.

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## FOREWORD FROM H. E. U NYAN TUN, VICE PRESIDENT OF THE REPUBLIC OF THE UNION OF MYANMAR



The new government of the Republic of the Union of Myanmar took office in 2011 following the emergence of the new constitution in 2008. The government initiated a series of reform measures to build a modern, developed nation step by step. The first stage was political reform. The second was economic and social reform. Public administrative and management reform is being implemented continuously to ensure good governance and clean government, followed by private sector development reform.

Economic reform measures have included legislation focusing on the market-oriented economic system, liberalization of trade and investment, cooperation with regional and international organizations, building a favourable economic environment, facilitating business regulations, infrastructure development and supporting access to capital and technology. Myanmar's significant progress in international relations, achieved alongside the reforms and the improvement of the socio-economic conditions, is evident from the assistance we have received from international organizations and development partners.

The National Export Strategy (NES) was conducted with the technical assistance of International Trade Centre (ITC) and the funding support of Germany's Federal

Ministry for Economic Cooperation and Development (BMZ) and the implementation support of the German Agency for International Cooperation (GIZ). Trade is the engine of growth for economic development and to that effect, export development plays a vital role for the economic development of the country.

The timing of the National Export Strategy is auspicious, coinciding with the reinstatement of Generalized System of Preferences (GSP). In particular, the NES will support small and medium-sized enterprises (SMEs) so that in the long-run they produce goods and services that are competitive in terms of both quality and price.

The NES resulted from extensive public private engagement to contribute to the development of the whole country. The priority sectors identified in the National Export Strategy have been selected as the most effective export sectors to deliver socio-economic development to the people of Myanmar. In that regard, I am convinced that the implementation of the National Export Strategy will effectively support the main objectives of the nation such as poverty alleviation, rural development and broad-based income growth, and will successfully lead Myanmar to sustainable growth and prosperity in accordance with the vision of the National Export Strategy.

## FOREWORD FROM H.E. U WIN MYINT, UNION MINISTER OF COMMERCE



Since 2011, the Government of the Republic of the Union of Myanmar has carried out market-oriented economic reforms. Although Myanmar is richly endowed with natural resources, the country's export performance falls short of its potential. Myanmar must increase its share of value-added products. Currently exports are largely unprocessed and destined mainly for Asian markets. Under the administration of the new government, trade opportunities have been improved and new economic policies have been developed. It is in this context that the National Export Strategy initiative was undertaken.

The National Export Strategy (NES) has been designed with the technical assistance of the International Trade Centre (ITC) and the funding support of Germany's Federal Ministry for Economic Cooperation and Development (BMZ) and the implementation support of the German Agency for International Cooperation (GIZ) as a tool to help Myanmar harness trade to realize national development targets.

The main objective of the NES is to promote export development and the competitiveness of Myanmar's products in international markets. As the private sector plays a major role in Myanmar's export industries, relevant private exporters were invited to participate in the NES design process, together with relevant ministries, business associations and representatives from academia. Through three stakeholders' consultations, inter-ministerial coordination and dialogue with the private sector, the NES' inclusive design process resulted in the following national vision:

**Sustainable export-led growth and prosperity  
for an emerging Myanmar.**

With the identification of seven priority export sectors and four cross sectors, we now have perfectly appropriate and consolidated strategies in hand to extensively propagate Myanmar's exports onto international markets. In addition, the NES reinforces Myanmar's leadership in engaging with international partners, bilateral donors and multilateral institutions to ensure the cohesion and alignment of donor interventions with national needs and priorities.

Priority export sectors are: Rice; Pulses and Beans; Oil Seed Crops; Fish and Crustaceans; Wood-based Products; Textile and Garment; Rubber and Tourism. Priority cross-sectors are: Trade Financing, Trade Information and Trade Promotion, Trade facilitation and Logistics and Quality Management.

The design phase for NES has been accomplished and implementation will soon start. Detailed activities to be implemented within the next five-years are mentioned in the sectoral plans of actions. Upon the availability of funding, the support for export promotion activities will be implemented harmoniously according to national priorities.

In order to promote Myanmar's socioeconomic development to a new level, I would like to urge the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (RUMFCCI), private business associations, departments that participated in the NES, and ITC, development partners and donor agencies, to cooperate closely to successfully achieve the vision and objectives of the NES.

I would like to express special thanks and appreciation to ITC and Germany's BMZ and GIZ for enabling us to design this very important National Export Strategy.

## FOREWORD BY ARANCHA GONZÁLEZ, EXECUTIVE DIRECTOR, ITC



Myanmar is emerging as an important new trade and investment destination in South East Asia. Its significant productive potential, ongoing market-led economic reforms and improving governance are contributing to this new construct of Myanmar as a country open for business. The country is strategically located near sizeable Asian markets, and is party to preferential trade agreements such as the Global System of Preferences (GSP) as well as ASEAN-level agreements on trade, services and investment. These favourable conditions have the potential to contribute to the diversification and greater value addition of its exports and to a business environment receptive to investment.

The topography of the Myanmar economy is also transforming. While agricultural exports remain important, exports of manufactured products have grown by almost 60% since 2005 while services exports have expanded by roughly 50% during the same period. This encouraging trade context, combined with increasing foreign direct investment and a young demographic bodes well for an increased presence of Myanmar's goods and services in the regional and international market place. To really harness these benefits there is however, a need to provide and promote export development in a structured manner.

ITC is proud to have provided technical assistance to Myanmar's first ever export development plan. This is a roadmap for using trade as a driver of sustainable socio-economic development. Through a series of measures ranging from value-addition to quality management and from skills development to environmental sustainability, this National Export Strategy provides a realistic and comprehensive five-year roadmap for trade development in Myanmar. Innovative solutions, such as recycling wood waste to meet energy needs, building linkages between value chains, community-based management of natural resources and better exploiting investment opportunities,

are some actions that have been identified to align this NES with Myanmar's needs, priorities and ambitions for sustainable development through trade.

Successful implementation of the activities outlined in the National Export Strategy (NES) will support the development of key markets allowing enterprises and workers in Myanmar to benefit from greater insertion into the global economy. During the implementation phase dedicated and coordinated efforts from public and private institutions involved in the different aspects of trade will be required. The newly established Myanmar Trade Development Committee (MTDC), the advisory body to the Government on trade development, will play a crucial role in federating national efforts towards realising Myanmar's trade potential.

There has already been a favourable response to the NES initiative and I am confident that international partners will welcome the NES as a coherent framework which is aligned to national priorities and use it as a mechanism to guide and focus their Trade Related Technical Assistance.

In August, the Netherlands Centre for the Promotion of Imports from developing countries (CBI), together with the ITC, launched a sustainable tourism project in Kayah state. The three-year project, which evolved from the NES and is implemented by ITC, aims to promote rural development through increased tourism revenues for local communities. This project is part of ITC's programmatic approach to Myanmar, and responds to key NES recommendations by supporting SMEs and export development, building up value chain performance and strengthening trade support institutions.

ITC is committed to pursue its collaboration with Myanmar on its road to sustainable trade-led growth and prosperity, one that translates into positive impacts for every citizen of Myanmar.





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## ACRONYMS

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<b>AANZFTA</b>	ASEAN-Australia-New Zealand Free Trade Area	<b>EU</b>	European Union
<b>ACFTA</b>	ASEAN-China Free Trade Area	<b>FAO</b>	Food and Agricultural Organisation
<b>ACTIGA</b>	ASEAN-China Trade in Goods Agreement	<b>FCS</b>	Fragile and Conflict-affected Situation
<b>ACTISA</b>	ASEAN-China Trade in Services Agreement	<b>FDA</b>	Food and Drug Administration
<b>ADB</b>	Asian Development Bank	<b>FDI</b>	Foreign Direct Investment
<b>AEC</b>	ASEAN Economic Community	<b>FESR</b>	Framework for Economic and Social Reforms
<b>AFAS</b>	ASEAN Framework Agreement on Services	<b>FIL</b>	Foreign Investment Law
<b>AFTA</b>	ASEAN Free Trade Agreement	<b>FY</b>	Fiscal Year
<b>AIA</b>	ASEAN Investment Area	<b>GATS</b>	General Agreement on Trade in Services
<b>AIFTA</b>	ASEAN-India Free Trade Area	<b>GDP</b>	Gross Domestic Product
<b>AJCEP</b>	ASEAN-Japan Comprehensive Economic Partnership	<b>GIZ</b>	Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation)
<b>AKFTA</b>	ASEAN-Korea Free Trade Area	<b>GMP</b>	Good manufacturing practices
<b>ARCP</b>	Applied Research Centre for Perennial Crops	<b>GRUM</b>	Government of the Republic of the Union of Myanmar
<b>ASEAN</b>	Association of South-East Asian Nations	<b>GSP</b>	Global System of Preferences
<b>ATIGA</b>	ASEAN Trade in Goods Agreement	<b>HE</b>	Higher Education
<b>AUSAid</b>	Australian Agency for International Development	<b>HS</b>	Harmonised System
<b>BIMSTEC</b>	Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation	<b>ICTs</b>	Information and Communication Technologies
<b>BMZ</b>	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development)	<b>IMF</b>	International Monetary Fund
<b>CBM</b>	Central Bank of Myanmar	<b>IPA</b>	Investment Promotion Agency
<b>CEDAW</b>	Convention on the Elimination of All Forms of Discrimination against Women	<b>IPI</b>	Investment Promotion Intermediary
<b>CEPT</b>	Common Effective Preferential Tariff	<b>ITC</b>	International Trade Centre
<b>CEXCs</b>	Crop Exchange Centers	<b>JICA</b>	Japanese International Cooperation Agency
<b>CFTDC</b>	Center Forest Training and Development Center	<b>LDC</b>	Least Developed Country
<b>CLMV</b>	Cambodia, Laos, Myanmar and Viet Nam	<b>LIC</b>	Low-Income Country
<b>CSR</b>	Corporate Social Responsibility	<b>LIFT</b>	Livelihoods and Food Security Trust Fund
<b>DICA</b>	Department of Investment and Company Administration	<b>LPI</b>	Logistics Performance Index
<b>DICD</b>	Department of Industrial Crop Development	<b>LSCI</b>	UNCTAD Liner Shipping Connectivity Index
<b>DoA</b>	Department of Agriculture	<b>M&amp;E</b>	Monitoring and Evaluation
<b>DoF</b>	Department of Fisheries	<b>MDEF II</b>	Multi donor Education Fund Phase II
<b>EIF</b>	Enhanced Integrated Framework	<b>MDGs</b>	Millennium Development Goals
<b>EPA</b>	Environmental Performance Assessment	<b>MFN</b>	Most Favoured Nation
		<b>MGI</b>	McKinsey Global Institute
		<b>MIC</b>	Myanmar Investment Commission
		<b>MIFFA</b>	Myanmar International Forwarders Association
		<b>MIT</b>	Myanmar Inspection and Testing Service MLFRD

<b>MMA</b>	Myanmar Garment Manufacturers Association	<b>ODA</b>	Official Development Assistance
<b>MMK</b>	Myanmar Kyat	<b>PoA</b>	Plan of Action
<b>MMMDA</b>	Myanmar Mercantile Marine Development Association	<b>QM</b>	Quality Management
<b>MNPED</b>	Ministry of National Planning and Economic Development	<b>R&amp;D</b>	Research & Development
<b>MoAI</b>	Ministry of Agriculture and Irrigation	<b>RCA</b>	Revealed Comparative Advantage
<b>MoC</b>	Ministry of Commerce	<b>RNCA</b>	Revealed Normalised Comparative Advantage
<b>MoE</b>	Ministry of Energy	<b>RoO</b>	Rules of Origin
<b>MOECAF</b>	Ministry of Environmental Conservation and Forestry	<b>RSS</b>	Ribbed Smoke Sheets
<b>MoFR</b>	Ministry of Finance and Revenue	<b>SEZs</b>	Special Economic Zones
<b>MoH</b>	Ministry of Health	<b>SLRD</b>	Settlement and Land Records Department
<b>MoHT</b>	Ministry of Hotels & Tourism	<b>SMEs</b>	Small and Medium Enterprises
<b>Mol</b>	Ministry of Industry	<b>SPS</b>	Sanitary and Phytosanitary Standards
<b>MoLESS</b>	Ministry of Labour, Employment and Social Security	<b>STI</b>	Science, Technology and Innovation
<b>MoLFRD</b>	Ministry of Livestock, Fishery and Rural Development	<b>TBT</b>	Technical Barriers to Trade
<b>MoRT</b>	Ministry of Rail Transportation	<b>TFL</b>	Trade Facilitation and Logistics
<b>MoST</b>	Ministry of Science and Technology	<b>TIFA</b>	Trade and Investment Framework Agreement between the United States and Myanmar
<b>MoT</b>	Ministry of Transport	<b>TSI</b>	Trade Support Institution
<b>MPA</b>	Myanma Port Authority	<b>TSN</b>	Trade Support network
<b>MPT</b>	Myanmar Posts and Telecommunication	<b>TSR</b>	Technically Specified Rubber
<b>MPBSMA</b>	Myanmar Pulses, Beans & Sesame Seeds Merchants Association	<b>TTI</b>	Trade Training Institute
<b>MRA</b>	Mutual Recognition Arrangements	<b>TVET</b>	Technical and Vocational Education and Training
<b>MRF</b>	Myanmar Rice Federation	<b>UMFCCI</b>	Union of Myanmar Federation of Chambers of Commerce and Industry
<b>MSS</b>	Myanmar Selection System	<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>MSTRD</b>	Myanmar Scientific and Technological Research Department	<b>UNDP</b>	United Nations Development Programme
<b>MTDC</b>	Myanmar Trade Development Committee	<b>UNESCAP</b>	United Nations Economic and Social Commission for Asia and the Pacific
<b>MTE</b>	Myanma Timber Enterprise	<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>NAEDC</b>	Nay Pyi Taw Accord for Effective Development Cooperation	<b>UNIDO</b>	United Nations Industrial Development Organization
<b>NES</b>	National Export Strategy	<b>WGI</b>	World Governance Indicators
<b>NQI</b>	National Quality Infrastructure	<b>WTO</b>	World Trade Organisation
<b>NSBs</b>	National Standards Bodies	<b>WTTC</b>	World Travel & Tourism Council
<b>NTFP</b>	Non-Timber Forest Products	<b>YCDC</b>	Yangon City Development Committee

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Ministry of Commerce.



# EXECUTIVE SUMMARY

## INTRODUCTION

Myanmar has recently undergone rapid political and economic reforms, with a number of initiatives aimed at strengthening the private sector, by improving the business-enabling environment. Despite international sanctions faced by Myanmar until 2013, it recorded strong export growth over the last decade. The removal of sanctions and re-instatement of preferences by major markets such as the EU (in May 2013) and expected by the US (in 2014) will present major opportunities to diversify the export base. Moreover, Myanmar's efforts to integrate and implement its commitments for the ASEAN Economic Community (AEC) will provide opportunities to tap into regional production networks and global supply chains. This is therefore an opportune moment to implement Myanmar's National Export Strategy (NES) to increase enterprise competitiveness, improve the business environment for development, expand the country's trade while contributing to poverty reduction.

## EXPORT PERFORMANCE

Myanmar's export structure has dramatically changed over the last decade, with natural gas increasingly dominating exports over the last decade. Other products which account for large shares include wood products and agricultural products. Sanctions led by the EU and US, re-positioned Myanmar's exports towards neighbouring countries, such as Thailand, China and India, and focused on a handful of un-processed export items. Exports are concentrated on a few products with natural gas, beans and wood logs accounting for around 60% of Myanmar's exports.

Since 2005, exports of manufactured products have increased by more than 56% (from US\$3.3 billion to US\$5.3 billion). Over the same period, exports of services have increased by roughly 50% (from US\$0.93 billion to US\$1.4 billion). The greatest increase in exports of services has been travel (tourism) and services linked to

manufacturing. The travel sector has undergone a boom since the relaxation of sanctions and easing of visa requirements for visitors.

Over 40% of exports go to one single market, Thailand, confirming that proximity for Myanmar is currently an important determinant of export performance. Myanmar is extremely vulnerable to shifts in Thai market conditions. The lack of exports to non-neighbouring markets is a key focus of the NES, which aims to increase and diversify exports while reducing dependence and vulnerability to a single market.

## EXPORT COMPETITIVENESS CONSTRAINTS

There is no single reason explaining Myanmar's difficulties in developing its export sectors. Rather, the challenges are multidimensional and stem from a host of internal and external factors such as the sanctions faced by the country during the 2000s. The NES design process focused on the internal factors. The main competitiveness constraints related to supply-side capacity, business environment, market entry capacity and development aspects have been identified and addressed in this strategy.

On the **supply** side, some key national constraints include:

- **Sanctions have shaped existing economic and export structures.** Recent sanctions led to a market orientation geared towards neighbouring countries and a move away from light manufacturing (particularly in textiles and clothing) towards lower value added products and commodities.
- **Access to finance is limited as Myanmar's financial sector remains largely underdeveloped.** Low access to finance hampers the effective mobilization of domestic savings for investment.

- **Low product quality levels.** Product quality levels are the result of outdated national quality infrastructure characterized by the inadequate presence of key elements such as legal metrology, standards, regulations, certifications, inspections, scientific capacity, etc.
- **Low productivity, underemployment and low education levels.** The country's education system is considered to be outdated and largely inadequate to support the growth rates envisaged in national development plans.

On the **market entry** side, the principal issues identified are:

- **Market access conditions are becoming more favourable.** Myanmar benefits from preferential access to developed country markets through the WTO's Generalized System of Preferences (GSP). Opportunities for diversification of export markets will also improve thanks to the easing of sanctions.
- **Insufficient information on market demand prevents exporters from tapping promising markets.** Although Myanmar enjoys preferential market access to a number of advanced countries and is in addition a signatory to the ASEAN agreements, including ASEAN agreements, market information knowledge on standards and procedures for exporting remain low among exporters.
- **There is no export promotion agency in Myanmar.** The trade promotion services currently provided are largely inadequate to assist exporters along the export development pathway. This leads to a lack of export promotion activities in international markets creates limited visibility for Myanmar's enterprises and brands.

From a **development perspective**, key issues are:

- **Poverty rates remain high but have been decreasing.** Myanmar is among the poorest nations in South-East Asia. Although poverty rates fell by 6% between 2005 and 2010, roughly 25% of the population still lives under the poverty line. Poverty remains highly concentrated in rural areas with large disparities between states.
- **Gender mainstreaming in the formal sector is required to strengthen gender equity.** Overall, gender equality is undermined by a number of discriminatory laws concerning marriage, property ownership and inheritance rights.
- **Business activity is concentrated around few geographic locations.** According to the list of active members of UMFCCI, which contained just over 4,300 firms in 2012, 90% were located in Yangon, 4% were located in Mandalay and 6% in other locations.
- **Ethnic conflicts create obstacles for economic stability and export development.** Internal political and social tensions (such as the continued unrest in Rakhine state

and other border regions) are a potentially destabilizing factor that could lead to open conflict and threaten the country's fragile economic reforms.

- **Export development will accelerate economic activity and industrialization, thereby amplifying environmental sustainability issues.** Accordingly, it is necessary to implement better methodologies for sustainability impact assessments to understand possible trade-offs associated with investments and trade projects.

## PRIORITY SECTORS AND FUNCTIONS

The following priority sectors were selected based on their capacity to contribute to export growth, socio-economic development goals and employment generation through their current and potential trade performance.

### NES priority sectors

1. Rice
2. Beans, pulses and oilseeds
3. Fisheries
4. Textiles and garments
5. Forestry products
6. Rubber
7. Tourism

The elaboration of individual strategies for priority sectors is not intended to imply that other sectors in Myanmar will not benefit from the NES. In fact, the NES also includes cross-sector functional strategies aimed at strengthening the business environment for enterprises and exporters. The following cross-sectors were selected as priorities.

### NES priority cross-sector functions

1. Trade facilitation and logistics
2. Quality management
3. Access to finance
4. Trade information and promotion





## VISION AND STRATEGIC OBJECTIVES

In addition to prioritizing a limited number of sectors and functions the following vision statement was adopted to guide the NES design and implementation, and reflects the aspirations of the many public and private sector stakeholders in the NES.

---

“ Sustainable export-led growth  
and prosperity for emerging Myanmar. ”

---

This vision sets the overall orientation of the export strategy and captures its spirit. It is supported by five national strategic objectives that provide the overall direction for export development.

1. To foster **sustainable, inclusive and equitable export-led growth** for the socio-economic development of the people of Myanmar. This objective is aligned to the Framework for Economic and Social Reforms (FESR) and the National Development Plans and is a prerequisite for social and economic equity.
2. To ensure a **consistent, predictable and transparent policy, legal and regulatory framework**. This objective addresses many concerns expressed by the private sector in terms of being unaware of policy changes or new regulations deriving from new legislations.
3. To develop **competitive, diversified and branded exports** by expanding productive capacities and fostering innovation. Building economic productive capacity through skills development, training and investment promotion is expected to boost competitiveness and value addition. The need to become more competitive and move up the value chain by diversifying into downstream activities is required. Finally, introducing branding strategies is required in order to create value and create customer awareness and loyalty.
4. To **build modern, enabled and supportive institutions** to respond to the diverse needs of current and emerging exporters. Some consolidation and coordination of institutions services is required. Capacity building to strengthen the institutions and more export-oriented services should be provided.
5. To **build up physical trade infrastructure**. Trade infrastructure and transportation corridors are required across the country. The NES provides the country with the necessary strategy to build and capitalize on trade infrastructure development.

## STRATEGIC DIRECTION OF THE NES

The strategic direction of the NES is structured along three main axes: market development, structural enhancements to sector value chains, and cross-sector improvements.

For the priority NES sectors, market development analysis follows a phased approach: a short-term perspective to capitalize on opportunities that are within reach of the existing capabilities of exporters; and a mid- to long-term outlook, based on enhanced capabilities resulting from the implementation of the NES plans of actions. This phased approach is aimed at staging interventions in alignment with the evolving capacities of trade support institutions and sector enterprises as the NES implementation moves forward. Each sector strategy of the NES details specific results to be achieved through their implementation.

In addition to market development, the NES will contribute to the development of export competitiveness through structural enhancements to the priority sectors' value chains. Each sector strategy of the NES proposes structural enhancements which will result in strengthened linkages within and between sectors, or the introduction of new linkages. The projected structural changes to the sectors are based on efficiency gains identified through the four gear analysis of each sector's performance and through the identification of opportunities for value addition and creation.

At the national level, implementation of the cross-sector strategies of the NES will contribute to an overall enhancement of the business environment for export development. Each cross-sector strategy contains specific targets it aims to improve at the national level.

## IMPLEMENTING THE NES

The NES document is only the initial step towards export development. To achieve the vision laid out by the NES, a concerted effort needs to be undertaken on a variety of fronts by all NES stakeholders. The effective contribution of the NES to export development will largely depend on the ability of Myanmar to plan, mobilize resources, coordinate activities and monitor its implementation. Special attention needs to be given to building and reinforcing strategy implementation management capacities.

The broad range of activities, together with the complex nature of integrated interventions, requires careful implementation that efficiently directs resources and monitors results at both the micro and macro levels. In particular, the NES will ensure that existing development efforts, both national and donor driven, do not occur in isolation and instead are aligned with Myanmar's needs in the broader context of export growth for socio-economic development.

## CONCLUSION

As the first National Export Strategy of Myanmar, this document contributes to structuring trade development in line with the ambitions of the country to bring the economy on par with dynamic Asian economies. The NES is a roadmap to coordinate export-led growth in order to reduce poverty, increase productivity, build up key areas in the business environment and develop trade performance. The implementation of the NES will likewise build public and private institutional capacities to sustain export-led growth and prosperity for an emerging Myanmar.

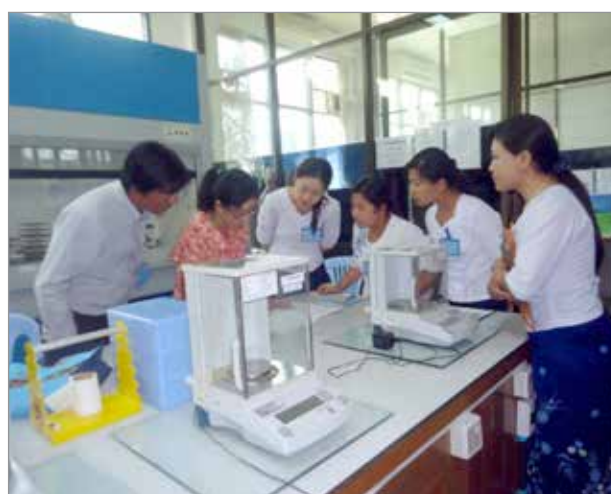
# NOTE TO THE READER

The NES is the result of a multi-dimensional design process, which followed a participative, collaborative and stakeholder-driven approach aimed at unlocking Myanmar's export potential. The core focus of this initiative lies not only in diversifying the export basket of products, services and destinations, but also in providing significant socioeconomic impact.

In particular, the NES ensures that existing development efforts, both national and donor driven, do not occur in isolation and are instead aligned in the broader context of trade-related technical assistance. This focus exists to avoid fragmentation of development efforts, which would lead to an overall low impact and challenges in implementation.

The NES initiative is the beneficiary of the highest level of support from the Government of the Republic of Myanmar. Official support and endorsement for the NES initiative was confirmed by the Government in November 2012. In April 2013, a formal decision was adopted to formulate an NES, appoint the NES team and assess options for establishing a Myanmar Trade Development Committee (MTDC). The MTDC will spearhead the NES implementation and manage the sustainability of the implementation process in terms of monitoring, reporting, project selection, funds allocation, and donor liaison.

A fundamental feature of the NES design process that speaks to the sustainability of the resulting strategy is the public-private partnership and dialogue which guided the development of the NES at both strategic and operational levels. At the strategic level, the high level team which oversaw the development of the NES is comprised of private and public stakeholders who ensured equitability in the strategic design process. At the operational level the strategy development process hinged on three important pivots, which were the first, second and third stakeholder consultations held in Yangon and Nay Pyi Taw. These consultations had equitable participation between private and public sectors. The broad range of stakeholders ensured that sector prioritisation and activities for addressing supply side issues have encompassed



the views and interests of those operating in the sectors, but also the wider interests of the community, in terms of socio-economic development, environmental sustainability and equitable growth.

## Multiple documents

The NES is composed of twelve documents, each containing specific analyses and opportunities for strengthening the export sector in Myanmar.

- The NES document provides the overarching analytical framework, key recommendations and national level action plan.
- The seven individual sector strategies provide detailed diagnostics of performance, market development orientations and specific plans of action (PoAs) to guide the export development efforts of sector stakeholders.
- The four cross-sector functional strategies analyse the institutional and enterprise level challenges of the functions and provide PoAs to be implemented by relevant stakeholders.

The sector and cross-sector functional strategies form an integral part of the country's NES.



# INTRODUCTION

In the last three years, Myanmar has undergone rapid political and economic reforms, with a number of initiatives aimed at driving a more dynamic private sector, by improving the business-enabling environment. Despite the sanctions faced by Myanmar, it recorded strong export growth, though this has been based on a narrow export basket and relatively few export markets. The removal of sanctions and re-instatement of preferences by major markets such as the EU in 2013 and expected by the US in 2014 presents major opportunities to diversify the country's export base. Moreover, Myanmar's efforts to integrate and implement its commitments for the ASEAN Economic Community will provide opportunities to tap into regional production networks and global supply chains. This is therefore an opportune moment for Myanmar to define its National Export Strategy. The private sector is facing a number of binding constraints such as a lack of financial intermediation, costly and irregular provision of utilities, expensive telecom infrastructure and a poor trade infrastructure in general, which are currently being addressed by the Government of the Republic of the Union of Myanmar (GRUM).

National strategies such as the Framework for Economic and Social Reforms place emphasis on broad based inclusive and sustainable economic growth for Myanmar. The framework, issued in December 2012, sets out a phased approach to development, with individual ministries advancing the development agenda and proposing their own priorities. It encompasses, among others, trade and economic policies, environmental protection, labour standards and cultural preservation. The GRUM's objective is to foster economic development while ensuring national recognition, broad-based and inclusive growth, and preservation of cultural identities. It proposes to "pursue an active policy of encouraging the diversification of export products while promoting value-added processes for primary commodities, including focusing on improving support services in areas of trade financing, market access and trade facilitation". The yearly plan set by the Ministry of Commerce, called the "Trade Sector Development Plan", has the goal of expanding

and promoting exports, establishing a better trade environment and guaranteeing a competitive environment, strengthen human capital and achieve poverty reduction through trade expansion. To achieve this goal, Myanmar has decided to unlock Myanmar's export potential by designing a National Export Strategy (NES). In November 2012, the GRUM submitted a formal request for support and technical guidance in the development of a NES.

The NES is viewed as an important step towards improving the country's export competitiveness. It represents a roadmap to address supply-side, business environment, market entry, and development constraints surrounding Myanmar's trade environment. A key step in the NES process is the identification of targeted export sectors and associated needs and priorities. These sectors and their needs and priorities are established based on technical analysis and consultations undertaken by the International Trade Centre together with Myanmar stakeholders representing the country's leading public, private and civil society groups. Ultimately, this information guides the design of sector and cross-sector strategies, complete with action plans.

Following consultations and analysis, seven sectors were selected to be included in the NES design initiative: rice; pulses, beans and oilseed; fish and crustaceans; textiles and garments; rubber; tourism; and forestry products. Cross-sectors representing broader capacity issues have also been selected: access to finance; trade information; quality management; and trade facilitation and logistics.

Elaborated in close collaboration with the Government of the Republic of the Union of Myanmar (GRUM) and the private sector, the final NES recommendations will serve to guide Trade-Related Technical Assistance (TRTA) programmes based on the identified priority areas. Accordingly, the NES will contribute to repositioning Myanmar exports on world markets and boosting export competitiveness. The NES will also strengthen private-sector competitiveness and contribute to attracting Aid for Trade as well as investment in priority export sectors.



# MACROECONOMIC OVERVIEW

According to Myanmar authorities, GDP has grown by between 10 - 12% per annum over the last five years (Figure 1). The IMF estimates GDP growth to be about half this amount, at between 3.6% (2008/9) and 6.3%<sup>1</sup> between the period 2007/8 and 2012/13<sup>2</sup>. With a GDP per capita estimated at only \$860 in 2012/13<sup>3</sup>, the country remains one of the poorest in South East Asia. On a purchasing power parity basis, the GDP of Myanmar ranks below that of Bangladesh and marginally higher than Nepal.

It appears that Myanmar's recent growth has not been sufficiently broad based to alleviate poverty on a big scale, though noticeable improvements have been recorded. Myanmar has a population of just over 60 million, with a labour force of 29.5 million.<sup>4</sup> Of the total employment, 57% was engaged in agriculture, 11% in manufacturing, 4% in mining, power, energy and construction, and 28% in services, of which 16% are in trade (retail and wholesale trade).<sup>5</sup> The country's most comprehensive poverty assessment, conducted by the UNDP in 2009/2010, does show a reduction in absolute poverty from 32% in 2005 to 26% in 2010, with a poverty line set just above USD \$1.04 per day<sup>6</sup>. While the reduction in absolute poverty is encouraging, the income distribution shows that the majority of people live marginally above the poverty line. Using the World Bank's measure of moderate poverty set at \$2 per



day, the survey shows that more than 85% of the population is poor.<sup>7</sup> Nearly 60% of the population lives between \$1.04 per day and \$2 per day.

Since 2008, Myanmar has experienced a current account deficit, driven by a trade deficit (see Figure 2). In comparison to Myanmar's peers, these increasing imbalances in seems to be accentuating and are expected, by 2017, to reach around 6% of GDP, one of the highest deficits in the chart. A long-standing trade deficit is usually a source of political concern and can create a drain on the Central Bank's international currency reserves and gold. Currently, FDI have been a driving force for financing the current account deficit. Also, disaggregating further the sources of imbalance in the trade balance reveals a more positive outlook for Myanmar in terms of the sustainability of such deficits.

1. Fiscal years in Myanmar run from April 1 to March 31. See IMF (2013) Myanmar: Staff Monitored Program, IMF Country Report No.13/13, Washington DC, January.

2. 2008/9 was an exceptional year, average growth being generally around 5-6% per annum.

3. Author calculations based on IMF and ADB figures

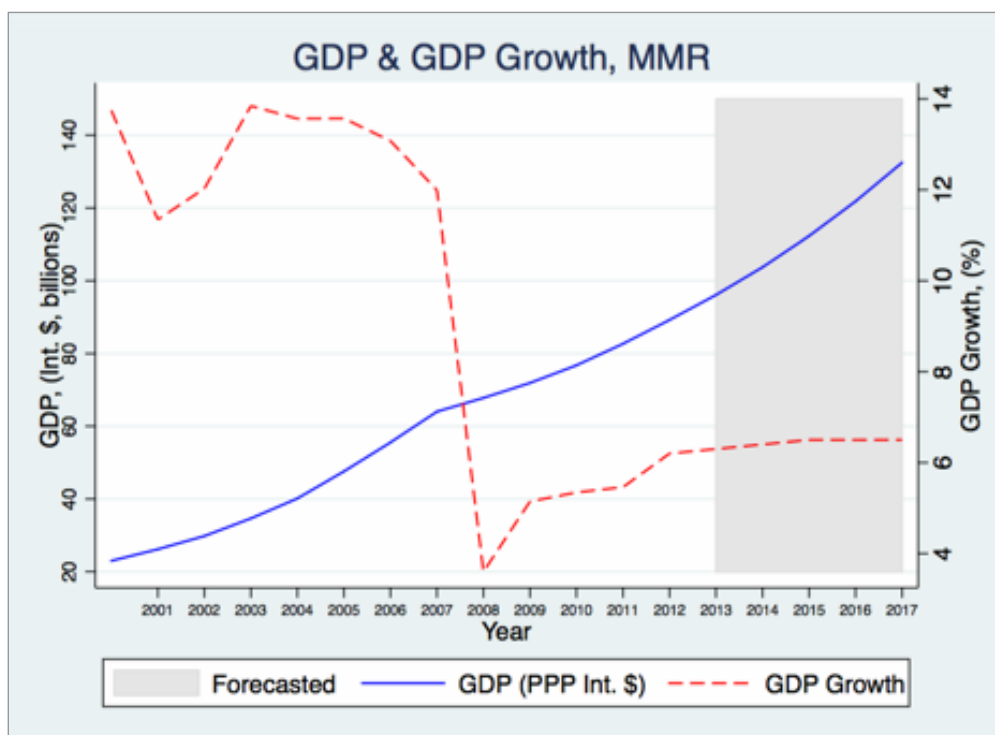
4. Asian Development Bank (ADB), "Myanmar in Transition" August 2012, p. 2; and Department of Investment and Company Administration (DICA), 2012, <http://www.dica.gov.mm>

5. DICA 2012. A census planned for 2014 – the first in over 30 years – will provide more accurate information about the size and distribution of the population.

6. United Nations Development Programme Myanmar, "Integrated Household Living Conditions Assessment: Poverty Profile Report," 2011, p. 16, <http://www.mm.undp.org/ihlca/index.html>. Calculations made assuming a market exchange rate of 990 kyat/USD, informal rate taken at the time of surveying (Dec 2009).

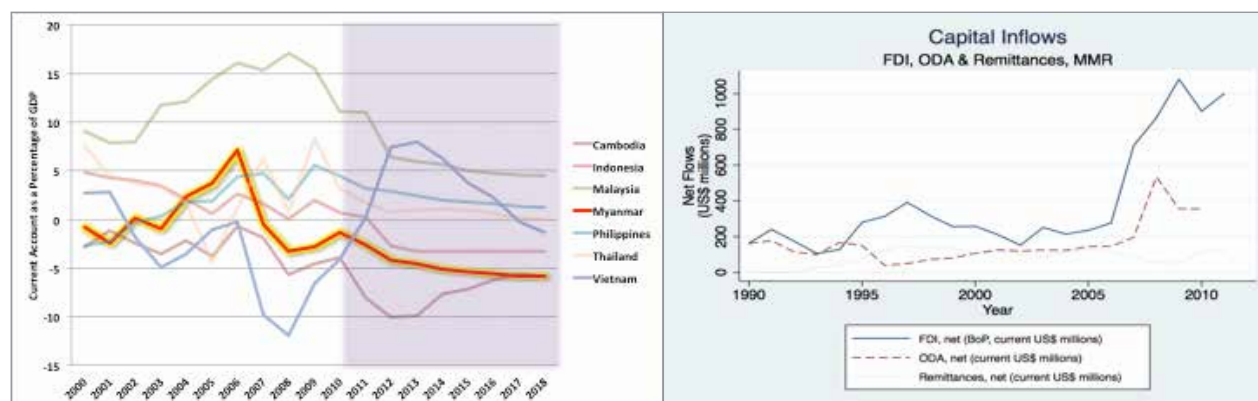
7. UNDP 2011 p. 23, Table 11. Table 11 contains information on income distribution deciles.

Figure 1: Gross Domestic Product (GDP) & Regional Comparison



Source: IMF (2012) World Economic Outlook Database; World Bank (2012) World Development Indicators Database

Figure 2: Current Account and Capital Inflows for Myanmar and Selected Countries



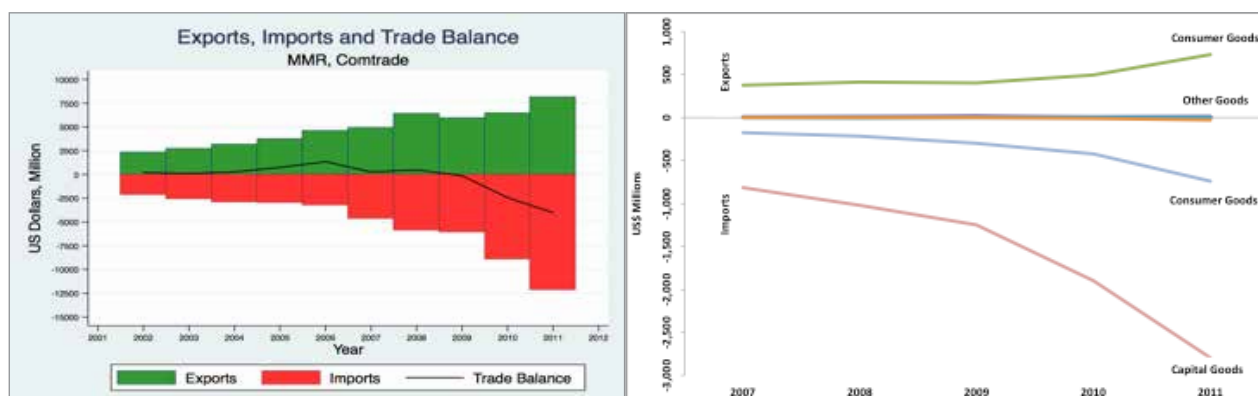
Source: IMF (2013) World Economic Outlook Database; Balance of Payment Statistics Yearbooks.

We expect some increases in imports as the country develops, imports capital and technology equipment, and as investment surges, which is the case for Myanmar. Provided the country is investing to increase the future production capacity of Myanmar, then larger imports can translate into an investment into the future. Based on the data, it appears that capital goods (technology and equipment) account for the bulk of imports (see

Figure 3). However, consumer goods are also creeping in. Trade Policy will need to be carefully calibrated to ensure that consumer goods are not growing in disproportion to other types of goods, namely capital goods and intermediate goods, which will play a major role in industrial transformation of the country and enhancing export competitiveness.



Figure 3: Trade Flows and Balance & decomposition of trade



Source: Author calculations based on Comtrade trade data

The level of exchange rate influences the external competitiveness of a country and the Myanmar Kyat has been appreciating noticeably. In general, the real effective appreciation of the exchange rate makes it more difficult to export<sup>8</sup>. This can therefore influence the trade balance. Over a fifteen-year period, one notices significant volatility in the nominal and real exchange rates and a gradual appreciation since 2000<sup>9</sup>. There is therefore a need to align macroeconomic stabilization policies with trade, industrial and export policies. In this light, in April 2012, with IMF technical assistance, the exchange rate peg was replaced by a managed float. Also, a new foreign exchange management law has also been passed, with a view to lift all restrictions on current payments and transfers abroad. Some key exchange restrictions on current international payments and transfers were immediately lifted, in particular the requirement to use only export proceeds for imports (which was over-ridden and abused in any case in the past). The full implementation of the new law awaits secondary legislation to be drafted in order to render it fully operational. Financial sanctions in the US have also eased thereby facilitating cross-border payments, which were hitherto difficult to achieve, except through Singapore registered businesses.

## THE ROLE OF TRADE IN MYANMAR'S ECONOMY

Openness and integration towards international markets is essential for export competitiveness for a number of reasons. For example, openness with the rest of the world is critical to attract know-how and investment capital to the country. Also integration of factor and product markets

facilitates the emergence of production links within the region. The level of openness to trade can even be fundamental to affect FDI in several ways. Lower import barriers can reduce FDI, which tries to overcome high tariffs, but may increase vertical FDI by facilitating the imports of inputs and machinery. Lower export barriers attract vertical FDI by facilitating the re-export of processed goods; they attract horizontal FDI by expanding the market size.

An indicator of openness is to compare the ratio of export-plus-import to GDP. Figure 4 shows every country's level of integration with the rest of the world. Openness is presented on the vertical axis. Countries are ranked in the horizontal axis according to their level of GDP per capita. The median GDP per capita for the world is the dashed line. Two snapshots are provided, one for each three-year period, corresponding to 2003-05 and 2009-11. Myanmar is marked in red and the neighbouring/peer countries in blue. Singapore is an outlier with its substantial GDP per capita and high openness (highest in the chart).

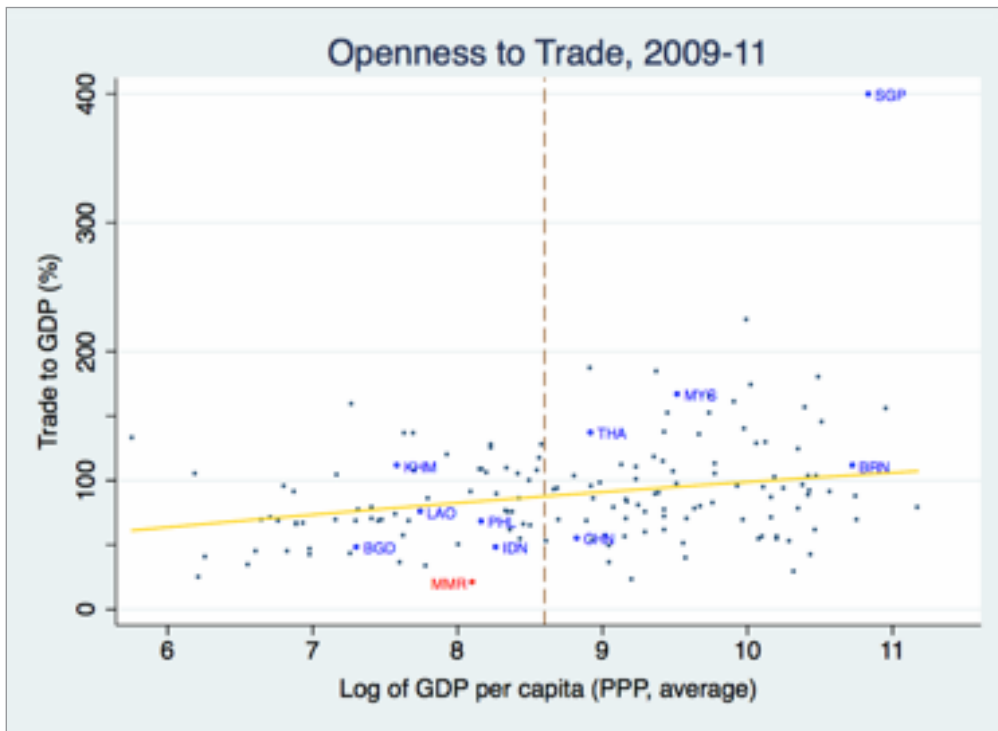
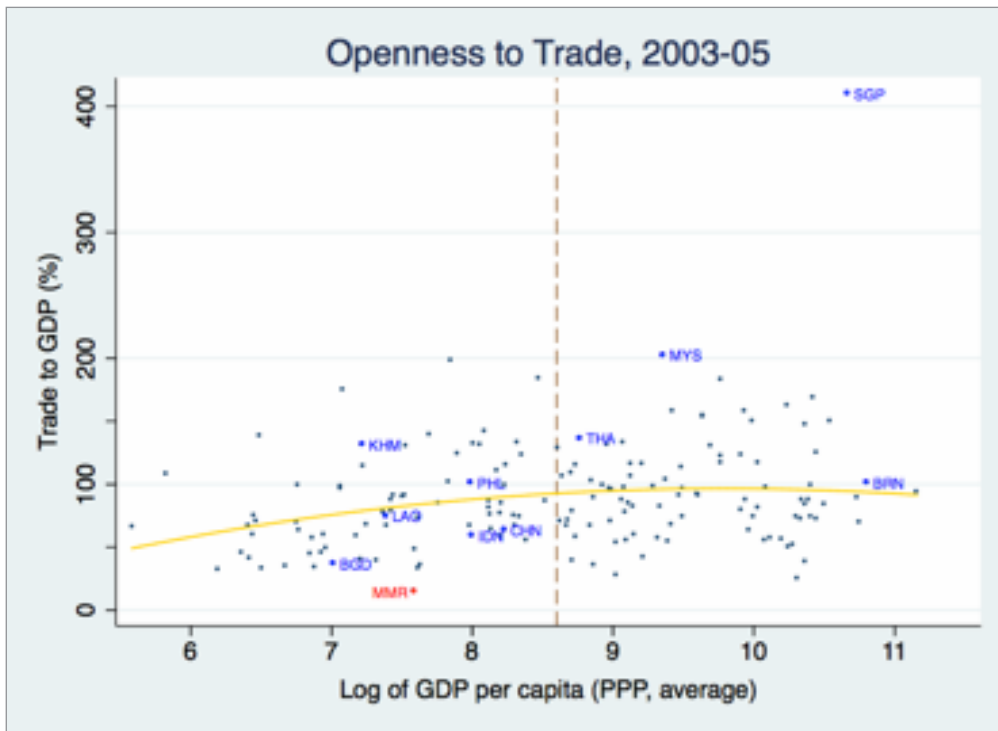
Myanmar appears as one of the least open countries in the world and at the same time one of the poorest. An interesting observation is that Myanmar has increased GDP per capita (between the first and second period) despite experiencing no increase in openness. This is in stark contrast to the peer countries. A yellow line shows a "best fit" regression line, which indicates the average level of openness expected given a level of income. As we can note, Myanmar is very much below this expected level.

Therefore, Myanmar's trade regime is best described as a relatively closed economy. The results of this analysis are not altogether surprising given that the two largest economies in the world had placed sanctions against Myanmar, and the adoption of complicated licensing schemes, foreign exchange restrictions and a restrictive foreign investment regime resulted in an underutilisation of trade resources. All of these elements are currently being addressed by the Government.

8. The effect that exchange rates have on import and export growth depend on the elasticities of demand and time lags for supply and demand to adjust to new prices.

9. Kubo, K. (2012) Sources of Fluctuation of Exchange Rate and Policy Reform in Myanmar, IDE Discussion Paper, 388, IDE-JETRO, February

Figure 4: Openness to trade (left, 2003-05; right, 2009-2011)



# EXPORT PERFORMANCE

## EXPORT BASKET: PRODUCTS

Natural gas has dominated Myanmar's exports over the last decade. The share of natural gas had actually increased from 30% in 2002-4 to 40% in 2009-11<sup>10</sup>. Other

products which account for large shares include wood products and agricultural products. There is a remarkably similarity between the export structure in the early 2000s and that in the late 2000s (See Table 1).

10. Two periods have been compared, each based on a three-year average, in order to smooth out any exceptional transactions which took place on a non-recurring basis.

**Table 1:** The Top Ten Exported Products, 2002-04 and 2009-11 Averages

Top Export Products (2002-2004)					Top Export Products (2009-2011)				
Rank	Product Code	Product Description	Value (US\$ Million)	Share in Exports (%)	Rank	Product Code	Product Description	Value (US\$ Million)	Share in Exports (%)
1	271121	Natural Gas	843.09	30.2	1	271121	Natural Gas	2,737.05	39.6
2	440349	Logs, Tropical Hardwoods	189.65	6.8	2	071331	Beans of the species vigna mungo	494.32	7.2
3	440399	Logs, Non-Coniferous	143.01	5.1	3	440349	Logs, Tropical Hardwoods	365.28	5.3
4	030613	Shrimps and Prawns	122.38	4.4	4	440399	Logs, Non-Coniferous	330.74	4.8
5	611030	Pullovers, cardigans of man-made fibres knitted	95.65	3.4	5	710399	Precious/semi-precious stones, further worked	302.52	4.4
6	071390	Leguminous vegetables dried, shelled	85.72	3.1	6	071390	Leguminous vegetables dried, shelled	249.09	3.6
7	611020	Pullovers, cardigans of cotton, knitted	80.55	2.9	7	071339	Beans, dried, shelled	114.57	1.7
8	440729	Lumber, tropical hardwood, sawn	76.38	2.7	8	400121	Natural rubber in smoked sheets	109.00	1.6
9	620193	Men anoraks, of man-made fibres, not knitted	49.95	1.8	9	100630	Semi-milled or wholly milled rice	94.04	1.4
10	740311	Cathodes and sections of cathodes	40.93	1.5	10	620193	Men anoraks, of man-made fibres, not knitted	93.51	1.4
Top ten products' share in total exports:				61.9	Top ten products' share in total exports:				71.00

**Source:** ITC's calculations based on 6-Digit Comtrade, HS 2002, mirror trade data



Exports of shrimps and prawns, which used to be ranked as the third highest export items, were no longer in the top ten by 2009-11, whereas beans and semi-precious stones have emerged as major export items. The level of concentration accounted for by the top ten exports has also increased between the first and second period. The top ten exports accounted for 62% in 2002-4, whereas they accounted for 71% by 2009-11. Unprocessed wood in the form of logs have remained a top export for Myanmar over the period, as have some garment items.

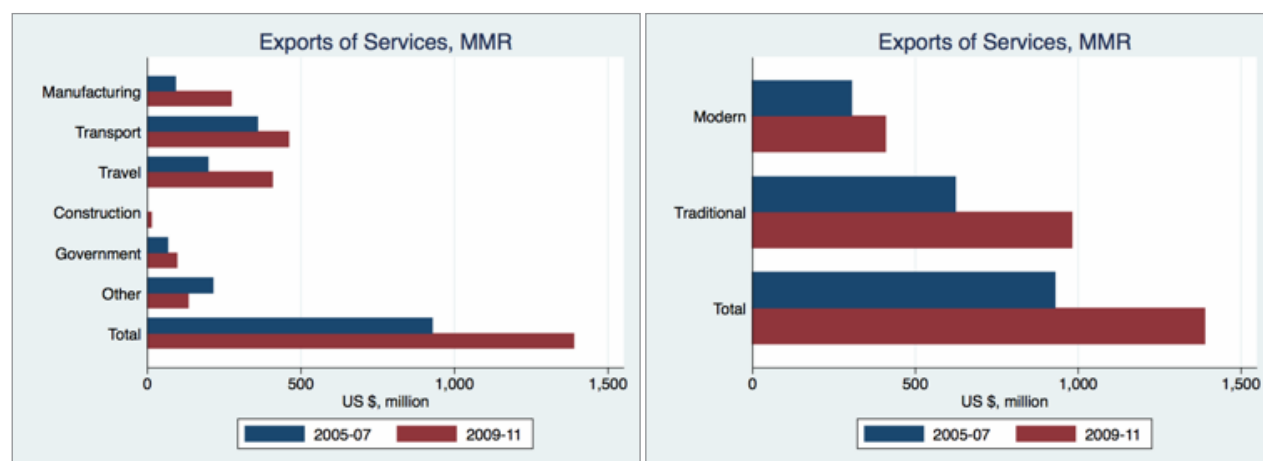
## EXPORT BASKET: SERVICES

From 2005-07 to 2009-11 exports of services have increased by roughly 50% (from US\$0.93 billion to US\$ 1.4 billion). The increase has been less phenomenal than

for goods but still represent a major source of income. The greatest increase in exports of services has been in travel (tourism) and in services linked to manufacturing (see Figure 5 – left hand chart). The travel sector has undergone a boom since the relaxation of sanctions and easing of visa requirements for visitors.

In analysing exports of services, a distinction between modern and traditional services is useful. Modern Services include communication, insurance, finance, computer & information, royalties and license fees and other business services, whereas traditional services include Transport, Travel, Construction, Personal, cultural and recreational services. The great majority of services exports are categorized as traditional services (see Figure 5 – right hand chart). Moreover, growth in exports of services has been more significant for traditional sectors.

Figure 5: Exports of Services



Source: ITC's calculations using IMF Balance of Payments Yearbook data.

## EXPORT DESTINATIONS

Exports are concentrated on a few destinations. Table 2 shows the top ten export markets of Myanmar in 2002-04 and 2009-11. Over 40% of exports go to one single market, Thailand, suggesting not only that proximity is the main determinant of supply but also that Myanmar is extremely vulnerable to shifts in Thai market conditions. Exports to Thailand increased threefold in the five year interval. Exporting substantially to Thailand is not a cause of concern in itself, but the lack of exports to other markets should be addressed in order to increase exports and reduce dependence on a single market.

Prior to sanctions, Europe and the US were significant markets for Myanmar, particularly for garment exports (these two regions account for up to 90% of exports at their peak). After sanctions, Asian countries occupy 9 out of the top 10 destinations. Myanmar intensified its trade with Thailand, China, Japan and India, while reducing intensity with the EU countries, Singapore and Indonesia. The increase in exports to China is notable and consists primarily of gas, semi-precious stones, and wood products. Exports to other ASEAN countries also gained prominence over this period.

Exports destined to the top ten export markets accounted for 85% of total exports in 2002-2004. This share increased to 92% in 2009-2011. If we compare Myanmar's export market concentration with that of its peers in Asia, it ranks amongst the least diversified, alongside Cambodia.

A number of indicators and models exist to indicate potential markets, which Myanmar could export to. One such indicator is the trade complementarity index, which compares the good that one country exports with the goods that another country imports. It matches the supply and demand for same products to see where there is complementarity for trade between two countries. The outcome of the calculations for Myanmar reveal a number of countries which account for a low share in Myanmar's exports but which have a revealed trade complementarity. There are a number of countries, which have a high complementarity for trade with Myanmar and yet which do not have any significant actual trade, such as the EU, USA, Pakistan and Turkey. Applying a gravity model<sup>11</sup> for Myanmar to assess whether Myanmar trades as much as would be predicted with potentially important partners, it is apparent that Myanmar trades less than would be expected with notably large countries like the USA and EU Member States, and has a stronger export relationship with its neighbouring countries and some West African countries (owing to rice exports) than would be expected.

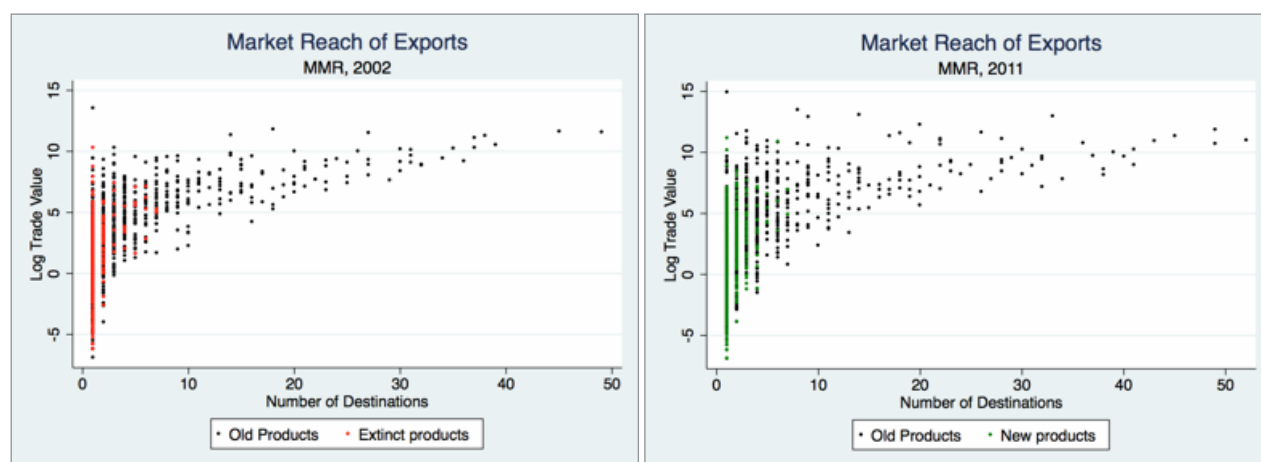
11. The model plots actual export amounts (divided by 1,000 and then converted to log) earned in those markets against amounts that were predicted by a regression model. Log value of 10, for example, is a US dollar amount equivalent to  $\exp(10) * 1,000$ , which is approximately US\$22 million.

**Table 2:** The Top Ten Export Destinations for Myanmar, 2002-04 and 2009-11 Average

Top Export Destinations (2002-2004)				Top Export Destinations (2009-2011)			
Rank	Country	Value (US\$ Million)	Share in Exports (%)	Rank	Country	Value (US\$ Million)	Share in Exports (%)
1	Thailand	1,051	34.7	1	Thailand	2,955	42.7
2	India	385	12.7	2	India	1,186	17.2
3	USA	337	11.1	3	China	1,097	15.9
4	China	171	5.7	4	Japan	439	6.3
5	Japan	143	4.7	5	Malaysia	202	2.9
6	UK	133	4.4	6	Korea, Rep of	179	2.6
7	Germany	105	3.5	7	Singapore	94	1.4
8	Malaysia	87	2.9	8	Vietnam	84	1.2
9	Singapore	87	2.9	9	Germany	81	1.2
10	France	83	2.7	10	Other Asia	64	0.9

**Source:** ITC calculations based on UN COMTRADE statistics

Figure 6: Myanmar's market reach of exports



Source: ITC's calculations based on Comtrade, HS2002 trade data.

The very high level of trade intensity with few partners suggests difficulties in diversifying trade relationships. Many of Myanmar's trade relationships have become more intense in the period between 2002-2004 and 2009-2011, as a result of sanctions. The concentration of export partners is unusually high for Myanmar. Myanmar ranks amongst the most highly concentrated exports (in terms of markets and number of products) in the ASEAN region<sup>12</sup>. Figure 6 provides a comparison in two points in time of the number of markets reached by each product. The number of markets reached is another measure of export diversification since it indicated how many markets are reached by a single product group. The horizontal axis presents the number of markets reached; whereas the vertical axis shows the value of the export flow (in logs). The red colour has been used for the products that are in the picture in 2002 but not in 2010, in other words, those products which have become extinct. Products which were not exported by Myanmar in 2002 but are now exported are coloured in green.

It appears that Myanmar's exports have managed to reach a larger number of markets over the last decade. Over the period of analysis, Myanmar has moved from a maximum number of destinations of 49 to 52. However, one also observes that there is a high mortality rate of export flows (those products which are now extinct) and high number of new products. This suggests high intermittency in the export relations, which could be a sign of poor quality. In other words, an explanation for this could be that exports are launched into new markets but rapidly ceased to be exported, which could be explained by problems linked to supply, quality, price or distribution relationships.

## TECHNOLOGICAL SOPHISTICATION

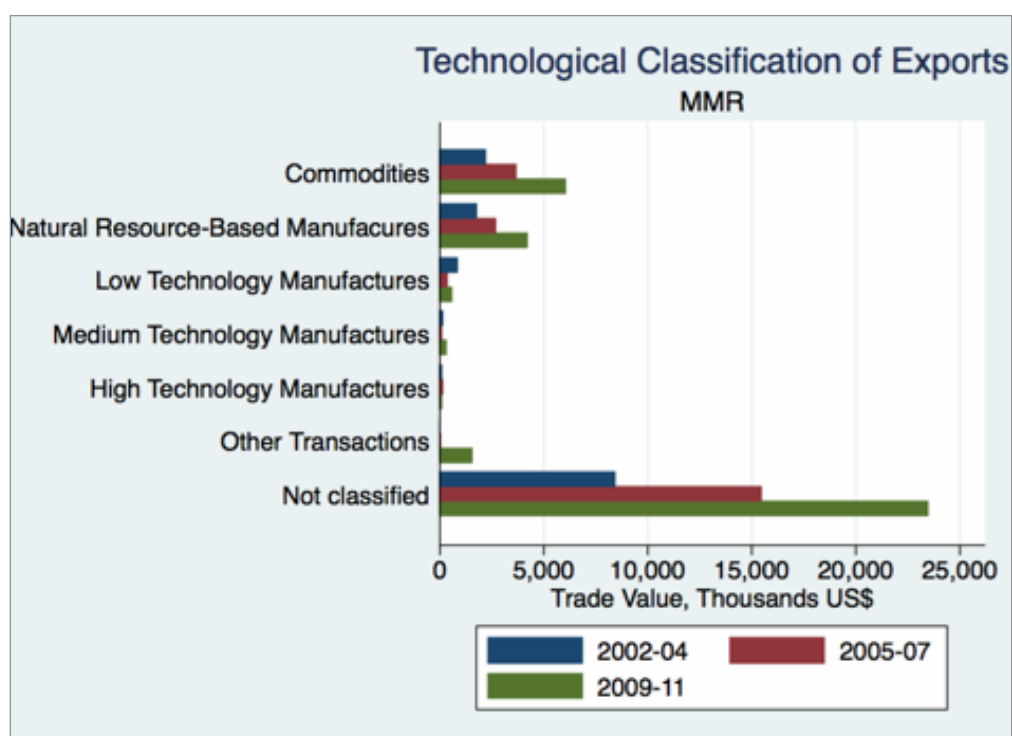
Myanmar's exports are concentrated in commodities and natural resource-based manufacturing. These product groups do not generally generate high knowledge spillovers or linkages to other production. There is a small amount of low technology manufactures which are also exported, but their trade value has significantly declined over the decade. Indeed, exports of low technology goods have almost completely disappeared from Myanmar's exports (see Figure 7). The greatest increase in value of exports has been in commodities and natural resource based exports (with no technology embodiment).

The low levels of technological embodiment in exports are a cause of concern since the exports of sophisticated products have been shown to be important to broad based economic development. The export basket has shown that with the exception of light manufacturing (garments), Myanmar does not export any large quantity of manufactured products.

Revealed Comparative Advantage (RCA) Myanmar's comparative advantage is concentrated in sectors with some potential for forward and backward linkages to the rest of the economy. As a consequence of these linkages to the rest of the economy, these growing export sectors could offer some scope to serve as engines of diversification and broader based growth. The computed RCA values demonstrate that Myanmar enjoys comparative specialization in agricultural products, wood products and clothing and footwear (see Figure 8).

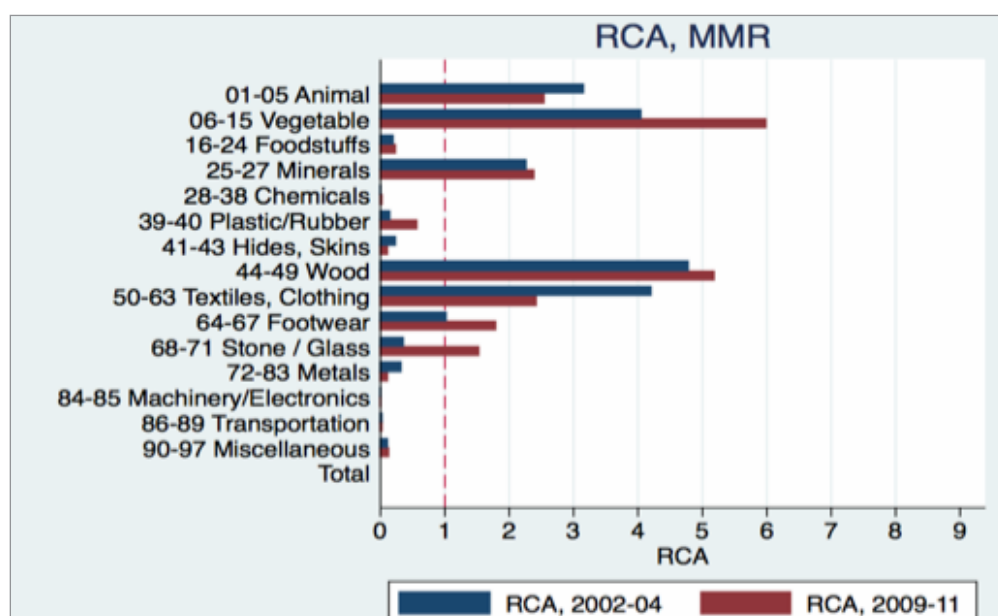
12. World Bank World Trade Indicators.

Figure 7: Technology Content of Myanmar Exports



Source: ITC's calculations based on Comtrade.

Figure 8: Normalized Comparative Advantage (RCA); averages 2002-04 and 2009-11



Source: ITC's calculations based on 6-Digit Comtrade, HS2002 trade data.

Myanmar's specialization may be considered promising because the capabilities developed in those sectors can be easily redeployed to other industries, fostering the process of economic diversification. Sectors with a more limited capacity to provide engines of diversification include minerals.

## SUSTAINABILITY OF EXPORT RELATIONSHIPS

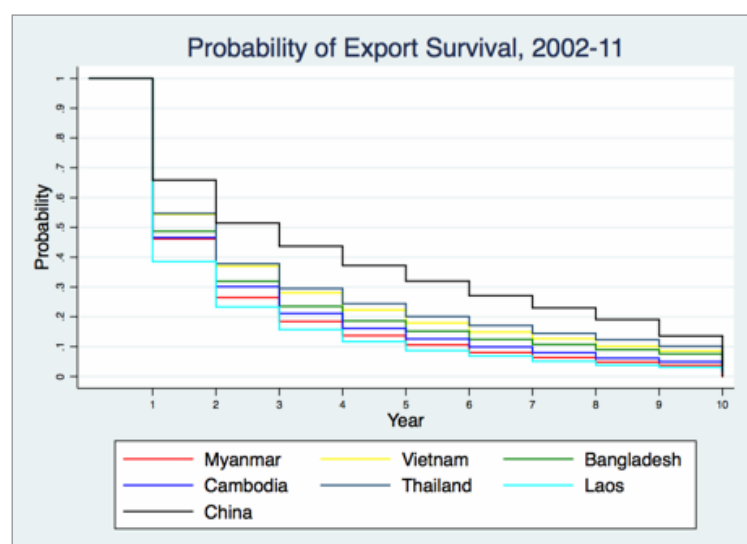
The survival rates of Myanmar exports and peer Asian countries at the HS2 six-digit level are assessed for the 10-year period from 2002 to 2011 in Figure 9. The chart (Kaplan-Meier survival function) shows that the probability of a country's export relationship to survive until the second, third, fourth, up to the tenth year. The probabilities (shown in the vertical axis) are calculated using six-digit disaggregated trade data. The years are presented on the horizontal axis.

A striking feature of the chart is that China is in a league of its own. In contrast, Myanmar's performance is very mediocre. The probability of an export relationship surviving

until the second year is 46 per cent, and maintaining a relationship for more than three years is less than 20 per cent (18%). For many of these pairs, trade takes place just once or for a single spurt of consecutive years.

Identifying patterns in the *death of exports* is important because attempts by developing countries to introduce new exports in new or incumbent markets are surrounded with challenges. These observations should raise questions surrounding the reasons why exports become extinct more frequently in Myanmar than every other market in the chart (with the exception of Laos). Exploring why countries succeed in penetrating foreign markets but fail to sustain those flows can help explain the varying export performance across countries. Empirical exercises with firm-level data could shed light on whether firm characteristics such as age, size, and type of ownership can influence export longevity. At a more aggregate level, Brenton, Pierola, and von Uexkull (2009) find that the size of the initial export flow explains subsequent duration of flows, as do search and information costs and exchange rate volatility. The doing business survey results of the World Bank and some firm level samples should be able to shed light on this.

Figure 9: Survivability of export relationships in selected Asian countries



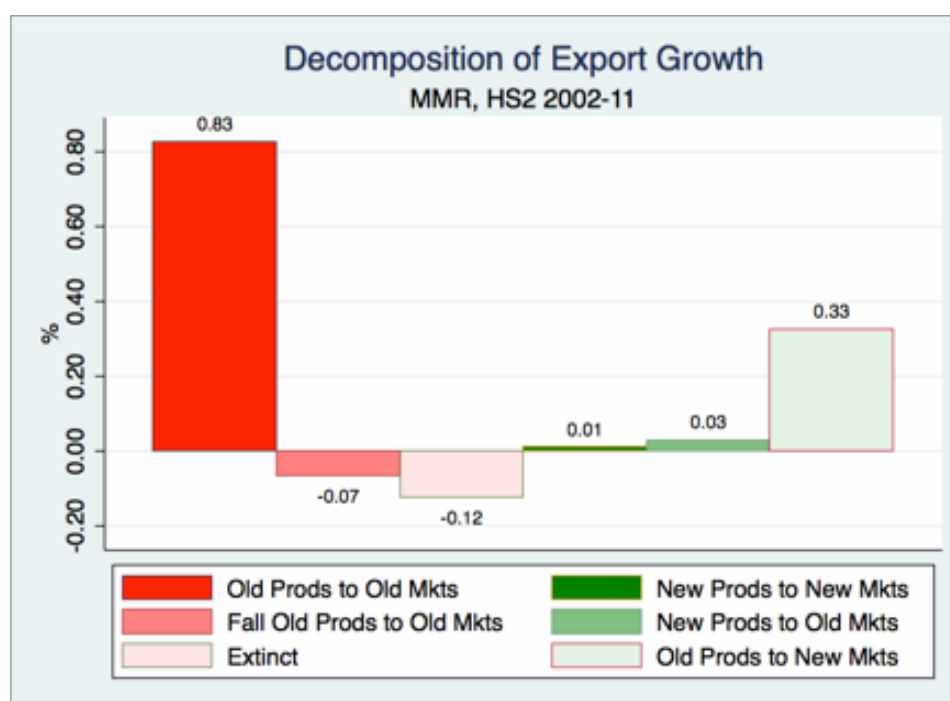
Probability of export survival for the ten highest ranking exported products

Year	Myanmar	Vietnam	China
0	1.00	1.00	1.00
1	0.46	0.54	0.66
2	0.26	0.37	0.51
3	0.18	0.28	0.44
4	0.14	0.22	0.37
5	0.11	0.18	0.32
6	0.08	0.15	0.27
7	0.06	0.13	0.23
8	0.05	0.10	0.19
9	0.04	0.09	0.14
10	0.00	0.03	0.00

Source: ITC's calculations based on Comtrade trade data.



Figure 10: Decomposition of Export Growth – Intensive and Extensive Margins, 2002-2011



Source: ITC's calculations based on Comtrade, HS2002 trade

## DECOMPOSITION OF EXPORT GROWTH

Identifying sources of growth, through the disaggregation of effects causing this growth, can help pinpoint whether Myanmar has benefited from tapping into new markets or consolidating existing ones.

According to a body of the empirical trade literature, export diversification has a strong, positive impact on economic growth. The decomposition of export growth indicates that Myanmar exporters have experienced great difficulty in diversifying their product base in new markets, and the growth is mainly driven by exporting traditional products to existing markets in larger quantities. Figure 10 shows the decomposition of export growth during the past decade. Export growth is decomposed between traditional products and markets (in red) and diversification into new products and markets (in green). 83% of the growth in exports is linked to exporting traditional products to traditional markets but on a more intensive scale (for example oil to Thailand or beans to India). 33% of growth arises from exporting the same products to new markets while a mere 1% of the growth is linked to exporting new products to new markets. Figure 10 also highlights where there has been a negative contribution to growth, which arises from a decline in exports of traditional products to traditional markets (7%) or goods which are no longer exported (12%).

## INTEGRATION IN GLOBAL PRODUCTION NETWORKS

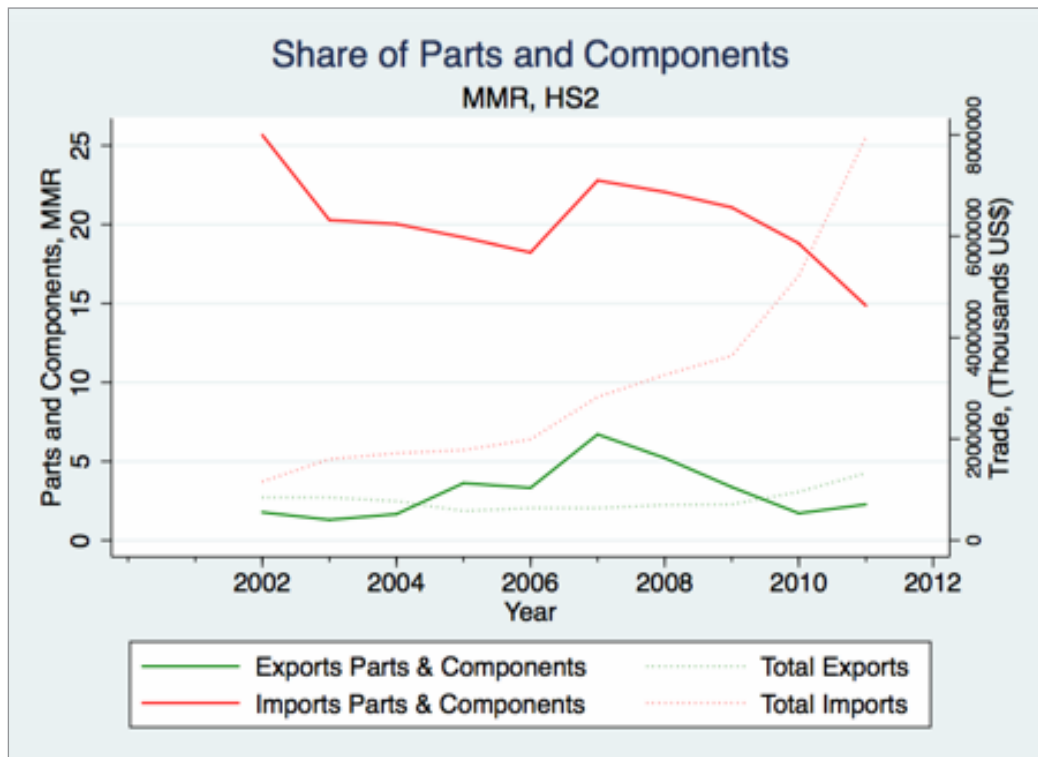
The share of imports of parts and components in Myanmar has been declining over the past ten years, and Myanmar's share of parts and components in global or regional supply chains have actually declined<sup>13</sup>. To explore the extent of Myanmar's participation in global production networks, it is useful to classify trade data into parts/components and final goods. Figure 11 shows the evolution of export and import of parts over time. As indicated, the share of parts and components in total manufactured exports for Myanmar declined quite significantly between 2002 and 2012<sup>14</sup>.

13. Analysing the share of parts and components in trade can be very informative when it is difficult to trace and assign value added to different phases of production. Rising imports of parts and components normally indicate a country's increased assembly activity, whereas a rise in their export suggests its growing importance in the global supply chain. See Tirole (2011).

14. The share of trade in parts and components is calculated by classifying the different Comtrade categories as either "final goods" or "parts/components". It should be noted that some imports of parts refer to parts used to repair appliances in Myanmar in contrast to being part of a regional manufacturing network. An exception to this concerns garments and textiles, where Myanmar is part of global manufacturing operations.



Figure 11: Share of Parts and Components



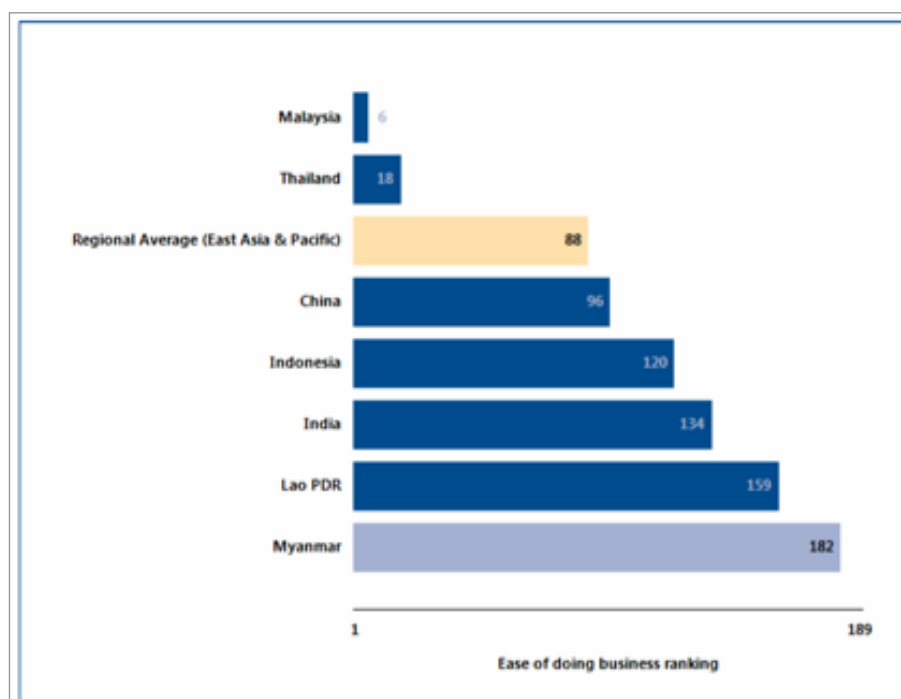
Source: ITC's calculations based on 6-Digit Comtrade, HS2002 trade data.

# BUSINESS AND INVESTMENT ENVIRONMENT

The quality of the business environment is a key determinant of export competitiveness and is assessed along various dimensions. According to the 2014 Myanmar Doing Business Survey Myanmar is ranked 182 out of 189 countries, far behind the East Asia & Pacific Regional Average (88), which shows an overall poor performance of the country's business environment relative to comparator economies and relative to the regional average (Figure 12).

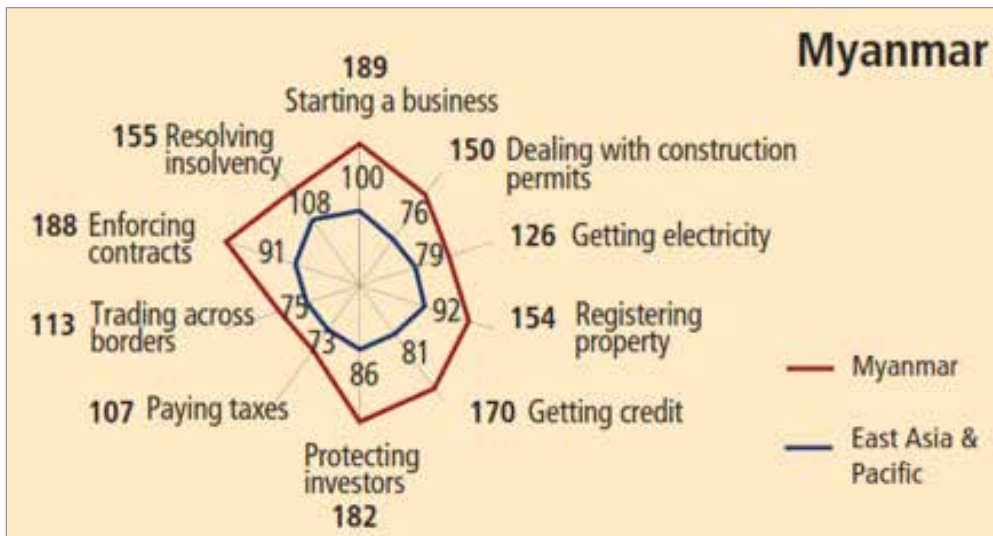
The economy's rankings on the topics included in the ease of doing business index provide another perspective and allow for a better understanding of the major constraints faced by the private sector. While the country's performances appear to be relatively low on all ten topics, several indicators show that urgent measures should be taken by policy makers to improve the ease of starting a business, enforce contracts, protect investors and facilitate the access to credit (Figure 13). Some of these indicators will be further investigated in this section.

**Figure 12:** How Myanmar ranks on the ease of doing business index



**Source:** Doing Business database

Figure 13: How Myanmar ranks on Doing Business topics



Source: Doing Business database

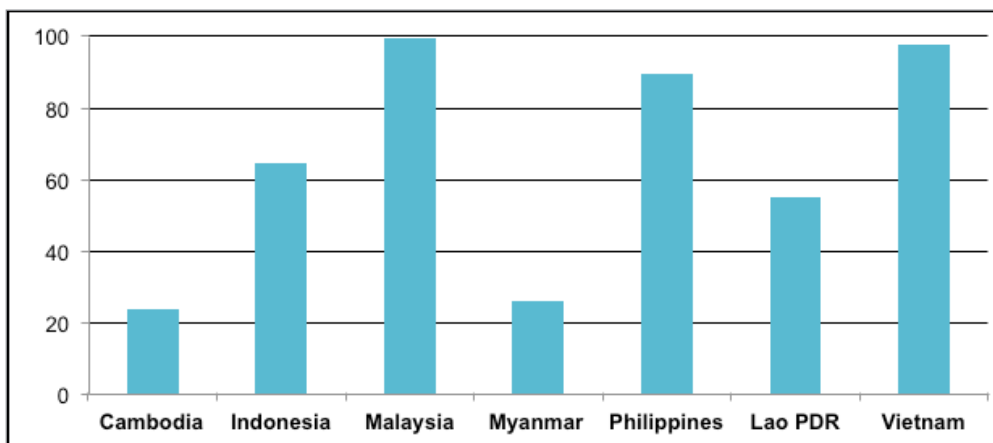
Note: numbers are economy and regional average rankings, with 1 denoting the highest ranking on a topic and 189 the lowest.

It should also be noted that there is a significant geographic concentration of firms in Myanmar. According to the list of active members of UMFCCI, in 2012, which contained just over 4,300 firms, 90% were located in Yangon, 4% were located in Mandalay and 6% in other locations. These figures relate to actual numbers and do not represent the value added of economic activity, which would likely increase the share for Mandalay quite significantly. Nevertheless, it indicates a strong agglomeration of activities in Mandalay (linked to trade with China) and in Yangon (linked to trade with the rest of the world).

## TRADE RELATED INFRASTRUCTURE

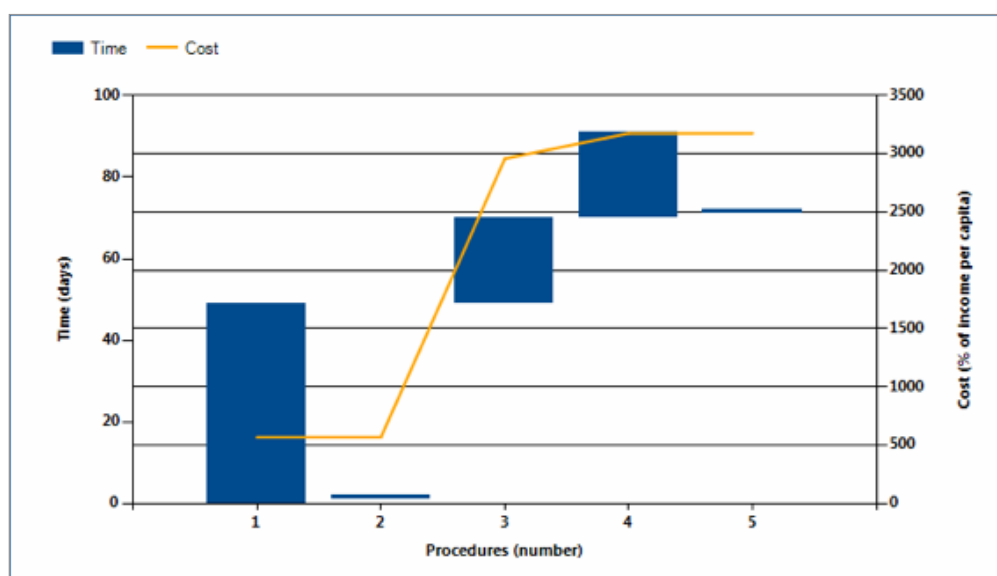
Access to reliable and affordable electricity is vital for businesses. In Myanmar, the limited level of electrification appears to be insufficient to support the economic activity as only about 26% of the population had access to electricity in 2011 with frequent power outages (Figure 14). In addition, the level of rural electrification where large proportion of production takes place is still limited with an average ratio of electrification of only 16%, while Yangon benefits from an average rate of 67% (ADB, 2011). Globally, Myanmar stands at 126 in the ranking of 189 economies on the ease of getting electricity, far behind the regional average (79).

Figure 14: Access to electricity (% of population) in 2009 (Myanmar: 2011)



Source: World Bank, World Development Indicators (2013)

Figure 15: What it takes to obtain an electricity connection in Myanmar



Source: Doing Business database

According to data collected by Doing Business, getting electricity in Myanmar requires 5 procedures, takes 91 days and costs 3175.5% of income per capita (Figure 15).

More generally, even though Myanmar enjoys vast energy resources, the existing energy facilities are isolated, unreliable and costly resulting in the country having one of the lowest domestic consumption rates of energy in the region. To counter weak electricity supply, many firms have to rely on self-supply, often at a prohibitively high cost (electricity from generators costs approximately ten times the rate which can be obtained from the national grid).

## ACCESS TO TELECOMMUNICATIONS

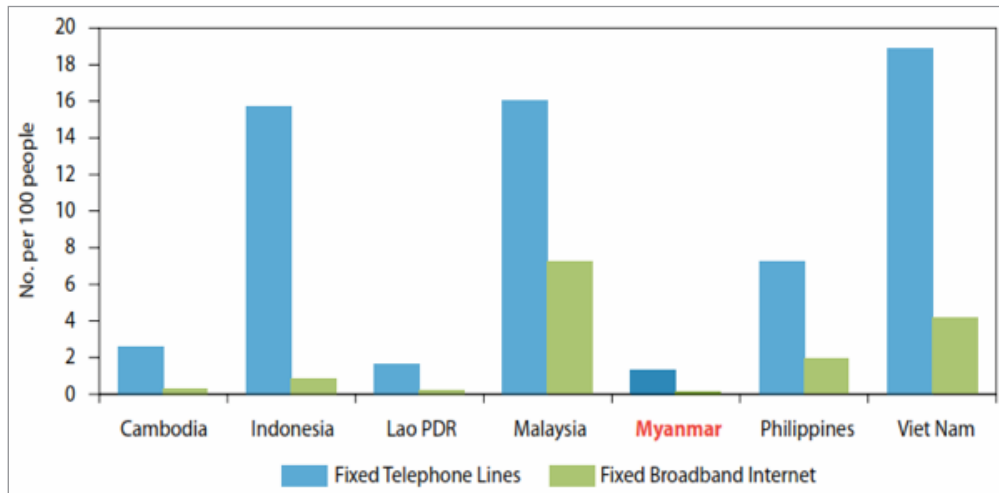
Similarly, the country suffers from weak telecom service, telecom infrastructure, and weak reliability of supply. Currently, the sole provider of basic telecommunication services is the state-owned Myanmar Posts and Telecommunication (MPT) and the main provider of internet services is a joint venture 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.<sup>15</sup>

A direct consequence is that, in Myanmar, teledensity (both fixed and mobile) and internet access are among the lowest in the region: for every 100 people in the country, only 1.26 has access to fixed telephone lines and 0.03 has broadband internet subscriptions (Figure 16). The World Bank also reported that, on average over the period 2006-2009, only 10% of the population was covered by a mobile cellular network, compared to 62.1% in the East Asia-Pacific Region. Over the same period, Internet users represented only 0.08% of the population (10.6% regionally).

Since reforms began, telecom penetration has improved but remains very low. The Ministry of Communication and Information Technology is offering two licenses to boost telecom coverage to as much as 80% of the country by 2016. In January 2013, Myanmar had 5.44 million mobile-phone subscribers (equivalent to a 9% penetration rate, compared with 70% in Cambodia, 87% in Laos and more than 100% in Thailand). The Ministry stated that Myanmar's fixed-line penetration rate is around 1% in 2013.

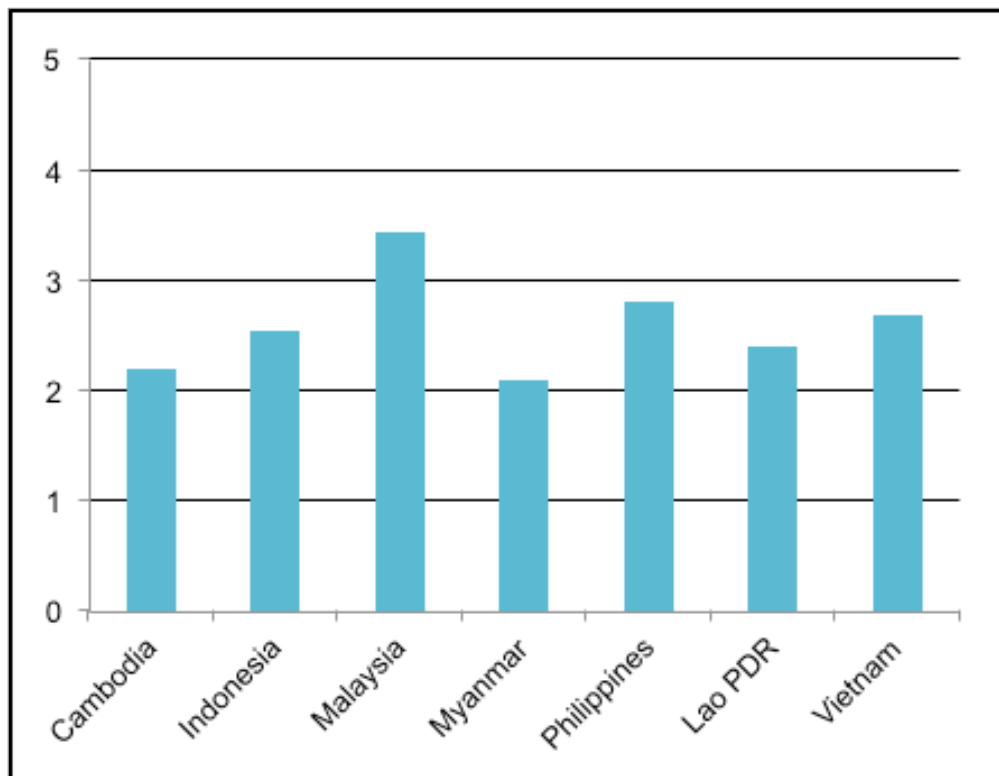
15. WTO (2014), Trade Policy Review: Myanmar

Figure 16: Communications Indicators



Source: World Bank, World Development Indicators (2013)

Figure 17: Quality of trade and transport-related infrastructure (1=low to 5=high)



Source: World Bank, World Development Indicators (2013)

## TRANSPORT INFRASTRUCTURE

The transport infrastructure (road, air, water) is largely inadequate and considerably underdeveloped, hampering the movement of goods and people and constraining economic activity. A recent report published by the Asian Development Bank<sup>16</sup> identified the main constraints that Myanmar has to surmount including the transport infrastructure. Some of the results of this report have been used to compile this section.

Currently, most shipments to/from exit Myanmar are shipments by sea. However, because of past sanctions and absence of adequate infrastructures, there is no Main Line Operators calling in Myanmar resulting in all the shipments Myanmar transiting in either Singapore or Port Kelang. To date, there is no deep sea port which uses feeder vessels, preventing Myanmar to benefit from a more effective use of coastal shipping. In this regard, the construction of the Dawei deep-sea port in Myanmar's Tanintharyi region, when completed, is expected to help connect Myanmar to international shipping routes. Inland waterways transportation also appears to be largely underdeveloped as there is no proper terminal to handle containers for intermodal transportation<sup>17</sup>. The 5,000 km of inland navigable waterways also needs to be modernised as most of the vessels in circulation are old and river ports underdeveloped.

Road and rail logistics also need to be upgraded. Roads are the dominant transport subsector in Myanmar despite the weakness of road access across the country. The country has a total road network of about 130,000 km with a low road density of 2 km per 1,000 people compared with about 11 km for South-East Asian countries. In addition, only 20% of the roads are paved to all-weather standard making it difficult to circulate across the country, even if substantial efforts for improvement have been made. The ADB report also indicates that while Indonesia and Thailand have about 250 and 370 motor vehicles per 1,000 people respectively, Myanmar has just 18. The rail transportation is also limited with a railway network in a very poor condition despite its expansion from about 2,000 miles in 1988 to about 3,500 miles in 2010.

Finally, despite the rapid growth of the demand for air transport services in Myanmar in recent years, the country faces challenges expanding capacity to meet increased demand. To date, Myanmar's civil aviation only consists of three international airports at Yangon, Mandalay, and Nay Pyi Taw plus over 70 local airports. Domestic air services are provided by Myanmar Airways, a state enterprise, with aircrafts that are, most of the time, very old by aircraft standards.

16. Asian Development Bank – 'Myanmar in Transition, Opportunities and Challenges', August 2012

17. Myanmar International Forwarders' Association (MIFFA)

## TRADE FACILITATION

The Logistics Performance Index (LPI)<sup>18</sup> 2014 confirms the very poor performance of logistics in Myanmar (the country was ranked 145th with an overall LPI score of 2.25). As illustrated in Figure 18, for each of the six dimensions specified in the LPI<sup>19</sup>, Myanmar presents scores that are largely inferior to the East Asia & Pacific average and even below the low income countries average, with the exception of the timeliness dimension. This poor overall logistics performance translates into relatively high trade costs and unpredictable delays hence representing a significant obstacle to Myanmar benefitting from its trade potential.

In addition, uncertainty in customs decision-making, informal costs (including corruption), and backlog in transshipment ports (Singapore and Port Klang), among others, also hinder trade facilitation.

According to data collected by Doing Business, sending a container abroad from Myanmar requires 9 documents, takes 25 days and costs US\$670, which is lower than the East Asia & Pacific Regional average (US\$856).

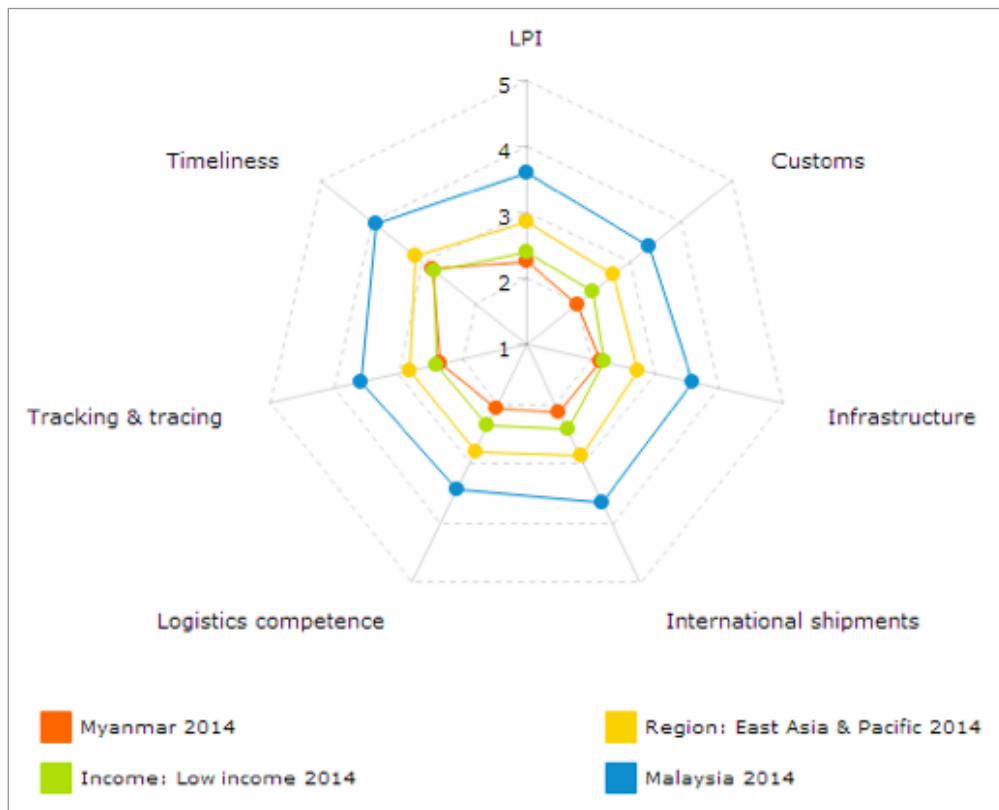
Finally, the UNCTAD Liner Shipping Connectivity Index (LSCI), which provides a measure of an economy's level of integration into the existing global liner shipping network<sup>20</sup>, indicates that Myanmar's maritime connectivity has been relatively poor on average compared to other ASEAN economies (Figure 19). The lack of connectivity limits Myanmar's access to markets and freedom to trade across borders.

18. Based on a survey of operators, such as global freight forwarders and express carriers, the World Bank Logistics Performance Index measures the logistics "friendliness" of 155 countries.

19. The six variables specified in the LPI are: (i) efficiency of the clearance process, (ii) quality of trade and transport related infrastructure, (iii) ease of arranging competitively priced shipments, (iv) competence and quality of logistics services, (v) ability to track and trace consignments, and (vi) timeliness of shipments.

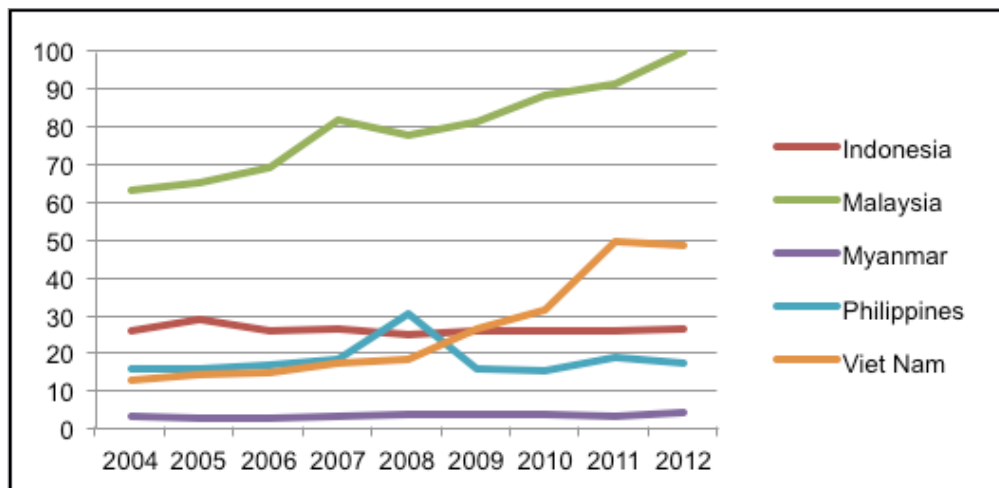
20. The LSCI is an index for efficiency in shipping which combines components: a) number of ships; (b) the container carrying capacity in 20-foot equivalent units (TEUs) of those ships; (c) the number of companies; (d) the number of services; and (e) the maximum ship size, always referring to ships that are deployed to provide liner shipping services to an economy's port(s). The score ranges from 0 to 100.

Figure 18: LPI and LPI's six dimensions scores (2014)



Source: World Bank – Logistics Performance Index (2014)

Figure 19: Liner Shipping Connectivity Index, annual, 2004-2012



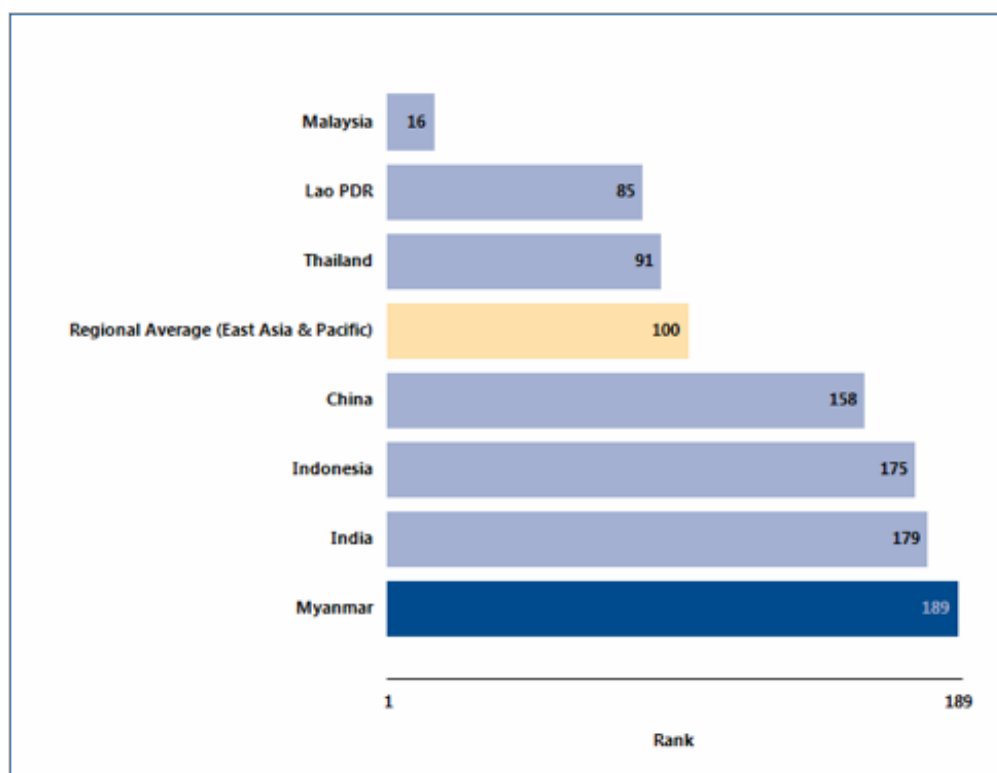
Source: UNCTAD, UNCTAD stat



**Table 3:** Top 5 Individual Business Environment Obstacle Scores

Rank	Business Environment Obstacle	Average Score
1	Electricity	2.05
2	Political Instability	1.75
3	Corruption	1.65
4	Foreign Sanctions	1.54
5	Skills of Workforce	1.46

**Source:** Jared Bissinger, 'Firm Perceptions of Myanmar's Business Climate: Electricity and the Quick Win of Progressive Power Pricing', 2012

**Figure 20:** How Myanmar and comparator economies rank on the ease of starting a business

**Source:** Doing Business database

## REGULATORY ENVIRONMENT

Regulations, administrative procedures and documentation requirements represent an important element of the business environment as they govern how business is done in the country. A review of regulatory environment is consequently necessary to increase efficiency and remove hurdles that discourage private investments.

One small sample sized survey of 150 firms was conducted for Myanmar through AUSAID funding<sup>21</sup>, and included questions related to a firm's perception obstacles to doing business effectively and problems linked to competitiveness. According to the survey, the top five obstacles in the business environment were electricity, political instability,

21. Jared Bissinger, 'Firm Perceptions of Myanmar's Business Climate: Electricity and the Quick Win of Progressive Power Pricing', 2012

corruption, foreign sanctions and skills of the workforce (see Table 3). The scale ran from 0 to 4, with 0 being “no obstacle” and 4 being “very severe obstacle.”

High transaction costs due to the complexity of national administrative procedures, inspection charges, insurance premiums and the licensing system represent significant costs for companies. Increasing cost of real estate as well as high telecoms and Internet costs also affect competitiveness.

The indicators presented below illustrate some of the difficulties related to the regulatory environment faced by the private sector entities in Myanmar.

## STARTING A BUSINESS

According to data collected by *Doing Business*, the situation of the country is alarming as Myanmar stands at the last position in the ranking of 189 economies on the ease of starting a business. It requires 11 procedures, takes 72 days, costs 176.7% of income per capita and requires paid-in minimum capital of 7016.0% of income per capita to start a business in the country. In Myanmar, the registration fees costs 1 million MMK plus an additional 200,000 MMK stamp duties for the permanent incorporation certificate and it takes, on average, two months to obtain the permanent incorporation certificate from the Company Registration Office. The rankings for comparator economies and the regional average ranking provide other useful information for assessing how difficult it is for an entrepreneur in Myanmar to start a business (Figure 20).

Myanmar has not taken significant steps to make it easier to start a business yet. Streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements could represent potential solutions to so.

## REGISTERING PROPERTY

Ensuring formal property rights is fundamental for businesses and effective administration of land is part of that. Ensuring that property is adequately administered with reasonable property transfer costs is indeed crucial to prevent titles from going informal.

To date, it is extremely complicated for an entrepreneur in Myanmar to transfer property. According to data collected by *Doing Business*, registering property there requires 6 procedures, takes 113 days and costs 7.2% of the property value. Globally, Myanmar stands at 154 in the ranking of 189 economies on the ease of registering property

with a regional average for the East Asia & Pacific region standing at 92.

To date, no property registration reforms have been undertaken in Myanmar and efforts have to be made to make it easier for entrepreneurs to register and transfer property. Computerising land registries, introducing time limits for procedures and setting low fixed fees could be envisaged.

## PROTECTING INVESTORS

While attracting FDI is widely recognised as a one the crucial need to develop Myanmar’s trade performance and competitiveness, this can only be achieved if the necessary protection is guaranteed for investors. Protecting investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete.

Based on three dimensions of investor protections (i.e. (i) transparency of related-party transactions, (ii) liability for self-dealing and (iii) minority shareholders’ access to evidence before and during trial), the Myanmar *Doing Business Survey 2014* measured the strength of minority shareholder protections against directors’ use of corporate assets for personal gain - or self-dealing.

The alarming results indicate that globally, Myanmar stands at 182nd in the ranking of 189 economies on the strength of investor protection index with a score of 2.3 on a scale of one to ten, where the higher score indicating stronger protections.

This low score indicates that Myanmar’s regulations offer extremely weak investor protections against self-dealing in the areas measured. Investors may consequently be reluctant to provide funding to companies through the purchase of shares unless they become the controlling shareholders. Urgent regulations are needed to establish the right conditions to attract private investment.

## ENFORCING CONTRACTS

The efficiency of dispute resolution in commercial courts in Myanmar is an essential indicator for entrepreneurs as Courts supposedly interpret the rules of the market and protect economic rights. In Myanmar, however, effective commercial dispute resolution is lacking as demonstrated by the data collected by *Doing Business*. According to the survey, contract enforcement takes 1160 days, costs 51.5% of the value of the claim and requires 45 procedures in Myanmar (Table 4), making the country the second lowest globally on the ease of enforcing contracts (Myanmar stands at 188 in the ranking of 189 economies).

**Table 4:** Summary of procedures, time and cost for enforcing a contract in Myanmar

Indicator	Myanmar	East Asia & Pacific average
<b>Time (days)</b>	<b>1,160</b>	<b>551</b>
<b>Filing and service</b>	65	
<b>Trial and judgment</b>	815	
<b>Enforcement of judgment</b>	280	
<b>Cost (% of claim)</b>	<b>51.5</b>	<b>48.7</b>
<b>Attorney cost (% of claim)</b>	47.0	
<b>Court cost (% of claim)</b>	2.5	
<b>Enforcement Cost (% of claim)</b>	2.0	
<b>Procedures (number)</b>	<b>45</b>	<b>37</b>

Source: Doing Business database

To date, businesses cannot rely on the courts for commercial disputes. In addition, the time needed for contract enforcement (1160 days) is prohibitive for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

Policy makers in Myanmar have to take urgent measures to establish effective commercial dispute resolution as efficient and transparent courts would encourage new business relationships. Speedy trials are also needed.

## PAYING TAXES

Globally, Myanmar stands at 107 in the Doing Business ranking of 189 economies on the ease of paying taxes, which is inferior to the Regional average for the East Asia & Pacific region but outperforming Lao PDR (119) and Indonesia (137). In Myanmar, according to Doing Business data<sup>22</sup>, on average, firms make 31 tax payments a year, spend 155 hours a year filing, preparing and paying taxes and pay total taxes amounting to 48.9% of profit. Consequently, the level of tax rates needs to be carefully reviewed and needless complexity in tax rules dramatically reduced in order to prevent businesses sliding into the informal sector, where businesses pay no taxes at all.

22. Using a case scenario, Doing Business measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions.

## LEGAL FRAMEWORK

Inappropriate or unfair competitive practices and behaviour of businesses, which affect trade and international competition, can be controlled by anti-trust policy. There is no competition law in Myanmar as it is only at the stage of a draft bill. A consumer protection bill has been drafted under the leadership of the Ministry of Commerce but the legislation has yet to be enacted. Its provisions include matters related to foodstuff as well as other things such as refrigerators and cars.

On January 31, 2013, the Ministry of National Planning and Economic Development (MNPED) released the new Implementing Regulations for the Myanmar Foreign Investment Law, which repeals the previous 1988 Law on foreign investment. The new legislation, sets out incentives for FDI, land-use terms and legal structures to address concerns expressed by foreign investors, which may, for instance, be granted up to five years of tax holiday with possible extension.

The development of SEZs would also help improve Myanmar's business environment as they will have better infrastructure, utility provisions, tax incentives and eventually simplified customs procedures are likely to influence some geographic transformation in Myanmar. New SEZ laws have been passed in this regard but the SEZs are not yet operational.

## FINANCIAL SECTOR

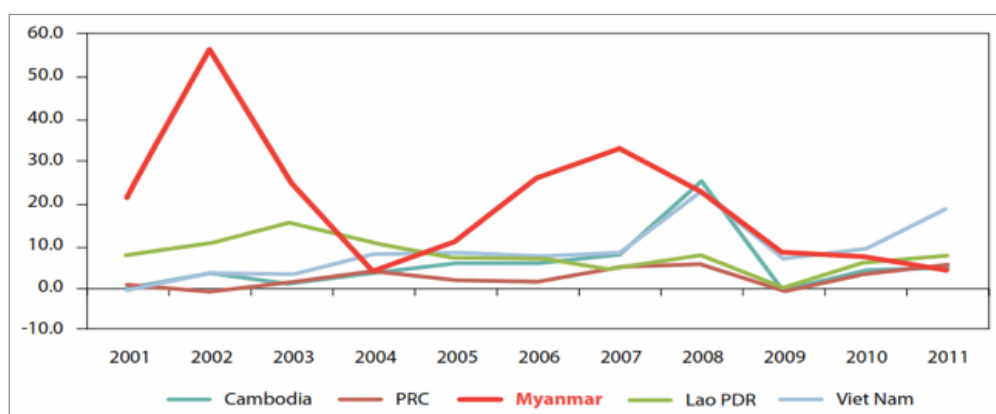
The financial sector remains largely underdeveloped, hampering effective mobilisation of domestic savings for investment. Access to finance in Myanmar is limited with a number of commercial bank branches per 100,000 adults of only 1.69 in 2011. In comparison, the ratio was 4.33 in Cambodia, 8.07 in the Philippines, 11.29 in Thailand, and 3.63 in Viet Nam (IMF–FAS 2013). Rural areas are particularly isolated in this regard.

Inflation stood at 4.2% for 2011 and is expected to rise to 6.2% in 2012. These figures however hide the fact that the

inflation rate was historically high and variable in Myanmar during the last decade with the price level nearly quadrupling between 2001 and 2007 at an average annual inflation rate of 25.3% (ADB, 2012) creating a highly uncertain and risky environment for investments. These fluctuations are shown in Figure 21.

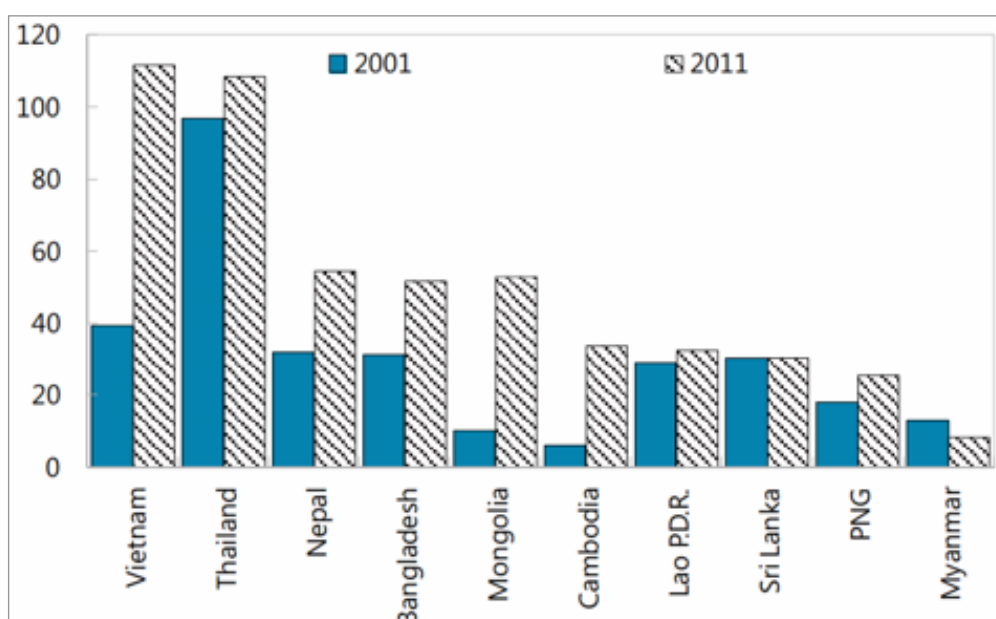
The level of financial intermediation is also low (see Figure 22) compared to Myanmar's peers. This matters because capital is required to invest in technology/equipment to become competitive. Inventories are needed to be able to ensure delivery, and access to trade finance is a vital part of increasing exports.

Figure 21: Inflation rates, 1998-2011 (consumer prices)



Source: Asian Development Bank – 'Myanmar in Transition, Opportunities and Challenges', August 2012

Figure 22: Credit to the Economy (in percent of GDP)



Source: IMF (2013) Myanmar Country Report, January

World Bank's *Myanmar Doing Business Survey 2014*<sup>23</sup> also provides us with valuable information on the country's situation regarding access to credit.

The alarming results of the survey indicate that the economy has a score of 0 on the depth of credit information index (0-6) and a score of 4 on the strength of legal rights index (0-10), where higher scores indicate more credit information and stronger legal rights for borrowers and lenders (Figure 23). Clearly, regulations and institutions in Myanmar do not support lending and borrowing hence severely hampering the economic development of the country.

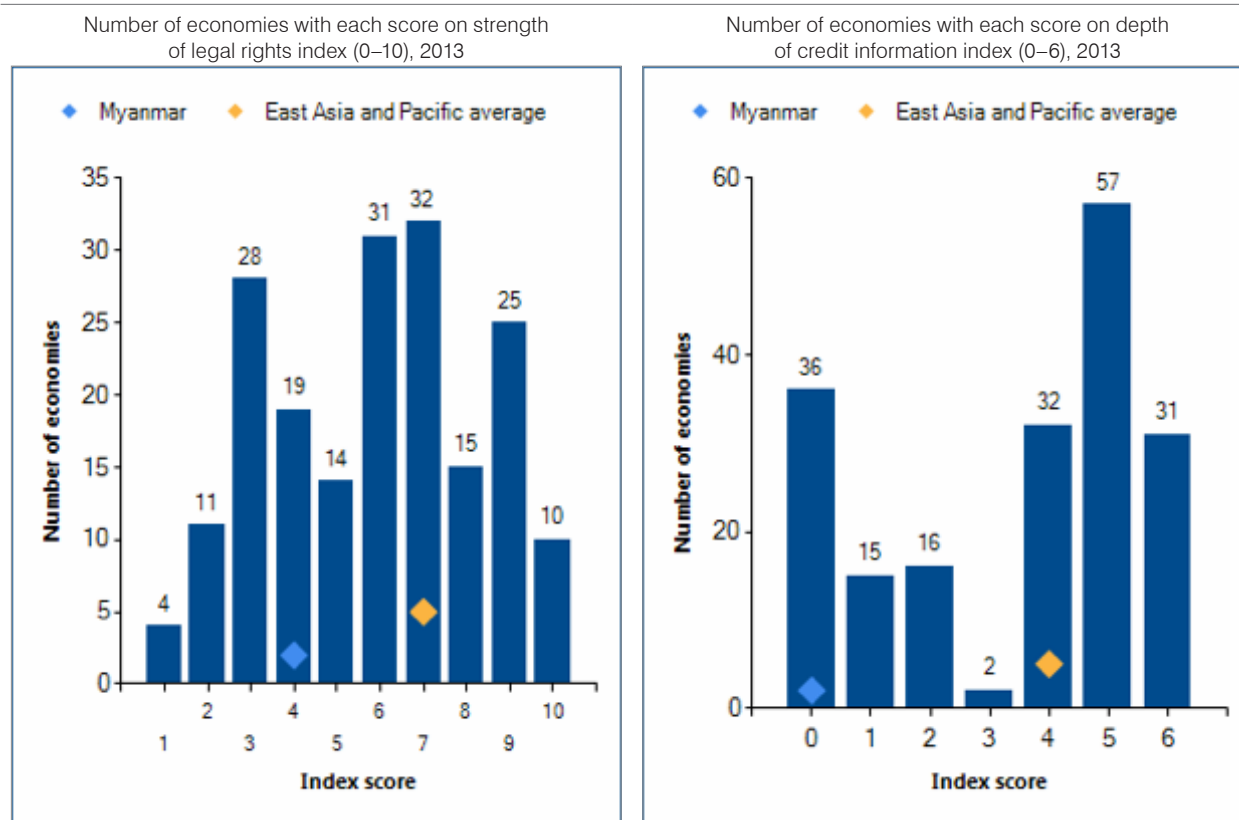
23. The survey identifies two types of frameworks can facilitate access to credit and improve its allocation: 1) credit information systems and borrowers and lenders in collateral and 2) bankruptcy laws (Myanmar Doing Business Survey 2014). Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators: the depth of credit information index and the strength of legal rights index.

The rankings for comparator economies and the regional average ranking also demonstrate the poor performance of the country, Myanmar standing at 170 in the ranking of 189 economies on the ease of getting credit with a Regional average standing at 81 and Malaysia ranking 1.

Improvements have however been made within the financial system. In 2012, the Central Bank of Myanmar replaced a pegged exchange rate with a managed floating exchange rate for the national currency. It is now expected that multiple exchange rates of its national currency, which have been an important obstacle to international trade and foreign direct investment for more than 50 years, will finally be solved<sup>24</sup>. Moreover, Myanmar's current low rates of inflation are expected to promote stability and reduce risks.

24. UN/ESCAP, "Myanmar: Opening up to its Trade and Foreign Direct Investment potential" (2012)

Figure 23: Strength of legal rights index & depth of credit information index



Source: Doing Business database

## FOREIGN DIRECT INVESTMENT

From 1988, when Myanmar's first Foreign Investment Law was passed, until 2006, annual FDI inflows grew at a slow pace but followed a general upward trend, as shown in Figure 24. FDI flows peaked at around \$900 million in 1997, just as U.S. sanctions were heightened. For the following decade, sanctions depressed the inflow of foreign investment, and annual inflows remained in the range of \$200-\$300 million per year. However, a new and unprecedented boom, which continues today, began in 2007, with annual FDI inflows exceeding \$2 billion by 2012.

The large majority of this investment has been in power generation, which accounted for nearly half of all FDI (47 percent), followed by extractive sectors (41 percent), as shown in Figure 25. Relatively little has been directed to the productive and agricultural sectors. Although absolute flows remain significant in the extractive and energy sectors, the number of projects approved is high in the manufacturing sector.

According to the MNPED, around half of the FDI projects approved in FY2013 were in the manufacturing sector,

with most of those in the textile and clothing sector.<sup>25</sup> According to the latest available data in Figure 25, tourism has attracted \$1.8 billion since 1988. However, during the same period only \$569 million was drawn to the total of sectors of agriculture, fisheries, and livestock. Although data specific to wood products is not available, anecdotal evidence suggests very low FDI inflows. This is consistent with the low number of FDI projects in this sector worldwide and the fact that FDI is restricted to various levels of minority shareholding in wood production and processing.

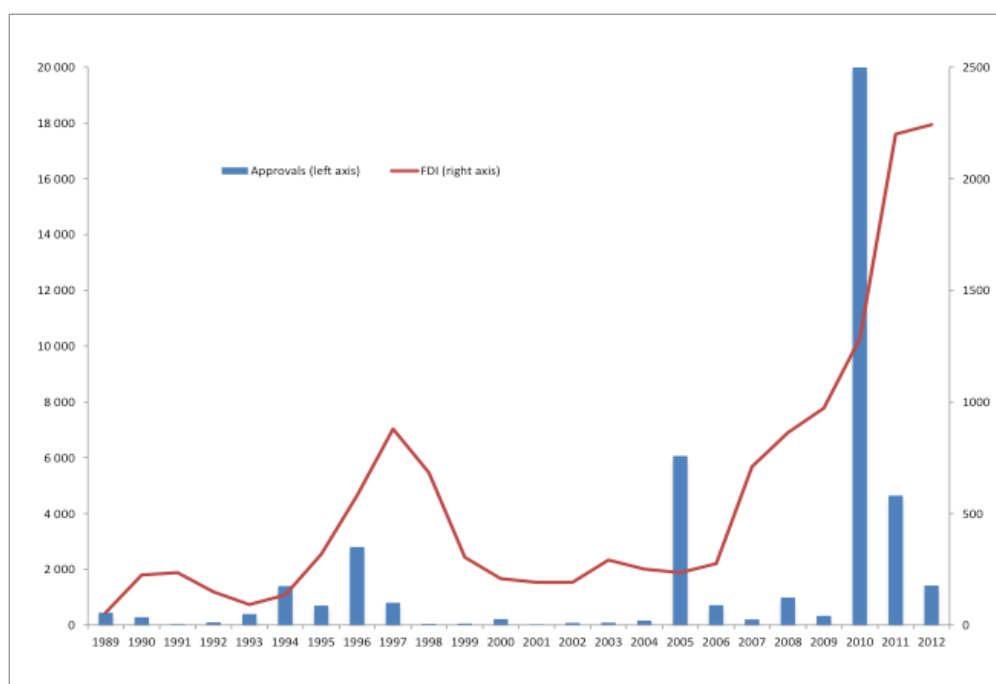
By value of approved investments, China is Myanmar's largest foreign investor. Its \$14.2 billion in approved projects accounts for 31 percent of Myanmar's cumulative approved FDI. This is mostly due to China's participation in large projects for power generation and resource extraction. For example, the Myitsone hydroelectric dam project alone is valued at \$3.6 billion.<sup>26</sup>

By number of projects, however, which indicates a breadth of interest within each country's business community, eight countries stand out among a total of 33 FDI sources. They are the "first-tier" FDI sources shown in Table 5.

25. (Reuters, 2013)

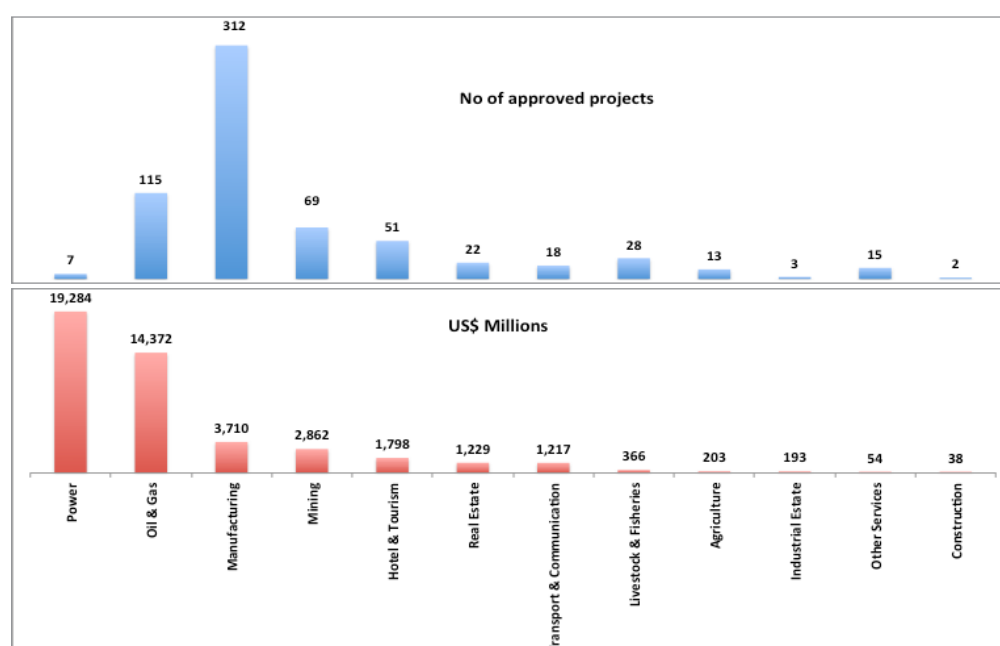
26. (Kha, 2013)

Figure 24: Historical FDI inflows to Myanmar—Approved and Implemented



**Note:** Left hand axis in number of projects; right-hand axis in US\$ millions

**Source:** OECD Investment Policy Review

**Figure 25:** Cumulative approved investment in Myanmar, as of 31 January 2014, by sector (US\$ million)

Source: Department of Investment and Company Administration, Myanmar

**Table 5:** First-tier and second-tier FDI source countries for Myanmar, by number of projects

Source country	Number of projects	Total value (US\$ million)
<b>First-tier</b>		
Singapore	103	3,802
Republic of Korea	86	3,047
Thailand	70	9,995
Hong Kong, China	68	6,477
British overseas territories	67	3,149
China	56	14,228
Malaysia	46	1,626
Japan	43	321
<b>Second-tier</b>		
Canada	16	42
United States	15	244
Australia	15	100
India	12	300
Indonesia	12	241
Vietnam	7	513
Netherlands	7	249

Source: DICA

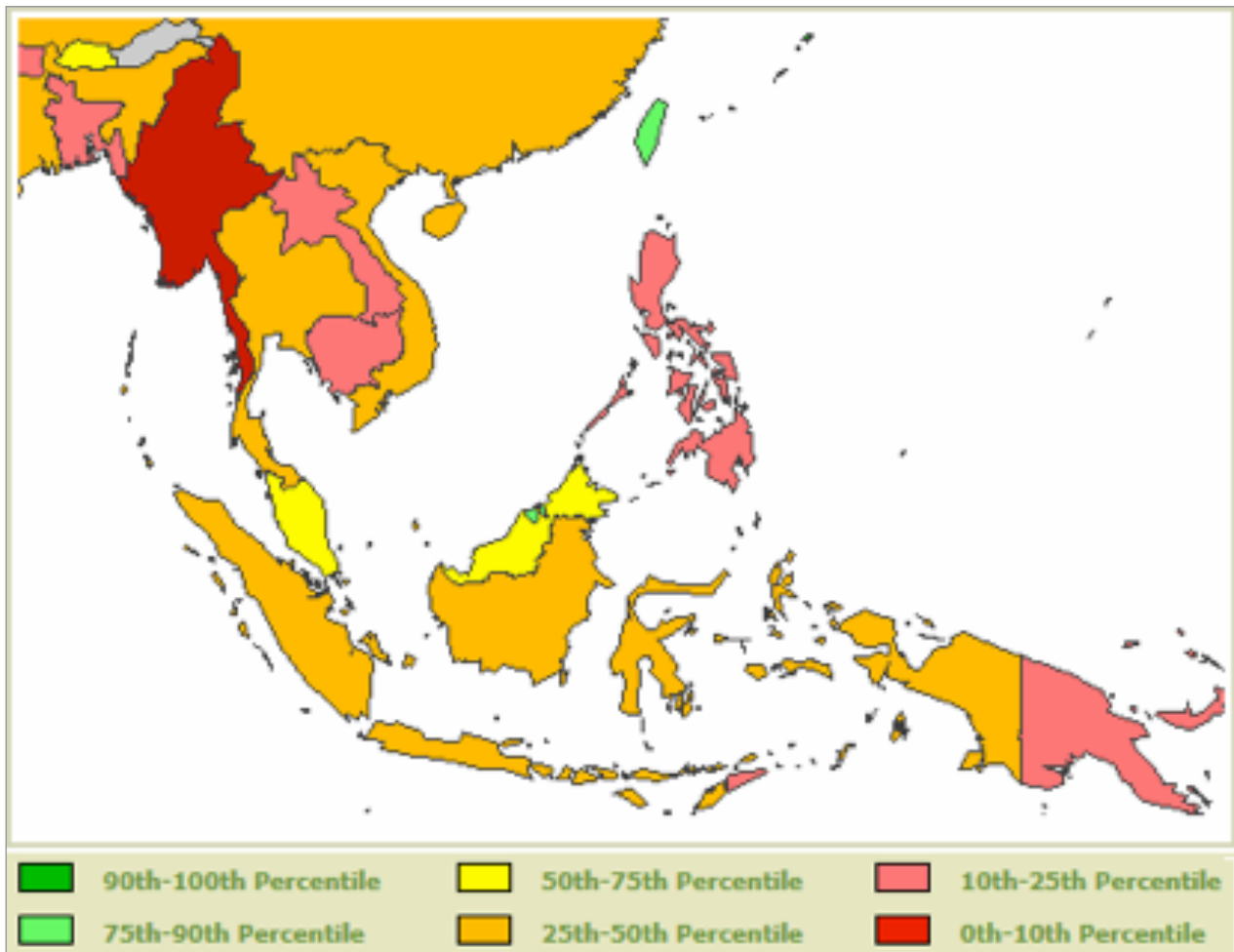
The Republic of Korea and, to a lesser extent Japan and China, are the major sources of investment in the garment sector.<sup>27</sup> Major foreign investors in Myanmar's tourism sector include the world's major hoteliers, including Hilton International, Marriott International and Best

27. NES sector team for textiles and garments

Western (US), Accor (France), Hoang Anh Gia and CT Group (Viet Nam).<sup>28</sup> Such companies are good targets for reinvestment, especially considering the rapid expansion that is already underway in these sectors.

28. (Organisation for Economic Co-operation and Development, 2014)

Figure 26: Control of corruption (2011)



Source: Worldwide Governance Indicators (2013)



## QUALITY OF INSTITUTIONS

As shown in Figure 26, the control of corruption remains a major concern in Myanmar. It should also be noted that on Transparency International's Corruption Perceptions Index 2012, Myanmar ranked fifth last (172 out of 176) and on the Heritage Foundation's 2013 index of economic freedom, Myanmar was ranked 172 out of 177 countries.

If the new political context seems likely to progressively bring more stability in Myanmar, World Governance Indicators (WGI) 1996-2011<sup>29</sup> reveal insufficient levels of governance in the country necessary to build confidence and attract FDI.

29. WGI project reports aggregate and individual governance indicators over the period 1996-2011, for six dimensions of governance, covering i) Voice and accountability, ii) Political Stability and Absence of Violence, iii) Government Effectiveness, iv) Regulatory Quality, v) Rule of Law, and vi) Control of Corruption.

## MYANMAR'S TRADE SUPPORT NETWORK (TSN)

### RELEVANCE OF TRADE SUPPORT NETWORK IN NES

In the context of promoting exports, Trade Support Institutions (TSIs) play a vital role. They provide essential intelligence about trade development, support enterprises by providing trainings, tools and assistance, and represent the interests of the business community for introducing business friendly policies. TSIs are among the principal contributors to export development and are ultimately responsible for the implementation of the NES. They are therefore engaged throughout the design process.

### Box 1: ITC Survey of TSIs in Myanmar

As part of the NES inception phase, a mapping and analysis of the trade support network was completed to better assess the capacity of TSIs and the TSN to actively support export development.

A TSI survey was completed in April 2013 by 42 institutions (see categories surveyed in Box 2) to collect information about their mission, mandate, strategic objectives, as well as a SWOT analysis. Each institution completed a checklist of the trade and export related services they provide with a view to define the services Myanmar's TSIs provide to the export sector. Results of the analyses will guide the key strategic planning aspects of the NES.

### Box 2: Categories of TSIs surveyed

**Policy Support Network**-These institutions represent ministries and authorities responsible for influencing or implementing policies in the country, such as ministries.

**Trade Services Network**-These institutions or agencies provide a wide range of trade related services to both government and enterprises, such as Trade Promotion Organizations, Chambers of Commerce, Trade Associations, Sector Associations, National Standards Organizations, Vocational Training Centres, Free Trade Zones, Development Banks, Export/Import Banks, etc.

**Business Services Network**-These are associations, or major representatives, of commercial services providers used by exporters to effect international trade transactions, such as association of commercial banks, insurance companies, freight forwarders, transport providers, commercial information or packaging providers.

**Civil Society Network**-These institutions are not explicitly engaged in trade related activities. They often represent the interests that have a bearing on the country's export potential and socio-economic development. Examples of such institutions include: the media, academia, labour and employers' unions, women's organizations, environmental groups, and various NGOs.



The Trade Support Network (TSN) is the aggregate institutional framework in the country, and is comprised of the individual TSIs. The TSN brings together all those institutions that have bearing on export development. Effective export development can in part be attributed to coordination and efficiency of the TSN in covering and responding to the needs of exporters.

Based on the results of the surveys, 45% of TSIs perceive themselves as policy institutions. This would suggest that they are public sector in kind and influence and implement policies. The fact that there is a relatively limited number of institutions which consider themselves trade support institutions, indicates a gap in services provision.

The majority of the TSIs surveyed focus their work for the services and manufacturing sectors (see Figure 30). Over 60% of TSI which are policy support orientated support service sectors (including tourism).

The vast majority of the funding for trade institutions is public (see Figure 28). Even in business service providers, half of funds originate from the public sector. Policy institutions allocate the largest share of budget to operational costs, although all service providers have a large proportion of their running costs linked to operational costs. Functional costs account for a mere 22% of policy support institutions costs.

Figure 27: Numbers of TSIs by service area and sector

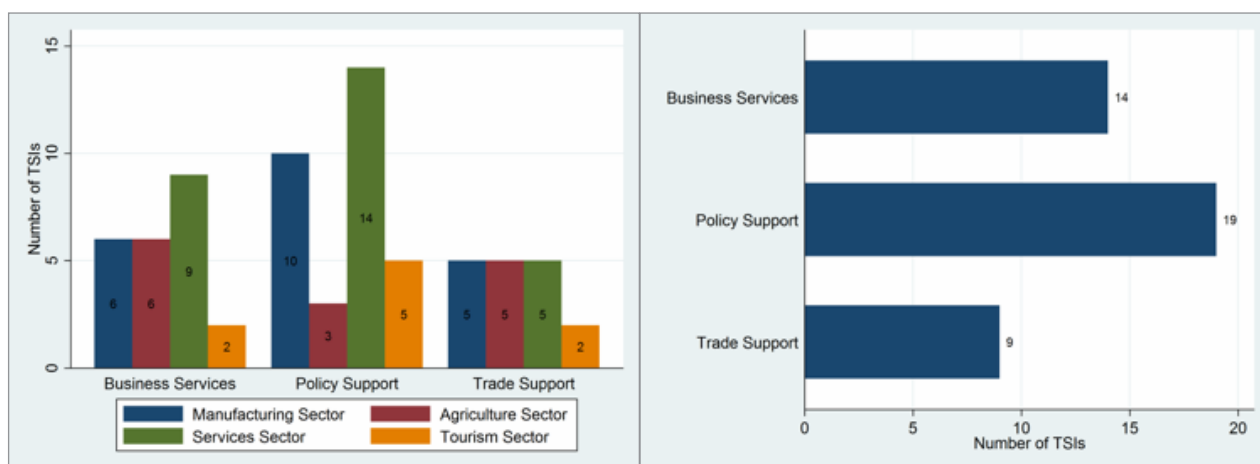


Figure 28: Sources of funding and expenditures of TSIs

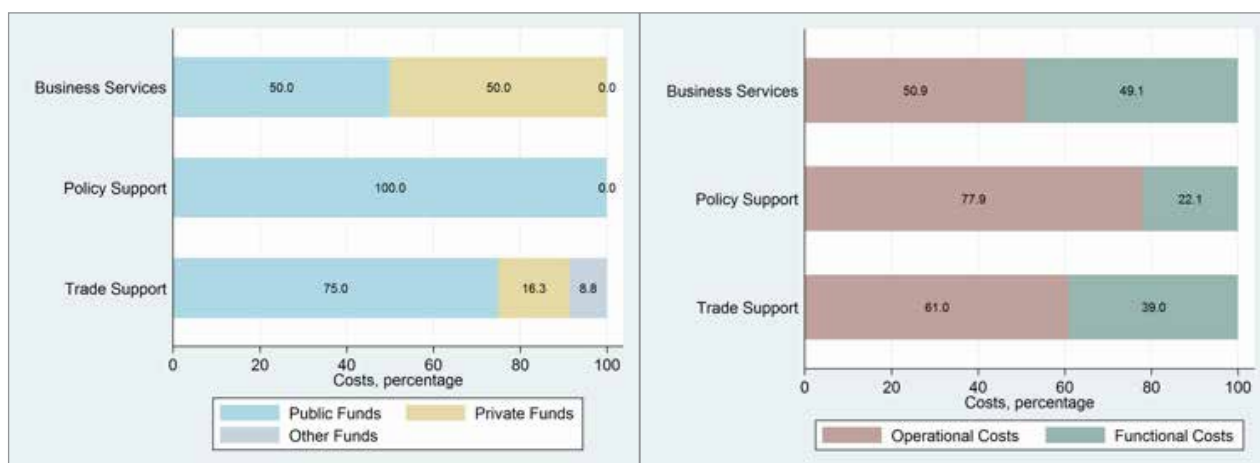
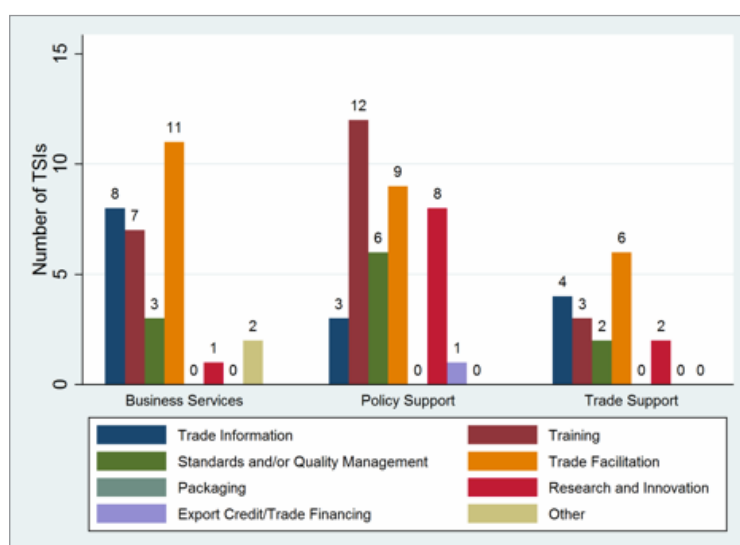


Figure 29: Breakdown of services provided by TSIs



Overall, the kind of services which are provided by TSIs include training, trade information, and trade facilitation services (Figure 29). A fair number of providers also provide quality management services. There are a relatively small number of TSIs which provide research and development support services and export/trade finance. Finally, there are no TSIs which provide packaging support. This would therefore suggest the need to develop further TSI services related to R&D, packaging, export credit and trade financing.

Related to the provision of services, if one looks at the number of different services provided to clients, the majority of TSIs appear to provide up to 10 different services to clients. Some TSIs appear to be providing a broad range of services, thereby losing focus and diluting the institutions' expertise. Accordingly, 42% of TSIs provide more than 10 different services to their clients. A refocusing of support may therefore be necessary.

## TSI SERVICE DELIVERY ANALYSIS

Based on the initial results, it is possible to draw preliminary findings to be further explored and analysed in the NES design. The findings are categorized according to the 4 gears framework of the NES design process. In this section, we provide a more detailed evaluation of the characteristics of services provided by TSIs according to four broad categories, namely whether they support (i) the building of capacity of exporters; (ii) enhance the business environment; (iii) improve market entry; and, (iv) promote sustainable development.

### SERVICE CATEGORY 1: BUILDING THE SUPPLY CAPACITY OF EXPORTERS

The survey considered whether the following services were provided by existing TSIs:

- Training and advisory services to increase production and or production efficiency
- Services to improve production quality and standards and to raise value addition
- Financial services to facilitate capital investment
- Investment promotion services
- Services to increase awareness, including training in business/export management
- Research and development (production)

Based on the responses presented in Figure 30, there appear possible duplication of some services, such as training for production and support for improving quality. More limited support is given for investment promotion, business training and research and development. Finally there appears to be some gap with respect to financial

services, which have very few TSIs provided services in this area.

In terms of the provision of services (see in Annex II detailed graphs presenting the results of the analysis), there are possible duplications of some services such as the provision of training in production, quality services, investment promotion and R&D is government; investment promotion services from 5 different institutions; and a high concentration of TSIs providing training in production, and quality services to local enterprises. There are possibly some gaps in TSIs which provide support to foreign enterprises (currently five institutions provide domestic investors support, and only two institutions provide foreign investors with support). The survey reveals that most of the training on production, and quality services, are provided by policy institutions and that investment promotion appears to be supported by the business services providers (which are private entities). Finally, there are few trade support institutions which offer supply-side services, except training on production and some quality services.

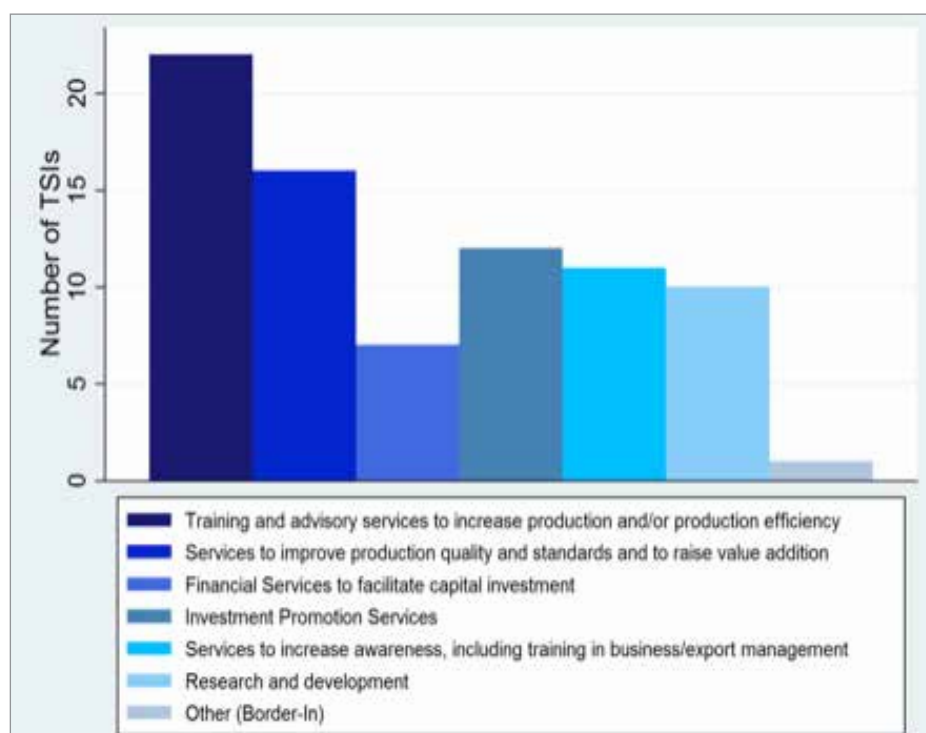
### SERVICE CATEGORY 2: ENHANCING THE QUALITY OF THE BUSINESS ENVIRONMENT

The survey considered whether the following services were provided by existing TSIs:

- Transport and cargo handling services
- Communications services
- Certification services
- Customs clearance and related administrative and trade facilitation services
- Export credit
- Insurance services
- Regulatory reform

Based on the survey results, it appears that there is a number of TSIs which provide support related to regulatory reform and certification services. There are additional providers of transport and handling services, communication services, and customs clearance. The very limited number of TSIs which provide trade finance and export credit, and insurance services, indicates a possible gap in the market. Some other key findings of the surveys include that the limited number of services provided by institutions of the Trade support category; the limited policy institutions provide transport and handling services; private TSIs provide policy reform services (six in total); and four private business service institutions provide certification services.

Figure 30: Types of services provided by TSIs (supply capacity of exporters)



### SERVICE CATEGORY 3: ENABLING MARKET ENTRY

The survey considered whether the following services were provided by existing TSIs:

- Market research
- Trade information services
- Market promotion services
- Buyer identification and “in-market” assistance
- Branding
- Policy reform (trade agreements)

Based on the results of the survey, there appear a large number of TSI providing services such as market research; trade information; market promotion; and policy reform. There is more limited support related to transport and handling services; communication services; and customs clearance. Finally, there may be some overlap in the services provided by TSIs when it comes to trade information and promotion services from government; there is a concentration on market research, trade information and market promotion for local enterprises; and market entry services to foreign enterprises. There appears to be less TSIs which offer buyer identification and branding services to enterprises.

Some of the key results of the analysis on TSIs in this category include the few services provided by institutions in the Trade support category; the number of policy

institutions which provide market research (seven in total); and the number of policy institutions provide trade information, market promotion and buyer identification services (four in total).

### SERVICE CATEGORY 4: PROMOTING DEVELOPMENT

The survey considered whether the following services were provided by existing TSIs:

- Poverty reduction and employment generation
- Employment generation
- Development of economically or socially disadvantaged localities
- Regional Integration
- Involvement of women in Export Processes
- Environmental sustainability and Climate Change

The key findings from the survey results include:

- In some instance, up to 30% of institutions are providing some kind of services related to development.
- There are few institutions having a focus on involving women in export processes
- The focus on environment is strong
- Most of the support for development is provided by policy institutions



# POLICY OVERVIEW

## INDUSTRIAL POLICY

According to a recent report published by McKinsey Global Institute (MGI)<sup>30</sup>, the share of the industry in GDP reached 38% in 2010, a sharp increase to the 13% in 1965.

Industrialisation is currently one of the priorities in the authorities' new national economic plan. Up till now, despite its low wage advantage, the manufacturing sector has been stifled by poor infrastructure and know-how, low investment, and extensive administrative controls limiting private sector development (IMF 2012).

To date, the main feature of the domestic industry is the scattered private ownership, most industrial sectors being completely dominated by one form or another of state ownership. State enterprises (794 in 2008) and large industrial conglomerates administered by the military (such as the Myanmar Economic Holdings Corporation and the Myanmar Economic Corporation) play a large role in Myanmar's economy<sup>31</sup>.

If Myanmar has a planning ministry, there is little evidence that the Government has any control over the various state and military owned firms other than those that might be directly under its authority. This situation makes it difficult to envisage a successful industrialisation drive in Myanmar as private businesses cannot compete with these state and military industries, given that the latter often have monopoly rights over their markets or benefit from other barriers to competition from the private sector<sup>32</sup>. Excessive, unclear and arbitrary regulations also significantly affect the development of the domestic industry and prevent new operators from operating. In this context, attracting FDI in the industrial sector is virtually impossible, most foreign investors concentrating their activities on the natural resource sectors, mainly oil and gas.

30. McKinsey Global Institute (MGI). (2013). Myanmar's moment: Unique opportunities, major challenges. McKinsey.

31. Perkins, D. H. (2012) Industrial Policy Reform in Myanmar, Harvard Ash Centre for Democratic Governance and Innovation, April

32. *Ibid*

## FISCAL POLICY

Taxes play an essential role as they fund the public infrastructure and services that are crucial for a properly functioning economy. Myanmar, however, 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 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.

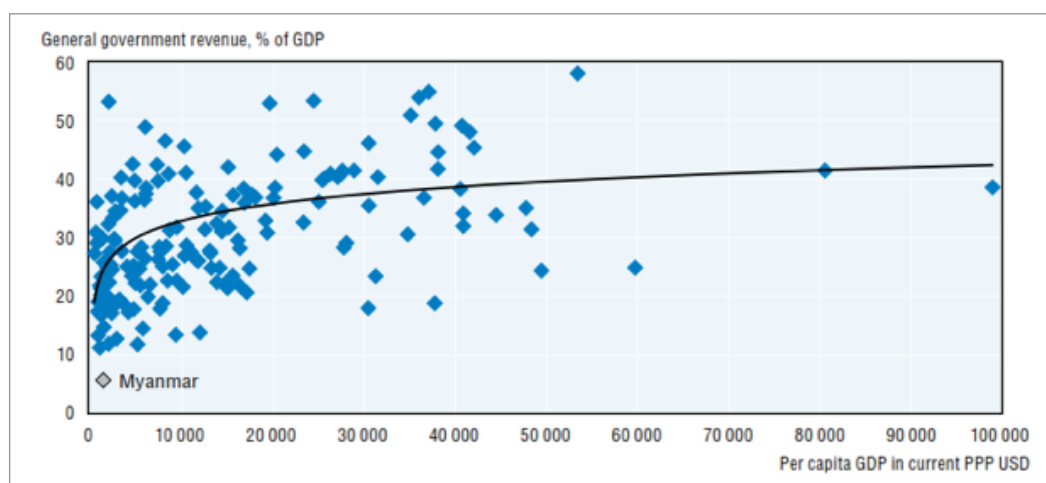
The tax-to-GDP ratio stands at 3.6%, among the very lowest in emerging Asia. While the government also has relatively stable sources of revenues from remittances of profits by state-owned enterprises and royalties from offshore gas fields, government revenues are only around 6-7% of GDP according to estimates by the IMF (Figure 29)

## MONETARY POLICY

The currency has also been at the top of the economic reform agenda and the exchange rate reform is another major step that has been taken. On 1 April 2012, a managed-float exchange rate system has been officially adopted by the Central Bank of Myanmar replacing a restrictive fixed official exchange rate. 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 such as the requirement to use export earnings to fund imports, were also lifted. Private commercial banks were also issued licences to engage in international transactions and open foreign currency accounts<sup>33</sup>.

33. WTO (2014), Trade Policy Review: Myanmar

Figure 31: Myanmar Government revenue and per capita GDP, 2011



Source: IMF 2012, World Economic Outlook. From: OECD, Multi-Dimensional Review of Myanmar (2013)

The new law, the 'The Foreign Exchange Management Law', allows commercial banks, including private banks, to undertake and execute foreign exchange transactions. It is now expected that multiple exchange rates of its national currency, which have been an important obstacle to international trade and FDI for more than 50 years, will go some way to resolve issues linked to international transactions.

## AGRICULTURAL POLICY

Myanmar is traditionally an agricultural country and agriculture sector remains, with a 40% share of exports earnings, a major contributor to GDP and provides employment to more than 60% of work force. In addition, food security for the people and raw material production for domestic agro-based industries are heavily dependent on the agricultural sector (FAO, 2011). Agricultural development in the country is suppressed by poor access to credit, lack of private land ownership, and inadequate infrastructure and inputs. Lifting agricultural productivity will be essential for rural development and inclusive growth (IMF 2012). Accordingly, the main institutions in charge of policy formulation and implementation in Myanmar's agriculture sector – MoAI, MOEACAF and the Ministry of Livestock, Fisheries, and Rural Development – have identified the increase of crop production as the main objective of Myanmar's agricultural policy.

Looking more closely at land rights in Myanmar, the new Farmland Law of 2012 has legalised the transfer and mortgaging of land tillage rights allowing households as well as private investors to purchase tillage rights, however subject to government control over production decisions. Importantly, the State ownership of all agricultural land remains under the Law. Another recent legislation, the 2012

Vacant, Fallow and Virgin Lands Management (VFVLM) Law authorises allocation of large concessions of 5,000 to 50,000 acres on lands deemed by the state to be vacant or unutilized. Concerning crop production, if the cropping choice is officially free, in practice, government enforces cropping plan for paddy.

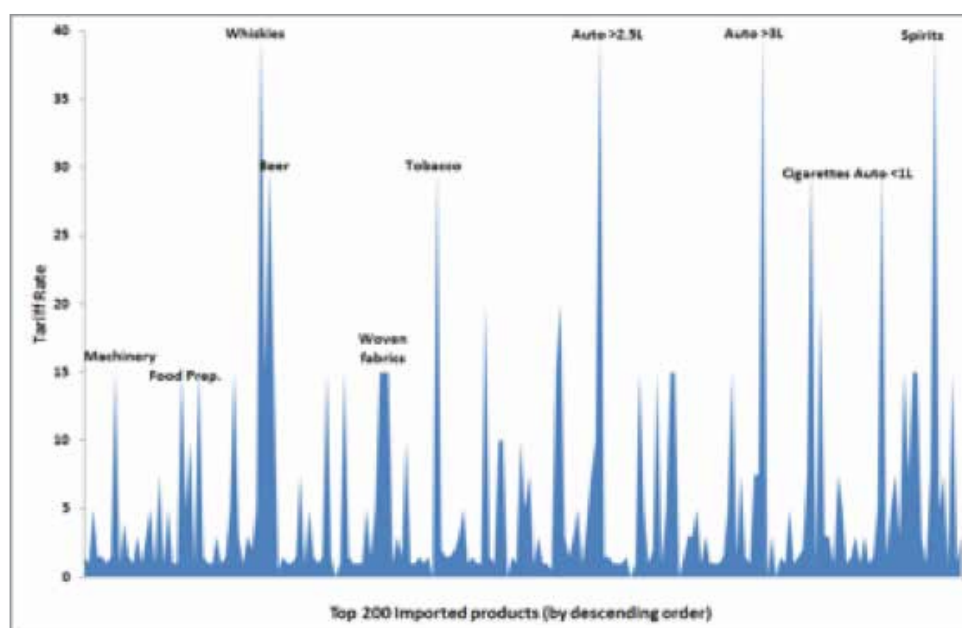
To date, the institutions supporting agricultural growth have reformed slowly and the key government institutions supporting agriculture have retained structures embedded in the old system of state controls. In general, the structure of key public support institutions, and especially the MoAI, has not changed to reflect the public goods and services needed to support a liberalised agricultural sector. Profound institutional reforms are needed to restructure Myanmar's line agricultural ministries in ways that enable them to provide key public goods and services that enable farmers to improve their productivity and competitiveness<sup>34</sup>.

According to the FAO, major issues on the future development of agriculture sector in Myanmar include regional food security, extension of agricultural land, enhancing participation of private entrepreneurs in agricultural activities, income generation activities through introducing new crops, and encouraging farmers to cultivate environmental friendly crops (FAO, 2010).

34. Working Paper – A Strategic Agricultural Sector and Food Security Diagnostic for Myanmar, Draft prepared for USAID/Burma by Michigan State University (MSU) and the Myanmar Development Resource Institute's Center for Economic and Social Development (MDRI/CESD).



Figure 32: Myanmar's applied tariffs on top 200 imports (2011)



Source: Baker et al (2012)

## TRADE POLICY

Regarding Myanmar's *tariff policy*, although average import tariff rates applied are relatively small, and below those of other ASEAN members, trade protectionism is substantial in the country with the application of some tariff peaks as well as a high level of trade restrictive non-tariff measures (see Figure 32). According to the WTO Trade Policy Review of Myanmar conducted in 2013, the average bound tariff rate was 87.2% in 2013. Myanmar has bound 18.5% of its tariff lines at the HS 8-digit level. All agricultural lines 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.

The average applied MFN tariff was 5.5% in 2013. The significant difference 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. Almost 95% of the applied MFN tariff ranges from duty free to 15%, while the modal or most common tariff rate is 1%<sup>35</sup>.

As a member of ASEAN, Myanmar will also have to adapt to the new common external tariff regime and to liberalise its tariff schedule with other ASEAN Members. The country is committed to advancing the AEC (ASEAN Economic

Community) by 2015 and implements its obligations under AFAS.

Import and Export Regulations have also been revised in September 2012 allowing 19 previously banned products to be imported. Also the Ministry of Commerce announced in February 2013 that 166 import products and 152 export products will be allowed to trade without licenses from March 1, 2013. By April 1, 2013 all import and export products were allowed to be conducted without a special license. Changes in regulations include, but not limited to, the following:

- A number of relevant food laws and regulations that have recently been adopted in Myanmar in the context of food safety and SPS measures;
- Customs regulations that are largely inadequate for a modern customs administration are also being reviewed with a view to introducing a Customs Single Window;
- A number of initiatives are being taken to streamline public sector processes with regard to trade including the liberalisation of state owned enterprises in several sectors;
- Improvements in labour laws and other regulations, are also expected to improve the opportunities, transparency and predictability of the business environment;
- Stricter Measures in the timber industry to preserve the environment, to protect rural communities which depend on forestry resources and to a longer-term return through the exportation of higher value added products.

35. WTO (2014), Trade Policy Review: Myanmar

The main trade policy measures and practices directly or indirectly affecting Myanmar's exports are listed below, with an appreciation given as to whether the policy has a positive or a negative effect on export promotion and competitiveness.

**Table 6:** Trade policies directly or indirectly affecting Myanmar's exports

Positive Effects
Export promotion and marketing assistance
While the new Foreign Investment Law (involving a "negative list" rather than a "positive list" approach) is a major step in the right direction, barriers to inward FDI (and associated know-how and technology) by export-oriented multinational enterprises remain
Special Economic Zones and associated tax concessions
Export taxes and cess encourage their downstream processing
Income tax relief in respect of profits earned on exports
Negative Effects
Tariffs (and non-tariff barriers to imports levied on imports of raw materials or intermediate inputs used in the production of goods and services for export, insofar as they are not fully offset by drawbacks
Lack of GATS commitments and thus openness of key services sectors (e.g., energy, telecommunications and finance) is a deterrent to trade in services, especially by means of commercial presence, and therefore to competition and thus productivity, which is a key determinant of export competitiveness
Export procedures, including licensing, pre-shipment inspection, valuation, etc.
Export taxes and cess restrict mainly exports of raw materials
Export prohibitions
State trading arrangements (notably monopolies)
Advance income tax levied on exports (as well as imports), insofar as they are not fully creditable or refundable (in the case of non-tax paying enterprises) immediately
Transit fees not commensurate with services provided
Technical barriers to trade, including lack of international standards and SPS measures
Insufficient protection of IPRs, which constitutes a deterrent to inward FDI (and associated technology and know-how) by export-oriented multinational enterprises
Likewise, internal indirect taxes on goods and services (e.g., consumption tax) insofar as they are not fully rebated on exports
Like other impediments to competition, absence of a comprehensive anti-trust law constitutes a deterrent to competition, to the detriment of productivity and export competitiveness

**Source:** Interpretation of Draft WTO Trade Policy Review

## COMPETITION POLICY

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. The Competition Law is to cover all sectors in the economy.<sup>36</sup>

## INVESTMENT POLICY

The lifting and suspension of several economic sanctions imposed by the United States, the European Union and Canada opens new opportunities for trade and investment with Myanmar. A new **Foreign Investment Law** (FIL) – replacing the "The Union of Myanmar Foreign Investment Law of 1988" – was signed on 8 November 2012 by the President of Myanmar. The current version of the law sets out incentives for FDI, land-use terms and

36. WTO (2014), Trade Policy Review: Myanmar



legal structures that address concerns expressed by foreign investors and national private sector<sup>37</sup>.

Table 8 provides an overview of the FIL and the sectors which it covers according to the level of ownership permitted by foreign investors, with a particular focus on those sectors of relevance to the NES.

The **Myanmar Investment Commission (MIC)** is expected to play a pivotal role in channeling foreign investment to build local trade capacity and competitiveness. The MIC is the approval body for foreign investors entering Myanmar. It was established by the 1988 Foreign Investment Law, revised in 2011, and received additional powers with the passage of the new foreign investment law in November 2012. The members of the commission, according to the 2011 revision, include:<sup>38</sup>

- **Chairman** – Union Minister, Ministry of Industry
- **Member** – Union Minister, Ministry of Rail Transportation
- **Member** – Union Minister, Ministry of Finance and Revenue
- **Member** – Union Minister, Ministry of Electric Power No(1)
- **Member** – Attorney General of the Union, Union Attorney General's Office
- **Secretary** – Union Minister, Ministry of National Planning and Economic Development
- **Joint Secretary** – Deputy Minister, Ministry of Rail Transportation

The MIC is supported by a Secretariat hosted in the Department of Investment and Company Administration (DICA), in the Ministry of National Planning and Economic Development, located in Nay Pyi Taw. The MIC is tasked with accepting, reviewing and granting permission for

foreign investors to invest in Myanmar. In order to obtain the benefits of investment as listed in the 2012 Foreign Investment Law, companies are required to receive a permit from the MIC.

The DICA is mandated to act as the government's lead investment promotion institution. The new FIL delegates a number of other tasks to the MIC, giving it broad discretion and raising concerns about capacity and consistency. New responsibilities include determining a minimum amount of investment for foreign investors to approving otherwise legal sales of investments (or ownership stakes). DICA's stated promotional functions cover aspects of investment facilitation and advocacy for investment climate reform, but not investor-targeting or investor aftercare. It also performs regulatory functions, such as scrutinizing applications to establish and register companies, examining joint venture agreements, and ensuring requirements (e.g. minimum paid-in capital) are met.

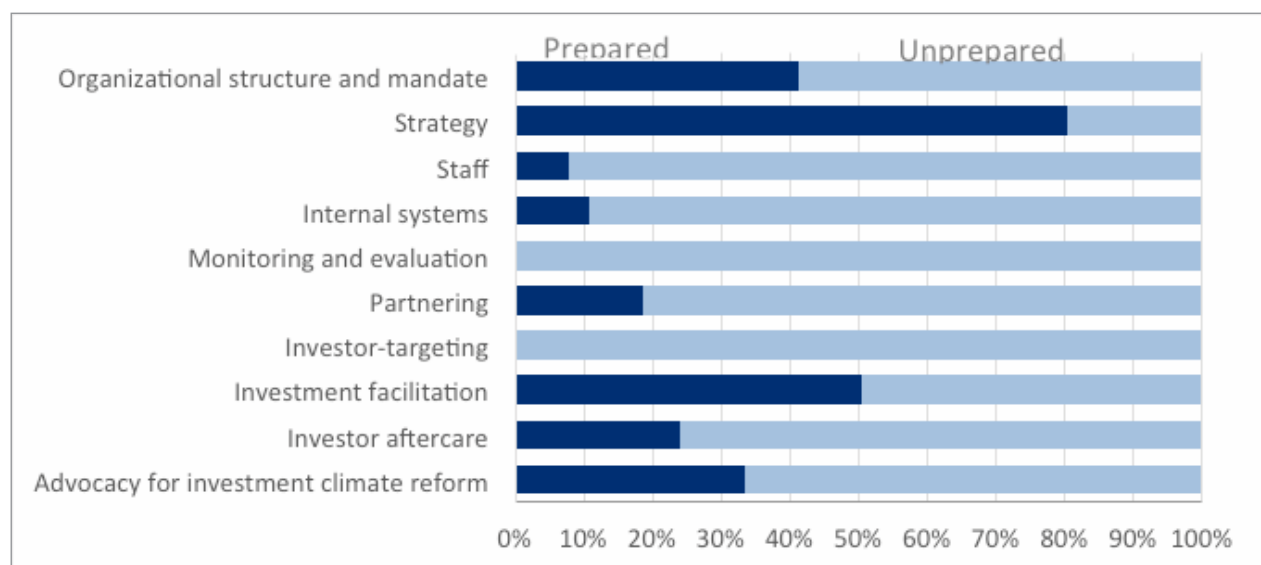
As part of the NES design process, interviews were conducted with DICA management to assess DICA's preparedness to act as the country's lead IPI. The assessment covered 10 topics, 6 dealing with structural characteristics and 4 dealing with specific investment promotion activities, as shown in Figure 33.

DICA's greatest strengths are in its strategic plan and in its investment facilitation work. DICA's strategy has clear sector priorities, sets specific targets (e.g. FDI generated), and clearly outlines the facilitation and advocacy activities by which it expects to meet its targets. In its facilitation work, DICA provides potential investors with introductions to a range of stakeholders, step-by-step guidance to application for approval, intervention on behalf of investors to help smooth government processes, and guidance through start-up, such as securing office space and duty exemptions on imports of capital goods.

37. See Baker, P. Page, C., Rimeicans, C. & V. Zaboltnas (2012) Trade Mission Final Report, IMG, 26 November

38. Notification No(82/2011)

Figure 33 : Overview of results: DICA's investment promotion preparedness



DICA's most fundamental weakness is in its structure, staff, and proactivity. DICA is a ministerial department tasked with both regulatory and promotional functions. Studies on the characteristics of best practice IPIs show that ministerial subunits have great difficulty implementing best practices,<sup>39</sup> and that no dual promoter-regulator is performing at best practice levels.<sup>40</sup> Success in investment promotion depends on private-sector-minded staff with deep sector knowledge working within strong internal systems,<sup>41</sup> characteristics which government offices are notoriously poor at nurturing.

The better DICA can understand investor needs, the better it can persuade them to select Myanmar over competing investment locations. IPIs are better able to do this, when they can hire staff outside the civil service, based on their private sector experience, sector-specific experience, sales skills, foreign language skills, and project/account management skills.

With these skills, DICA would be better able to pursue the critical, proactive elements of investment promotion, which it is now missing: investor-targeting and investor aftercare.

Other areas of weakness at DICA include weak internal systems, including a monitoring and evaluation (M&E) system, and the under-utilization of partnerships. Notable deficiencies are:

- An up-to-date electronic library of business information that can easily be shared with and digested by investors to influence their location decisions
- Standard operating procedures for handling investor inquiries
- Directories and databases of business service providers (e.g. lawyers, accountants, consultants), available land, industrial space, and office facilities, availability of labour skills and wages, suppliers
- Customer relationship management system
- A web site with:
  - Direct contact information for account managers or sector specialists
  - Information in the languages of major groups of target investors
  - Promotional value added
  - Necessary information and forms available for download
  - Links to other useful web sites
- An M&E system by which to measure the performance of DICA and individual staff, with indicators for conversion (e.g. leads to announced FDI, announced FDI to implemented FDI) impact (e.g. FDI implemented, jobs created, value chain enhancements)
- Fully implemented partnership agreements with:
  - Sector associations for all DICA and NES priority sectors
  - Ministries and subnational governments
  - Government representation overseas

39. (Whyte, Ortega, and Griffin, 2009)

40. (Whyte and Griffin, Investment Regulation and Promotion: Can They Co-exist in One Body?, 2011)

41. (Whyte, Ortega, and Griffin, 2009)

# TRADE AGREEMENTS

As a full member of ASEAN since 1997, Myanmar has ratified the ASEAN Free Trade Agreement (AFTA) and is a member of ASEAN-level agreements on trade in goods (ATIGA), services (AFAS), investment (AIA) and other areas of ASEAN Economic Community (AEC)-related integration and cooperation. The country is also signatory of the five ASEAN+1 agreements in force with Australia-New Zealand, China, India, Japan, and the Republic of Korea. Myanmar is also part of the Global System of Trade Preferences among Developing Countries (GSP).

## ASEAN FREE TRADE AGREEMENT (AFTA)

The AFTA came into force on 1 January 1993 with the main objectives to (i) create a single market and an international production base, (ii) attract foreign direct investments, and (iii) expand intra-ASEAN trade and investments. The main implementing mechanism of AFTA is the Common Effective Preferential Tariff (CEPT) Scheme, signed by the Member States in 1992, designed to eliminate tariffs and non-tariff barriers in the region. Signatory countries were to apply a tariff rate of 0 to 5% by 2010 with additional time given, i.e. 2015, to Myanmar, Cambodia, Laos, and Vietnam to implement the reduced tariff rates.

## THE ASEAN TRADE IN GOODS AGREEMENT (ATIGA)

The ATIGA, which entered into force on 17 May 2010, is an enhancement of the CEPT-AFTA into a more comprehensive legal instrument. With this, certain ASEAN agreements relating to trade in goods, such as the CEPT Agreement and selected Protocols would be superseded by ATIGA. The ATIGA value-adds to the CEPT-AFTA Agreement of 1992 in terms of inclusion of disciplines on Technical Barriers to Trade (TBT), Sanitary and Phytosanitary Measures (SPS) as well as temporary modification and suspension of concessions.

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. Myanmar's average tariff under the ATIGA was 0.6% in 2012.<sup>42</sup>

## ASEAN FRAMEWORK AGREEMENT ON SERVICES (AFAS)

The AFAS, signed in 1995, aims to eliminate restrictions to trade in services and enhance cooperation in services within ASEAN. The AFAS involves three key measures, namely service equity liberalisation, negotiation of specific commitments and mutual recognition arrangements (MRA).

Under this framework, Member States agreed to draw up a plan from 2007 to 2015 to liberalise the services sector to complement the goods sector. The whole economy of Myanmar would benefit from the liberalisation of the sector as better access to high-quality services would increase productivity in all sectors helping building up productive and export capacity throughout the economy. Currently, however, the service sector is highly protective<sup>43</sup>. Under the AFAS, restrictions on services trade are to be removed in 2015-18 for Myanmar.

## THE ASEAN INVESTMENT AREA (AIA)

The ASEAN Ministers also signed the Framework Agreement on the ASEAN Investment Area (AIA) in 1998. The AIA encourages investors to adopt a regional investment strategy and network of operations. It will provide greater scope for division of labour and industrial activities across the region, creating opportunities for greater industrial efficiency and cost competitiveness.

42. WTO (2014), Trade Policy Review: Myanmar

43. Myanmar's GATS commitments restrictiveness index score for the period 2006-2009 is very low, only reaching 4.9 out of 100. UNESCAP 2012.

If these agreements have considerable potential to enhance international trade and investment by Myanmar, the country's integration into ASEAN has been undertaken at a variable geometry, with, for instance, some uneven progress being made in the trade chapter of AEC. Myanmar has been given longer periods to adapt to the new common external tariff regime and to liberalise its tariff schedule with other ASEAN Member States. It is committed to advancing the AEC by 2015, and possibly beyond if required. With the exception of Thailand, its trade integration with other ASEAN Members is very limited, due to a poor trading environment and its weaknesses in governance. The ambitions and commitment of Myanmar to the ASEAN process should also be seen in the light of the fact that Myanmar will assume the ASEAN Presidency in 2014.

## ASEAN-CHINA FREE TRADE AREA (ACFTA)

A Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China was signed by all the ASEAN Member States and the People's Republic of China in 2002, leading to the creation of the ASEAN-China Free Trade Area (ACFTA) on 1 January 2010. China is currently the second largest trading partner of Myanmar after Thailand, and is the major source for imports. In terms of consumer market size, the ACFTA is the biggest FTA in the world.

The ACFTA comprises a trade in goods agreement, the ASEAN-China Trade in Goods Agreement (ACTIGA), signed in 2004, laying down the modality for tariff reduction and elimination for tariff lines categorised in either the 'Normal Track' or the 'Sensitive Track' under which products are subject to specific timeframes for tariff reduction. Tariff lines for non-sensitive products have been eliminated by ASEAN-6 and China as of 1 January 2010 with a flexibility until 2012 granted for a list of products not exceeding 150 tariff lines. For Myanmar, Cambodia, Lao PDR, and Vietnam, tariff elimination will have to be completed by 1 January 2015, with flexibility to eliminate tariffs on products not exceeding 250 tariff lines by 1 January 2018.

An Agreement on Trade in Services between ASEAN and China, the ASEAN-China Trade in Services Agreement (ACTISA), has also been signed in 2007. It aims to liberalise and eliminate discriminatory measures with respect to trade in services in various services sectors. The Parties are in the final phase of negotiations on the second package of commitments.

The third main Agreement under the ACFTA is the ASEAN-China Investment Agreement signed in 2009 aiming at creating a more transparent and facilitative environment for the investors and their investments from ASEAN and China, and giving companies from ASEAN a competitive edge to tap on thriving opportunities in China.

## ASEAN-JAPAN COMPREHENSIVE ECONOMIC PARTNERSHIP (AJCEP)

The AJCEP was signed in April 2008 and entered into force in December of the same year. The Agreement is comprehensive in scope, and includes chapters on Trade in Goods, SPS, TBT, Trade in Services, Investment and Cooperation and Trade Facilitation.

Under the trade in goods chapter, ASEAN-6 have to eliminate 90% of its tariff rates based on the tariff lines and trade value for goods within 10 years of entry into force of the Agreement to establish the ASEAN-Japan FTA. For Myanmar, Lao PDR and Cambodia certain flexibility was provided, each country having to eliminate 90% of its tariff rates, based on either tariff line or trade value for goods, in the 'Normal Track' within 13 years of entry into force. For sensitive products, tariff rates have to range between 0 and 5% after 10 years from entry into force.

Trade facilitating Rules of Origin (RoO) have also been established under the AJCEP to help encourage regional cumulation of inputs benefitting ASEAN industries.

Both Trade in Services and Investments chapters in the AJCEPA provide aspirational and endeavour clauses for liberalisation and facilitation with provisions for continuing discussions and negotiations among ASEAN, and Japan. Negotiations involving the respective sub-committees are now underway.

## ASEAN-KOREA FREE TRADE AREA (AKFTA)

In 2005, ASEAN and the Republic of Korea signed the Framework Agreement on Comprehensive Economic Cooperation. This Framework called for the conclusion of key agreements including trade in goods, trade in services, investment, and dispute settlement mechanism.

The ASEAN-Korea Trade in Goods Agreement provides for progressive reduction and elimination of tariffs by each country on almost all products. While the tariff elimination schedules for ASEAN-6 were due to be completed by 2010 (with flexibility for 5% of products to have their tariffs eliminated in 2012), Myanmar, together with Cambodia, Lao PDR and Vietnam benefited from a longer transition period. Under this scheme - and under the 'Normal Track' scheme - at least 50% of Myanmar's tariff lines will enjoy a 0-5% tariff rate not later than 1 January 2015. These tariff lines will reach 90% coverage by 2018, the full market access being scheduled for 2020.

An Agreement on Trade in Services was signed in 2007 providing for the progressive liberalisation of the services sector. Services suppliers and providers in the region will enjoy improved market access and national treatment in sectors, or subsectors, where commitments have been made. The Agreement is expected to attract more investments, particularly in the power sector, shipbuilding and railway transport from which Myanmar could benefit.

The Investment Agreement, signed in 2009, seeks to enhance the promotion, facilitation, liberalisation and protection of covered investment. ASEAN and Korea are currently pursuing the completion of built-in-agenda items (to be concluded within five years from entry into force of the Agreement) which include the development of market access commitment or schedules of reservations.

Finally, for any disputes that may arise between Parties from the interpretation, implementation or application of all the AKFTA Agreements, a Dispute Settlement Mechanism was signed in 2005.

## ASEAN-INDIA FREE TRADE AREA (AIFTA)

ASEAN and India signed a Framework Agreement on Comprehensive Economic Cooperation in 2003. The Agreement envisages the establishment of an ASEAN-India Regional Trade and Investment Area (RTIA) as a long term objective including FTA in goods, services, and investment. India being the third largest trading partner of Myanmar after Thailand and China, the AIFTA could serve as the vehicle to help sustain the growth of the country.

Signed in 2004 and entered into force on 1 January 2010, the ASEAN-India Trade in Goods Agreement (TIG) is the first step towards the creation of an open market providing for a progressive tariff reduction or elimination of originating goods. For several ASEAN Member States, under the Normal Track, tariffs imposed on originating goods will be eliminated by 2016. For Myanmar, Cambodia, Lao PDR, and Viet Nam, a longer time frame has been given to eliminate tariffs with a complete elimination of tariffs scheduled for 2018 ('Normal track 1') and 2021 ('Normal Track 2'). Tariffs for products covered by the 'Sensitive Track' will have to be eliminated by 2021 with a flexibility of 5%.

ASEAN and India also agreed to commence the negotiations on services and investment. Currently, the respective Committees are engaged in negotiations on the two Agreements. A number of issues have been raised by ASEAN on India's negotiating principles which have led to substantial delays in negotiations.

## ASEAN-AUSTRALIA-NEW ZEALAND FREE TRADE AREA (AANZFTA)

The Agreement represents ASEAN's most ambitious FTA to date, covering 18 chapters including trade in goods and services, electronic commerce, movement of natural persons (MNP), investment, economic cooperation, dispute settlement mechanism and specific provisions on customs procedures, SPS measures, standards and technical regulations, intellectual property rights and competition. It is also the first comprehensive single undertaking agreement negotiated and signed by ASEAN with a Dialogue Partner and the first plurilateral Agreement for ASEAN. The AANZFTA was signed in 2009 and entered into force on 1 January 2010.

The Chapter on Trade in Goods provides for the substantial reduction or elimination of tariffs and other barriers to establish the FTA by 2013 for ASEAN-6 under various tracks, namely the 'Normal Track' and the 'Sensitive Track'. Under the 'Normal Track' scheme, Myanmar will have to reduce 54% of its tariffs lines to 0-5% in 2014 and is to eliminate tariffs for 90% of tariff lines by 2021.

Provisions on Trade in Services outline the progressive liberalisation of the services sector through four modes of supply, namely cross-border, consumption abroad, commercial presence and movement of natural persons.

The ANZFTA also includes an Investment Chapter focusing on the enhancement of transparency measures for investors in the region through a regime of post-establishment investment protections including an investor-state dispute resolution mechanism<sup>44</sup>.

## GLOBAL SYSTEM OF PREFERENCES (GSP)

Myanmar is also a member of the Global System of Trade Preferences (GSP) among developing countries, signed by 43 countries. The Agreement was established as a framework for the exchange of trade preferences among developing countries in order to promote trade amongst developing countries. The GSP is reserved for the exclusive participation of members of the Group of 77 and China and the benefits accrue to members of the agreement. To provide a stable basis for GSP preferential trade, tariff preferences are bound and form part of the Agreement<sup>45</sup>.

44. Source: Australian Government, Department of Foreign Affairs and Trade

45. UNCTAD (2004) Global System of Trade Preferences, Press Release, UNCTAD/PRESS/IN/SPA/2004/001, 16 June.

### Box 3: Myanmar and the WTO

Myanmar was a founding party of the General Agreement on Tariffs and Trade (GATT) in 1947 as well as a member of the group of countries that established the WTO in 1995. The participation of Myanmar in the world trading system was affected by the introduction of sanctions from successive Member States of the WTO. The participation of Myanmar in the WTO trade rounds has been limited, even though interest in the Doha Development Agenda (DDA) has been expressed.

## OTHER REGIONAL TRADE AGREEMENTS

### BAY OF BENGAL INITIATIVE ON MULTI-SECTORAL TECHNICAL AND ECONOMIC COOPERATION (BIMSTEC)

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.

The Initiative provides a link between South Asia and Southeast Asia offering a significant potential in terms of trade creation as well as a considerable amount of complementarities. This ambitious initiative covers 13 priority sectors including trade and investment, energy, transport and communication, tourism, fisheries, agriculture, and public health, among others.

In 2004, BIMSTEC parties agreed to establish a BIMSTEC Free Trade Area Framework Agreement in goods, services, and investment. 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.<sup>46</sup>

## MYANMAR'S OTHER MAJOR TRADING PARTNERS

The introduction of economic sanctions after 2000 on imports from Myanmar and on the provision of financial services to national firms affected the country's trade

flows, both in terms of products exported and the choice of trading partners. However, with the new civilian-led Government in place since 2011, Myanmar's former trading partners have started to dismantle the sanctions.

### MYANMAR AND USA TRADE RELATIONS

Before the economic sanctions imposed in 2000, the United States were Myanmar's largest trading partner, accounting for 26.7% of the total share of the country's exports that year (World Bank). Sanctions led to the decline of Myanmar's clothing cluster as the United States were the major importer of garment industry's export<sup>47</sup> (ADB, 2012).

As Myanmar undertook economic reforms, trade restrictions have become less restrictive and the United States of America have started to slowly dismantle the sanctions. The Obama administration suspended most sanctions on Myanmar in 2012 with imports of most goods from Myanmar now being authorised. Sanctions on banks and financial transactions have also been eased.

In May 2013, an important step has been taken as the United States and Myanmar signed a Trade and Investment Framework Agreement (TIFA) aiming at promoting bilateral dialogue and cooperation on trade and investment issues between the two governments. The United States also announced it is considering duty-free access for Myanmar.

According to the United States Trade Representative, following the easing of sanctions in 2012, bilateral trade is increasing but still remains small. Through the first three months of 2013, bilateral trade totalled US\$90 million, including US\$89 million in U.S. exports to, and US\$1 million in U.S. imports from Myanmar.

47. The United States imported 60% of the total Myanmar's exports of apparel and clothing accessories (knitted) and 44% of total export of apparel and clothing accessories (not knitted) in 2000. UNESCAP, 2012.

46. WTO (2014), Trade Policy Review: Myanmar



If improvements have been made, it is however important to note that several sanctions are still in place. The US Treasury Department, for instance, still prohibits investment in entities with ownership connections to the Ministry of Defense or any military group.

## MYANMAR AND EU TRADE RELATIONS

Trade between the European Union and Myanmar is small and concentrated in a limited range of products. In 2011, Myanmar exported €153 million worth of goods to the EU (only 2.6% of Myanmar's total exports), and imported €145 million. Myanmar's major export was clothing, worth €111 million or 67.6% of total exports to the EU. Its major imports from the EU in 2012 were machinery and transportation equipment, worth €153 million, and chemicals, worth €31 million<sup>48</sup>. The removal of Myanmar from the list of countries eligible for GSP in 1997, due to the widespread use of forced labour, did lead to a drop in Myanmar's total exports to Europe, and exports did fall from €262 million to €168.5 million after the sectoral bans introduced in 2007.

Since the beginning of 2012, trade restrictions have become less restrictive as the European Union started to dismantle the sanctions and significant steps have recently been taken to reinstate trade preference with Myanmar. On 22 April 2012, recognising the country's recent "*developments towards democracy, a strong Parliament, freedom of expression, and the government's efforts against corruption, as well as the efforts towards the release of remaining political prisoners*"<sup>49</sup>, European Union foreign Ministers permanently decided to lift all sanctions against Myanmar, with the exception of the embargo on arms which will remain in place.

Following this declaration, an important resolution has been adopted by the European Parliament on 23 May 2013, recognising "*the significant steps taken by President Thein Sein and other reformers in Burma/Myanmar in introducing democratic reforms over the past year which have led the European Commission to propose the reinstatement of Burma/Myanmar's access to the Generalised Scheme of Tariff Preference (GSP)*". The country now would have duty and quota-free access for all products except for arms and ammunition to the EU market retroactively from April 2012. The re-instatement of Myanmar's participation in the GSP is expected to lead to a positive shift in the low levels of trade between Myanmar and the EU.

48. European Commission /DG Trade, EU Bilateral Trade and Trade with the World – Myanmar, 2013

49. Council of the European Union, Council conclusions on Myanmar/Burma, 3236th Foreign Affairs Council meeting, Luxembourg, 22 April 2013



It should be noted however, that not only does the EU adopt some of the highest levels of standards in the world, particularly in areas of interest to Myanmar (SPS measures for fisheries and private sector standards in the garment sector), but also that the EU applies a restrictive set of rules of origin which often prevent many countries.

The EU is also preparing to negotiate a European wide investment agreement with Myanmar, which would be the first of its kind, to secure investment provisions and double taxation exemptions, in an effort to promote investment from the EU to Myanmar.

## MYANMAR AND CANADA TRADE RELATIONS

Similarly, Canada has welcomed Myanmar's recent reforms, and *supports a peaceful transition in Myanmar that respects human rights, democracy, and the rule of law*. On 24 April 2012, Canada eased its economic sanctions against the country. Most prohibitions of the 2007 "Burma Regulations" were suspended, including those pertaining to exports, imports, financial services and investment. Myanmar has also been removed from the Area Control List, meaning that most exports of goods and technology to the country no longer require an export permit. However, the amended Burma Regulations still include sanctions against certain listed individuals and entities and forbid trade in arms and related material along with related technical and financial assistance<sup>50</sup>.

50. [http://www.canadainternational.gc.ca/thailand-thailande/bilateral\\_relations\\_bilaterales/canada-burma-birmanie.aspx?view=d](http://www.canadainternational.gc.ca/thailand-thailande/bilateral_relations_bilaterales/canada-burma-birmanie.aspx?view=d)

# OFFICIAL DEVELOPMENT ASSISTANCE (ODA) TRENDS



Myanmar made a request in 2012 to the Secretariat of the Enhanced Integrated Framework (EIF) to access to the EIF. Myanmar is eligible for the EIF and is currently preparing a Diagnostic Trade Integration Study. The EIF is a multi-donor initiative of some of the key donors involved in trade. One of its primary objectives is to mainstream trade in the country's poverty reduction strategy framework. The EIF process is working alongside the NES in particular during its implementation phase and will be sharing a joint implementation framework. For the

implementation of the EIF, a multi-donor trust fund is usually established to ensure that activities proposed in the DTIS are implemented.

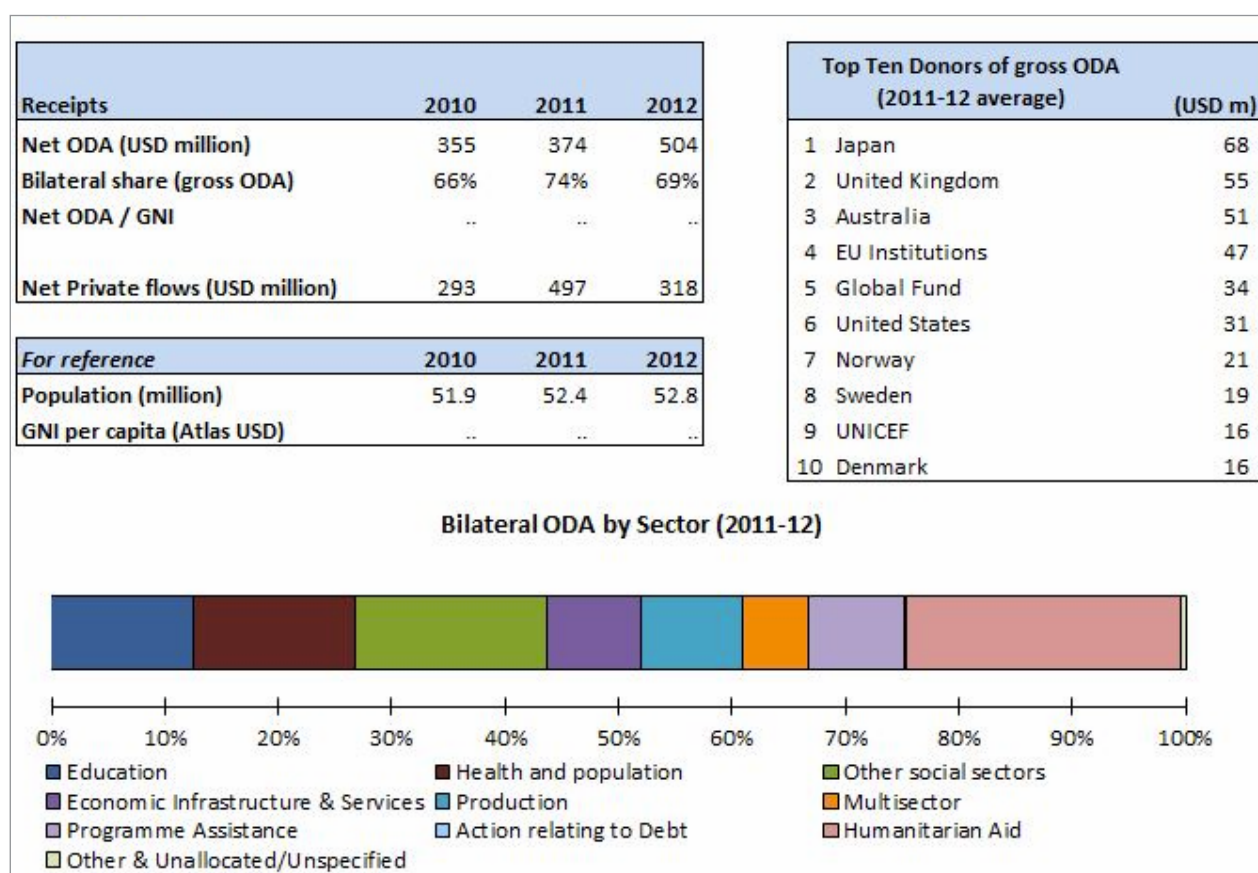
The NES provides solid diagnostics and detailed plans of actions that will contribute to the elaboration of the DTIS.

Multi-donor trust funds are an important mechanism for aid delivery. The most significant in Myanmar ones are the following:

- **Multi donor Education Fund Phase II (MDEF II) (around US\$65m 2012-2016).**  
The Fund addresses the need for equity, quality and management of basic education in Myanmar, in line with Millennium Development Goals. It is supported by Australia, Denmark, EC, Norway, UNICEF, UNESCO, and the UK.
- **3 Diseases Fund (3DF) (around US\$ 138 millions 2006-2012)**  
The Fund aims to reduce the burden of HIV and AIDS, tuberculosis (TB) and malaria in Myanmar. The Fund is supported by Australia, Denmark, EC, the Netherlands, Norway, Sweden and the UK.
- **Three Millennium Development Goal (3MDG) Fund (around US\$300 millions 2012-2016)**  
The Fund aims to expand basic health services to vulnerable populations. It is supported by Australia, Denmark, EC, the Netherlands, Norway, Sweden and the UK.
- **Livelihoods and Food Security Trust Fund (LIFT) (US\$170m 2009-2016).**  
LIFT tackles extreme poverty and hunger by targeting food security and income generation activities. It is supported by Australia, Denmark, European Commission, the Netherlands, New Zealand, Sweden, Switzerland, and the UK.

Beyond the multi-donor trust funds there are numerous multilateral and bilateral assistance programmes, the largest being by the Asian Development Bank and the World Bank. These are reviewed in the sector and cross-sector reports of the NES. Table 7 provides an overview of the key characteristics of ODA in Myanmar, which has exhibited a rapid increase since the easing of sanctions and political reforms. The most important donors are Japan, followed by EU Member States and the Commission.

Table 7: Key ODA characteristics in Myanmar as at February



Source: OECD-DAC (2014) <http://www.oecd.org/dac/stats/documentupload/MMR.JPG>



# NATIONAL DEVELOPMENT PLANS AND STRATEGIES

An examination of national development plans is important to understand the directional thrust and level of momentum generated by existing initiatives. As noted throughout this paper, the NES will align itself, where possible and relevant, to these plans so as to maximize results in specific areas. A review of existing national development plans and strategies is therefore useful and has been carried under the different sectoral and cross-sector reports. At a more macro level, Myanmar's approach towards development partners complements the implementation strategy adopted by ITC for the National Export Strategy.

## NATIONAL COMPREHENSIVE DEVELOPMENT PLAN (NCDP)

Myanmar is currently in the process of elaborating a 20-year long-term plan to bring the country's economy on a par with the dynamic Asian economies. The NCDP will provide direction to a series of four five-year plans covering the period from 2011-2031. The NCDP is still in process of being elaborated and should be available by the end of 2014.

## FRAMEWORK FOR ECONOMIC AND SOCIAL REFORMS (FESR)

The FESR covers a very wide range of policies related to sustainable development<sup>51</sup>. It encompasses, among others, trade and economic policies, environmental pro-

tection, labour standards and cultural preservation. The objective of these measures is to ensure economic development while ensuring national recognition, broad based and inclusive growth, and preservation of cultural identities.

The FESR indicates the GRUM has already achieved a first set of reforms, "*which were primarily targeted at political and governance changes to achieve peace and national unity*". According to the GRUM, a second stage of reforms should now be initiated with the objective to obtain an "*immediate improvement of economic and social well-being of the citizen*". Finally, a third stage of reforms will look at longer term capacity-building activities, civic participation, human resources development, transparent use of financial resources, sustainable regional development and decentralization. The FESR proposes a five-year implementation plan, to deliver these objectives.

In the short-term, the GRUM insists on the need to deliver "*immediate and tangible benefits for the People of Myanmar*". Policies concerned are mainly macroeconomic reforms (improved fiscal and monetary policies, deficit reduction), education, health, rural development, tourism development, good governance, generalized access to telecommunication services (mobile telephony and internet) and improved infrastructure in Yangon.

In the mid-term, the GRUM intends to focus on "*moving the reform process forward and making it irreversible*" by identifying and implementing sectoral industrial strategies, pursuing privatizations, building infrastructures and achieving the regulatory and administrative reforms that are required to consolidate Myanmar as a modern, efficient and market-oriented economy.

In the long term, the GRUM intends to complete the most difficult governance and structural reforms, such as decentralization, and Myanmar's full integration in

51. Baker, P. & D. Luff (2013) Long Term Trade and Private sector Development Programme: Formulation Report, Draft, EU Delegation, May

the international economic community. In particular, the GRUM intends to fully adopt the ASEAN Economic Community (AEC) by 2015.

The National Development Plan (2013-2014) linked to commerce concerns three ambitious goals, namely to reduce the development gap between rich and poor, promote living standards and improve policy governance. Focus of the plan is made on building sustainable development of agriculture towards industrialization, promote equitable and proportionate development among Regions, States and populations, and improve the quality of statistics and statistical system.

The Government proposes to also promulgate the necessary Laws in trade (Export-Import Act, Competition Law, Consumer Protection Law); enhance competition, relax export taxes, allow new export items and import items, import motor cars, palm oil and heavy machinery freely and establish a Trade Training Institute (TTI).

## NAY PYI TAW ACCORD FOR EFFECTIVE DEVELOPMENT COOPERATION (NAEDC)

The Ministry of National Planning and Economic Development (MNPED) presented the Nay Pyi Taw Accord for Effective Development Cooperation (NAEDC) to development partners on 20 January 2013 at the First Myanmar Development Cooperation Forum. The NAEDC was approved "by acclamation". The NAEDC sets forth the commitments of both GRUM and the development partners with respect to develop aid and technical cooperation.

Among several commitments, it is worth noting the following commitments of the GRUM, which are relevant to Myanmar's efforts at Trade and Private Sector Development. They confirm the government's commitment to foster the rule of law and improve the business environment:

### Continue to deepen consultation on development priorities and plans

- *Develop systems for dialogue and knowledge sharing across all levels of government: national, state, regional and local levels*
- *Engage strongly with civil society in participatory approaches, including providing greater voice to women, minorities and marginalised people – Seek and consider the views of development partners*

### Focus on achieving national priorities

- *Strengthen the rule of law and improve access to justice and to information*
- *Create an enabling environment for civil society to contribute to policy formulation, budgetary processes and delivery of services at the grass roots level*
- *Pursue market based, inclusive growth, equitable and sustainable development with a pro poor focus to accelerate achievement of the MDGs, including by securing property rights.*

### Enable effective decision making

- *Build and use an evidence base for decision making, including by increasing the quality of statistics and statistical systems*
- *Integrate capacity enhancing objectives into all development plans and develop appropriate strategies to unleash and develop capacities*
- *Publish costed and prioritised national, sub-national and sector development plans with specific results frameworks, and reflect national priorities in budget allocations and public policy decisions*

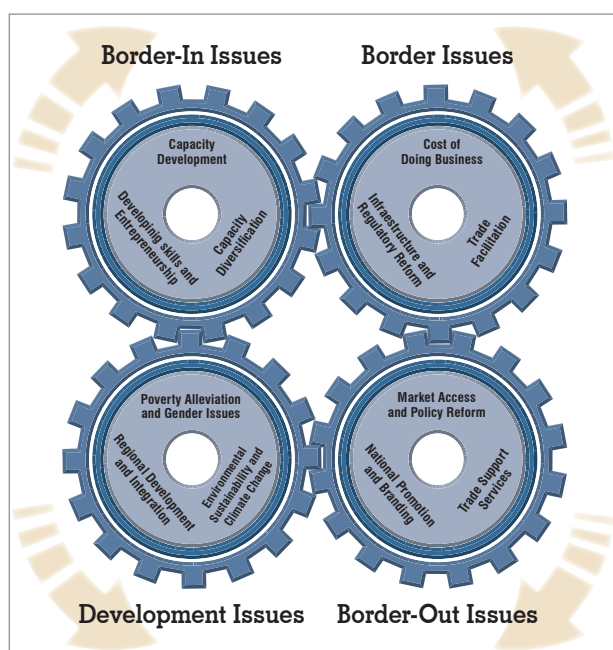
### Work to strengthen institutions, build capacity, reduce transaction costs and increase aid effectiveness

- *Be fully transparent in developing, designing and delivering assistance, wherever possible through untied aid*
- *Provide timely and accurate programming and financial information to the Government and other partners*
- *Ensure that technical cooperation is well coordinated and focused on strengthening national policies, institutions, and systems and in building local capacity, not substituting for it*
- *Work through country led programming approaches and wherever possible avoid a proliferation of stand-alone activities and separate project implementation units*
- *Move as quickly as possible to work within Myanmar implementation systems and structures on the basis of sound, jointly-undertaken analysis, identifying and rectifying problems in the process*

All these commitments are consistent with the principles of aid effectiveness embodied in the Paris and Busan Declarations. These commitments are founded on the principles of ownership, effectiveness, inclusiveness, coordination, coherence and transparency of aid provided. The government's approach is in line with ITC's approach towards implementing effective technical assistance, by building an inclusive and measurable programme of support to ensure sustainable results for a strategic programme for export development.

# EXPORT COMPETITIVENESS ISSUES (FOUR-GEAR ANALYSIS)

The export constraints analysis uses a four gears framework presented below to determine the major concerns to export development.



- **Supply-side issues** affect production capacity and include challenges in areas such as availability of appropriate skills and competencies; diversification capacity; technology, and low value addition in the sector's products.
- **The quality of the business environment** are constraints that influence transaction costs, such as regulatory environment; administrative procedures and documentation; infrastructure bottlenecks; certification costs; Internet access; and cost of support services.

- **Market entry issues** are essentially external to the country (but may also be manifested internally), such as market access, market development, market diversification and export promotion.

The analysis presents those constraints that are currently major export competitiveness bottlenecks in Myanmar. However, the assessment also explores issues limiting socioeconomic spillovers of exports to the larger society:

- **Social and economic concerns** include poverty reduction, gender equity, youth development, environmental sustainability and regional integration.

The results of this comprehensive analysis are analysed and detailed below. These overarching constraints are detailed and scrutinized throughout the NES document.

## THE BORDER-IN GEAR (SUPPLY-SIDE)

The restrictive licensing system has generated difficulties in importing production inputs and capital equipment. To tackle this issue, the Ministry of Commerce (MoC) introduced an automatic licensing system for exporting and importing into Myanmar in March 2013. The past policies created difficulties to import since a company had to export before a company was allowed to import the equivalent amount. Though the policy was often circumvented, it created confusion, additional costs for business and uncertainty. The policy environment made intra-industry trade difficult. The reforms of licencing requirements is expected to bring a greater ease to source inputs and intermediary inputs, although the private sector still reports some bottlenecks in the transparency of engaging in trade. These issues are presented in this section.

### Capacity Development issues

- Sanctions led to a market orientation geared to the neighbouring countries, and a move from light manufacturing (in particular textiles and clothing) to lower value added products
- Low levels of FDI outside of the energy sector limited access to capital, knowledge and new technologies
- Weak integration in global supply chains, with the exception textiles and garments, limited the adoption of higher standards and best manufacturing practices

### Capacity Diversification issues

- Myanmar's export basket is concentrated on a few products, with little value addition and weak embodiment of technology
- Previous policies restricted access to foreign investment and technology, and limited the importation of machinery
- The dominant position of some state owned enterprises weakened domestic competition and thwarted entrepreneurship, which are seen as important determinants of export diversification

### Skills and Entrepreneurship related issues

Despite the abundance of labour, low levels of labour productivity are weakening the export potential

- Increasing investment in education, health and skills are expected to boost productivity and address private sector requirements, as witnessed in other Mekong region countries.

## CAPACITY DEVELOPMENT ISSUES

### MYANMAR'S UNDERDEVELOPED ECONOMIC AND EXPORT STRUCTURES ARE THE OUTCOME OF PAST SANCTIONS

Sanctions played a role in altering the development path which Myanmar was embarking upon during the late 1990s and early 2000s. Not only did the destination of its exports changed dramatically, but its export structure also regressed towards a similar pattern to the early 1990s, with the exception of the booming gas exports. Contrary to most developing economies, the share of agriculture in Myanmar has increased significantly over the last decades. Between 1965 and 2010, the share of agriculture increased from 35 to 44%. Agriculture also dominates employment, accounting for 52% of jobs. Manufacturing also registered a strong increase in its contribution to economic output, accounting for 38% of GDP in 2010, up from 13% in 1965. A large proportion of this increase relates to

gas exploration and extraction. Services fell drastically, from 52% in 1965 to 18% in 2010<sup>52</sup>.

The agricultural sector in Myanmar has a relatively diversified production structure, with favourable climatic conditions for vegetable and pulses, fruits and seasonal plantations. The lack of access to water and electricity limits the potential for irrigation and increase vulnerabilities to climatic conditions.

Industrial zones and special export processing zones, which would provide reliable and cheaper electrification, affordable infrastructure provision of simplified administration procedures (from customs to other providers of services within a trade facilitation framework) likely to also boost manufacturing competitiveness. Finally addressing financial intermediation constraints are also expected to boost investment and thus productivity gains, innovation and diversification.

### IMPORT RESTRICTIONS ON PRODUCTS USED AS PRODUCTION INPUTS IMPACTED ON THE PRODUCTIVITY, RANGE AND GROWTH OF MYANMAR'S ENTERPRISES

Myanmar's businesses were very much restricted on their access to inputs, technology, equipment or intermediary goods, owing to the pervasive use of import licensing systems. In 2013, the Government had eliminated many requirements, although it remains still unclear for many operators how easy it is to engage in trade. Continued reforms are required to facilitate trade and ensure that economic operators have access to the right inputs for their businesses to become globally competitive.

### LOW PRODUCT QUALITY LEVELS ARE DRIVEN BY A LOW NATIONAL QUALITY INFRASTRUCTURE

The adoption of internationally recognised standards, quality management, certification and testing are challenges for businesses in Myanmar. Key elements from the national quality infrastructure, from legal metrology, to standards, from regulations to certifications, are all weak or absent in Myanmar. According to the authorities stated that Myanmar has 65 existing standards and are developing a standards law and creating a National Standards Council (NSC) to revise these existing standards. A standards committee, to be set up under the NSC, will establish 19 technical committees covering various sectors<sup>53</sup>. The technical committees, which are expected to comprise

52. Figures from CSO and World Development Indicators, reprinted in McKinsey (2013) Myanmar's moment: Unique opportunities, major challenges, MGI, June

53. WTO (2014), Trade Policy Review: Myanmar



government officials, academia, chambers of commerce, private sector industries, and professionals, will draft national standards and regulations in their respective areas.

Looking at SPS measures, Ministries in charge (i.e. MoAI and the Ministry of Livestock, Fisheries and Rural Development are responsible) are adopting SPS standards following those of CODEX, ASEAN, and the OIE. So far, however, the WTO has not received any notification concerning SPS measures from DICA, the national enquiry point to the WTO.

To date laboratories are usually under-equipped and personnel under-qualified to operate modern testing equipment, competent authorities have not gained the trust of customs administrations in third countries, and the dissemination of standards, rules and regulations for third markets remains inadequate. At the enterprise level, dated capital equipment, and lack of product and process quality management are partly to blame for the prevalent low product quality levels.

A number of donor initiatives, from the EU, UNIDO and GIZ are expected to address some of these key bottlenecks for Myanmar's to move up the value chain with its products.

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#### LOW INVESTMENT LEVELS CONSTRAIN CAPACITY DEVELOPMENT AND DIVERSIFICATION

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Net Foreign Direct Investment (FDI) outside of the sector of gas, has remained very low, with a small exception for the garment and textile sector. The main reasons for the historically low investment levels concern the existence of sanctions against Myanmar, low regulatory environment, inadequate provisions for investor protection, prohibitive taxation for the repatriation of profits, uncertain political and socio-economic environment, unfair trade practices and lack of competition policies, restrictive trade licensing schemes, undeveloped financial intermediation, poor physical infrastructure, etc. A number of these areas have been addressed or are in the process of being addressed and are expected to lead to better domestic and foreign investment levels. Both FDI and domestic investment are seen as essential to accompany the ambitions of the NES.

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#### CAPACITY DIVERSIFICATION ISSUES

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##### MAIN EXPORTED PRODUCTS HAVE LOW VALUE ADDITION AND WEAK DIFFERENTIATION

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ITC's technological content analysis of trade discovered that Myanmar's exports are primarily concentrated in low technology manufacturing, natural resource based

manufacturing and commodities – product groups that do not generally generate high knowledge spillovers and value addition. Moreover, more generally Myanmar's export basket is concentrated on a few products and a few markets. Such weak diversification increase vulnerability and lowers export growth potential.

The analysis also discovered that the level of sophistication of Myanmar's exports has fallen over the last decade. In recent years, exports have increased in sectors requiring minimal technology/sophistication and have fallen in sectors requiring greater technology/sophistication. Value addition in manufactured products will contribute to increase revenues, reduce vulnerability to external shocks, improve export penetration into new markets and support the development of differentiated products. Improvements in value added and quality are also expected to lead to improved sustainability of export markets, which have been identified as being extremely low and the lowest amongst its Asian peers.

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#### SKILLS AND ENTREPRENEURSHIP RELATED ISSUES

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##### LOW PRODUCTIVITY, UNDEREMPLOYMENT AND LOW EDUCATION LEVELS WEAKEN COMPETITIVENESS

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The education system is considered outdated, relies on rote learning rather than instilling the tools for analytical thinking and does not equip the population with the necessary skills for entering the workplace. Technical skills learning centres are also outdated and do not respond to the requirements of the private sector. As a result, the percentage of the population aged 25 and older with at least secondary education only reached 18.0% for female and 17.6% for male over the period 2006-2010<sup>54</sup>.

The Government has recently recognised these weaknesses and is working with donors, in particular GIZ, to improve TVET and skills building programmes for industry and trade. The Ministry of Commerce has recently established a Trade Training Institute (in April 2013) and the Ministry of Commerce has a SME Development Centre which provides skills training. Additional investment in skills will be necessary to promote greater productivity and lead to greater value added per worker.

According to a recent study by McKinsey, labour productivity per capita in Myanmar ranks as one of the lowest in Asia and is particularly weak in comparison to its neighbours: China, India and Thailand. Figure 44 plots

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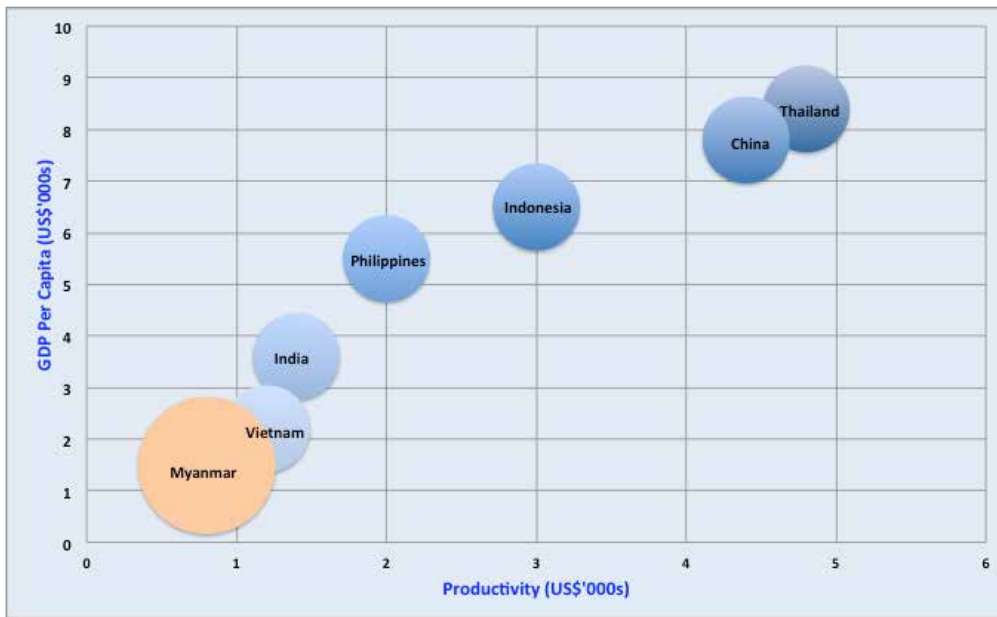
54. United Nations Development Programme (2013) Human Development Report 2013

the different countries according to GDP per capita and output per worker, using 2010 data.

In order to reach the growth rates envisaged in national development plans, namely 8% growth per annum, McKinsey estimates that the gains in productivity growth per worker will need to increase by 7% per annum. In

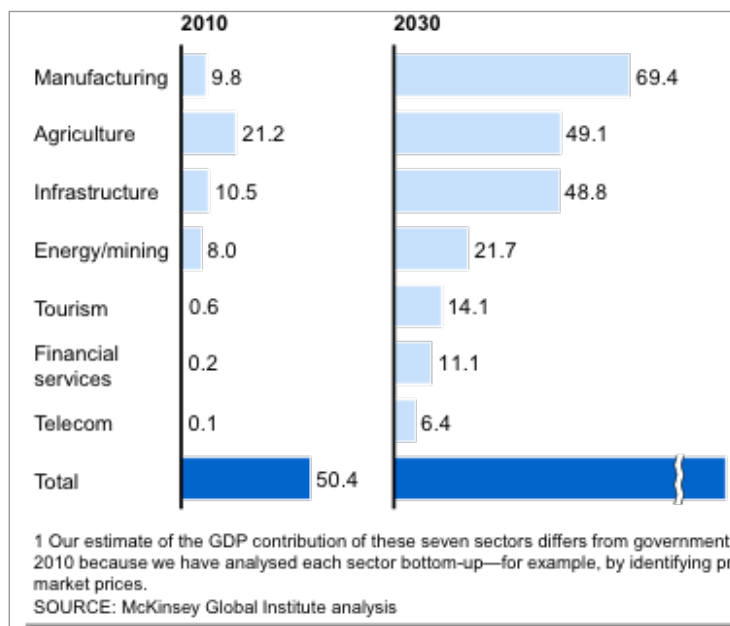
particular, observing the decomposition of economic growth, it would need to increase by more than twofold over past performance (see Figure 35). Such increases can only be met through significant investment in human capital, through skills training and education, improving the management of businesses and the re-engineering of business processes.

Figure 34: Labour productivity in Myanmar and selected economies



Source: McKinsey (2013) Myanmar's moment: Unique opportunities, major challenges, MGI, June

Figure 35: Labour productivity targets for 8% GDP growth



## Box 4: Quality of the business environment issues in Myanmar

### Infrastructure and the need for regulatory reforms

- The regulatory structure is often outdated and burdensome for enterprises
- There is a lack of predictability and transparency of procedures by authorities

### Trade facilitation issues

- Customs procedures and practices are outdated and unpredictable
- There is poor inter-ministerial coordination to facilitate trade

### Cost of doing business issues

- Limited access to TI and weaknesses of the TSIs do not allow priority sectors to keep up with international market trends and technical requirements
- Inadequate infrastructure and business environment raise the cost of doing business
- Limited access to finance and inadequate export finance mechanisms constrain the expansion of the economy

## THE BORDER GEAR (QUALITY OF THE BUSINESS ENVIRONMENT)

There are significant trade facilitation challenges faced by Myanmar exporters at border crossings. These include delays at the border due to security checks, the lack of use of risk management techniques by customs officials, lack of transparent customs valuation techniques, etc. Access to finance (export finance, risk guarantees, etc.) is a challenge faced across the board by SMEs. Issues exist both on the supply side (banks and other financial institutions) and on the demand side (inadequate collateral, limited creditworthiness, etc.). The regulatory structure – ranging from high costs of utilities to processes for starting a new business to filling out custom forms – is characterized by a lack of information and burdensome requirements. TSIs, especially the policy, trade services and business support networks, all suffer from redundancies and lack of capacities. In this regard, the quality of institutional support requires significant improvement.

### INFRASTRUCTURE AND THE NEED FOR REGULATORY REFORMS

#### THE REGULATORY STRUCTURE IS OFTEN OUTDATED BURDENSOME FOR ENTERPRISES

Many of the laws and regulations date back to colonial times and reflect British legislation of the time. In line with advancements made by businesses, existing legislation must be updated or new legislation adopted to take into

account the new business environment. Customs legislation in particular requires updating. At the same time, the requirements of the AEC are such that they need to be inscribed in national legislation and the regulatory apparatus needs to be adapted to ASEAN requirements.

#### THERE IS A LACK OF PREDICTABILITY AND TRANSPARENCY OF PROCEDURES BY AUTHORITIES

The current regulatory environment is one of control rather than facilitation. While regulation is necessary to uphold consumer protection and fair trade ambitions, the current system seems inadequately geared towards generating a flexible and performance-oriented business environment. The NES seeks to address the major constraints in the current regulatory environment.

### TRADE FACILITATION ISSUES

#### CUSTOMS PROCEDURES AND PRACTICES ARE OUTDATED AND UNPREDICTABLE

Trade facilitation is essential for improving export performance. It will reduce the time it takes to import and export goods, reduce the cost of cross-border transactions and improve transparency (and hence governance). Myanmar's customs procedures lack transparency and are considered outdated. In addition, customs valuation, risk management and other customs methods do not match international standards, seriously hampering the country's international trade.

The above are problems that are common to many countries, and the solutions are relatively straightforward. Some of the solutions (deregulation) are difficult to implement, others require substantial funding (infrastructure), and still others take time (improving and expanding education). Finding the right sequencing, priority and feasibility of these reforms will in itself be very challenging. The NES addresses some of the key trade facilitation issues which affect export performance.

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#### THERE IS POOR INTER-MINISTERIAL COORDINATION TO FACILITATE TRADE

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The level of inter-ministerial coordination in Myanmar is very weak. The reasons behind this relate to territorial battles between ministries and poor streamlining of government policies between ministries. Trade facilitation measures are difficult for these reasons, since it requires a coordinated effort to streamline administrative processes at the port of entry or of exit. Myanmar is moving to a National Customs Single Window (and eventually an ASEAN Single Window) operating system to reduce contact with different operators and simplify procedures. Nevertheless, the business processes of different ministries have still not been streamlined, so further work will be required even after the adoption of the single window.

A major World Bank programme for financial sector reform is under way. It will tackle issues related to deregulation and improvements in collateral financing and risk management, as well as addressing access to international capital markets for refinancing. The NES serves to define the priorities required for exporters to increase their access to financial instruments for export development.

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#### COST OF DOING BUSINESS ISSUES

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Limited access to TI and weaknesses of the TSIs do not allow priority sectors to keep up with international market trends and technical requirements

As mentioned in the section on Myanmar's TSN, the TSN is limited and is concentrated on the provision of services of an often similar nature. There is room to broaden the scope of activities to include such services as financial services support (access to finance, export and insurance credit and other financial intermediation instruments), investment promotion services, supply-side services (including R&D) and services provided to women entrepreneurs.

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#### INADEQUATE INFRASTRUCTURE AND BUSINESS ENVIRONMENT RAISE THE COST OF DOING BUSINESS

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A host of factors increase the cost of doing business in Myanmar. Though an extensive survey has not yet been conducted, some limited, small-sample-based questionnaires raise some of the principal concerns for businesses operating in Myanmar. These include high electricity costs linked to unreliable provision of services (thereby requiring expensive electricity to be obtained through generators). Other factors include poor physical infrastructure, the high cost of finance, unpredictable procedures and administrative steps, labour productivity levels, taxes, and telecommunication costs.

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#### LIMITED ACCESS TO FINANCE AND INADEQUATE EXPORT FINANCE MECHANISMS CONSTRAIN THE EXPANSION OF THE ECONOMY

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Myanmar's economy is still largely cash-based, thus forgoing the possibility of more efficient pooling of savings, risk sharing and maturity transformation through the formal financial system. This has ramifications for the allocation of capital and hence the economic growth potential of Myanmar.<sup>55</sup>

Myanmar's banking system, including the private banking sector, is small, poorly connected and segmented by industry, resulting in weak competition between banks. Moreover, lending by private banks is heavily constrained as it is very difficult for the banks to determine the creditworthiness of potential borrowers because financial information and auditing is very weak and small enterprises are not required to produce financial statements. The Doing Business Survey 2014 illustrates this weakness, with Myanmar standing at 170 in the ranking of 189 economies on the ease of getting credit, while the regional average is 81.<sup>56</sup> As highlighted in the section on the business environment, financial intermediation is also the lowest in the region.

Myanmar's banking system currently provides mainly limited amounts of short-term credit for trade. The activities of banks are primarily geared towards financing the government by buying government bonds in amounts far greater

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55. Organisation for Economic Co-Operation (2013). *Multi-dimensional Review of Myanmar, Volume 1. Initial Assessment*. OECD Development Pathways, OECD Publishing.

56. World Bank (2013). *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises*. Washington, DC: World Bank Group. DOI: 10.1596/978-0-8213-9615-5. License: Creative Commons Attribution CC BY 3.0.

than their credit to private business.<sup>57</sup> The ability of enterprises to access finance is therefore limited, companies usually obtaining their required capital through informal channels (family or friends or informal credit institutions, rather than the banking sector).

## THE BORDER-OUT GEAR (MARKET ENTRY)

Sanctions have affected Myanmar's access to third markets. Prior to sanctions, Myanmar had a fairly well balanced distribution of export markets, with its exported destined to ASEAN, EU and US markets. It took advantage of unilateral preferences for fishery exports and textile and garments. The introduction of sanctions affected its exports to the US, which fell to nil, and to the EU, which fell to just €164 million in 2012. It is expected that the reinstatement of preferences due to the relaxation or elimination of sanctions will boost Myanmar's utilisation of preferences from 2013.

The ASEAN market and its neighbouring countries, including India, are likely to remain major markets for Myanmar. With the exception of India, Myanmar enjoys preferential arrangements with these markets.

### Market Access constraints and need for Policy Reform

- Sanctions have skewed the orientation of Myanmar's exports
- Strong reliance on the neighbouring countries for market access, with some limited exports to developed markets
- Information on standards and market access requirements to access other markets will be required

### Trade and Business Services Support

- No export promotion agency to assist Myanmar exporters with information on emerging/current market trends, market entry requirements, opportunities etc.
- Lack of export promotion activities in international markets has limited the visibility of Myanmar enterprises and brands

### National Promotion and Branding

- Development and Promotion of Myanmar Brand has important bearing on export competitiveness

## MARKET ACCESS CONSTRAINTS AND NEED FOR POLICY REFORM

### SANCTIONS HAVE SKEWED MYANMAR'S EXPORT ORIENTATION

Myanmar's lack of diversification reflects to a great extent the sanctions imposed on its exports by developed countries. Such sanctions have made exports only possible via a MFN basis, making it less competitive vis-à-vis other developing countries. More the financial sanctions applied by the US also made it difficult to make payments to and from Myanmar. These had to pass through unofficial channels like Singapore, through shell companies. This not only raised the cost of business, but also made payments more difficult. US and EU investment completely withdrew during this period (except in the extractive industries off-shore). Japanese and Korean investment remained and increased during this period but the lack of a critical mass of international trade drove higher costs to trade across borders. Moreover, until recently policies to promote trade were relatively restrictive in nature and made export diversification and tapping into supply chains extremely difficult.

### OVERDEPENDENCE ON NEIGHBOURING MARKETS LEADS TO HIGH VULNERABILITY OF THE ECONOMY

The combination of sanctions, the geographical proximity, the demand for its commodity and the exports of gas, led to export orientation towards its neighbours. The concentration is amongst the highest in South-East Asia and leads to overdependence and vulnerability. A diversification strategy is therefore required.

### INSUFFICIENT INFORMATION ON MARKET DEMAND PREVENT EXPORTERS TO TAP INTO PROMISING MARKETS

Although Myanmar can benefit from preferential market access on a number of advanced country markets, as well as is a signatory to the ASEAN agreements, including ASEAN+ agreements, which include Korea and Japan, market information, knowledge on standards and procedures for exporting will be required in order to fully tap into these markets. The EU for example is unravelling a series of capacity building initiatives at the sectoral level to ensure that information on the EU is available.

57. Perkins, D. H. (2012). *Industrial Policy Reform in Myanmar*. Cambridge, Massachusetts: Ash Center for Democratic Governance and Innovation, Harvard Kennedy School, Harvard University.

## INSUFFICIENT TRADE AND BUSINESS SERVICES SUPPORT

### NO EXPORT PROMOTION AGENCY

There is no export promotion agency in Myanmar. Trade promotion is currently undertaken by the Department of Trade Promotion of the Ministry of Commerce and the Union of Myanmar Federation of Chambers of Commerce and Industry. The trade promotion services currently provided are largely inadequate to assist exporters along the export development pathway and there is currently no one centralised service for potential or current exporters that provides information regarding documents, procedures and regulations for export and market access. The information gathered so far indicates a need to establish such a mechanism that can cater to the myriad needs of exporters ranging from trade information, market and commercial intelligence, help with document preparation etc.

As Myanmar seeks to develop new export opportunities, stronger trade promotion activities will be required to provide stakeholders with targeted and reliable advice and information.

### LACK OF PARTICIPATION IN INTERNATIONAL TRADE FAIRS AND OTHER PROMOTIONAL ACTIVITIES LIMITS THE INTERNATIONAL OUTREACH OF NATIONAL PRODUCTS

The Ministry of Foreign Affairs is proposing to post commercial attaches in ministries in order to gather market intelligence and promote Myanmar interests abroad. In order for this to be effective, such staff will need to be trained and skilled in searching and gathering information and preparing logistical arrangements for exporters. Beyond commercial attaches, commercial diplomacy through a pro-active trade policy is also required to promote market opening for sectors of interest in Myanmar. Also participation in trade fairs and other activities is important for promoting Myanmar products and knowledge on Myanmar. Participation in such fairs is a skilled operation requiring significant effort, resources and rigour.

### LIMITED NATIONAL PROMOTION AND BRANDING

#### POOR PERCEPTION OF THE SECTOR'S IMAGE NEGATIVELY IMPACTS EXPORT POTENTIAL

There exists a requirement to develop a national brand for Myanmar products that conveys values such as product quality, diversity of products, and ultimately values



associated with and important to the Myanmar people. Section entitled *The vision of the National Export Strategy* sets out Myanmar's vision for the NES which may also be taken into account for the national branding exercise. The brand will need to overcome some expected stereotypes which may have been generated through media reports, such as poor labour conditions, ethnic violence and repression. A Myanmar brand should promote Myanmar's values, ethnic diversity, strong workforce and ambitious drive, the rapid speed of reforms towards a modern technological based economy, and ultimately the positioning of Myanmar at the crossroads of the most dynamic trading economies of the world.

## DEVELOPMENT GEAR

Myanmar has made critical strides in reducing poverty levels, though these remain high. More than one-fourth of the population is living in a state of poverty. Inadequate access to capital, poor infrastructure, and underdeveloped human capacity are the key causes of poverty in the country. There are significant regional disparities in health and wellbeing and ethnic groups in some parts of the country remain in armed conflict against the Government. This has increased the marginalisation of some regions and will contribute to fragmentation in the distribution of the gains from market reforms and openness to trade. The Government is aware of the need to incorporate inclusiveness, and social and environmental concerns in its path towards development, but these targets need to be monitored and evaluated continuously during the development process.

### Poverty alleviation and gender inclusiveness

- Poverty rates remain high but have been decreasing and evidence suggests that inclusive growth is an expected outcome from policy reforms and economic growth
- Gender mainstreaming in the formal sector is important for gender equity. Senior levels of government as well as national, political and economic elites are dominated by men. Women's access to services, land and water resources, finance, and infrastructure is highly limited
- Economic capacity building and investment in the development of women entrepreneurs can spur gender equality and economic growth

### Regional development and inclusion

- Ethnic conflicts add complexity to creating cohesion across regions but also underscore the need to promote inclusive and equitable policies across regional divides
- Groups in the remote mountain regions are, generally speaking, economically, socially and politically marginalized, even though these groups have a disproportionate influence on conserving natural resources in protected areas and maintaining biological and cultural diversity
- Many minority groups may speak a local dialect and lack fluency in the national language and English, which can lead to economic marginalization. Attempts should be made to deliver development programmes in local languages where possible

### Creating Youth Employment

- The demographic profile of Myanmar is highly youthful, with a median age of just 27, but rural and urban youth struggle to find quality jobs
- Job creation for rural youth is critical to the overall development of the country

### Environmental sustainability and climate change

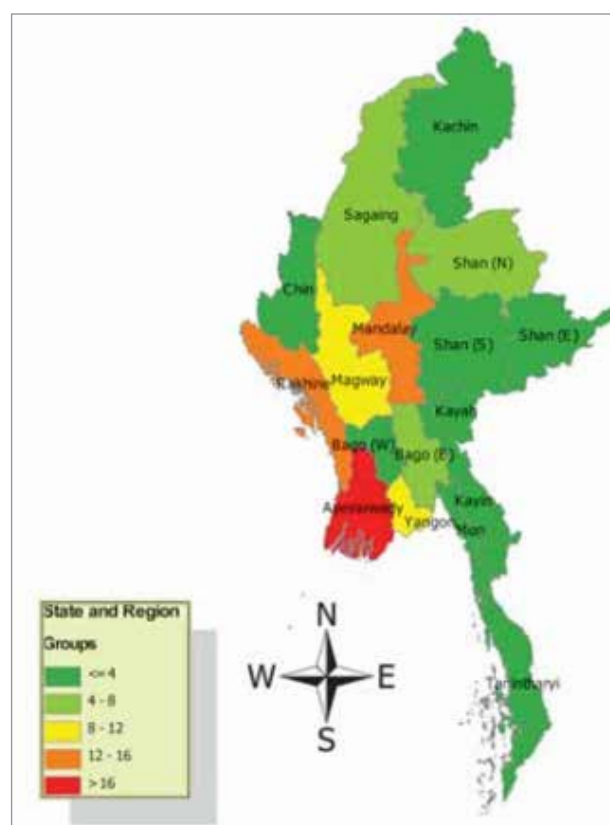
- Myanmar is a critical part of the Indo-Burma Biodiversity hotspot, with more than 10,000 species of plants and many critically endangered terrestrial and marine endemic species. Ensuring that economic growth is occurring sustainably is important.
- Introducing better methodologies for sustainability impact assessments to determine the viability of investment and trade projects are necessary
- Promoting climate adaptation strategies, as well as mitigation efforts through green energy and payment for ecosystem services systems is necessary

## POVERTY ALLEVIATION AND GENDER INCLUSIVENESS RELATED ISSUES

### POVERTY RATES REMAIN HIGH BUT HAVE BEEN DECREASING

If the national rate has fallen by an encouraging 6 percentage points in 2010 compared to 2005, Myanmar remains one of the poorest low-income country (LIC) in Southeast Asia, with 26% of the population living under the national poverty line in 2010, with a poverty line set just above USD \$1.04 per day<sup>58</sup> (IMF, 2013). Using the World Bank's measure of moderate poverty set at \$2 per day, the survey shows that more than 85% of the population is poor.<sup>59</sup> Nearly 60% of the population lives between \$ 1.04 per day and \$2 per day.

**Figure 36:** National Poverty Shares by State/Region, 2010

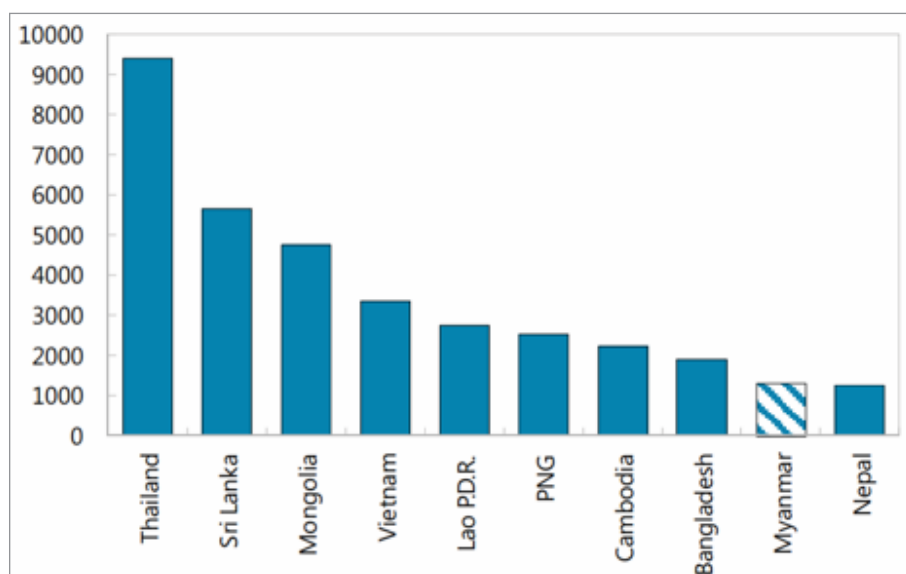


**Source:** SIDA/UNICEF/UNDP, Integrated Household Living Conditions. Survey in Myanmar (2009-2010) – Poverty Profile, June 2011

58. National estimates of the percentage of the population falling below the poverty line are based on surveys of sub-groups, with the results weighted by the number of people in each group. Definitions of poverty vary considerably among nations.

59. UNDP 2011 p. 23, Table 11. Table 11 contains information on income distribution deciles.

Figure 37: Per Capita GDP (PPP), 2011 (in US Dollars)



Source: IMF (2013) Myanmar: Staff Monitored Program, IMF Country Report No.13/13

A large concentration of poverty, 85%, is located in rural areas (see Figure 36). More generally, disparities are pronounced across states; the central state of Chin, for example, has poverty incidence of 73%, contrasting with the 11% incidence in Kayah, an eastern state near northern Thailand.

To illustrate the precariousness of the country, UNOPS recently revealed that the average proportion of total household budget spent on food represents 68%. Per capita GDP level is also alarming, at around US\$900, making the country one of the poorest in the Region (Figure 37).

#### CONSTRAINTS TO WOMEN'S EMPOWERMENT

Another feature of Myanmar's labour market is a high share of women in the workforce, which reflects the high share of agriculture in economic activity, where all working hands are put to use. Notwithstanding the very high share of women in the workforce, they still face certain disadvantages compared to males. Myanmar scored 0.437 on the Gender Inequality Index (GII), placing it 80th out of 148 countries<sup>60</sup>.

Although Myanmar lags behind many of its neighbors in terms of economic and social indicators, it is to be noted that the country fares relatively well in terms of gender equality. On socioeconomic grounds some educated women, in urban areas, participate almost equally at home and private business and enjoy joint-decision

making. This is not always true for rural women and in ethnic minorities and, more generally, women's labour force participation rate remains lower with 75.0% compared with 82.1% for men<sup>61</sup>.

However, these encouraging results fall short of showing how women are employed. In general, women are often employed in low status, low paying, jobs, while leadership positions are held by men.

According to recent study published by ACTED<sup>62</sup>, women in Myanmar receive 61% of the amount men receive for doing the same job. Gender equality is undermined by a number of discriminatory laws concerning marriage, property ownership and inheritance rights driven by the country's traditional heritage which respects and delineates strong social roles between genders. As an example, in Palaung tradition, when a man dies, the property customarily goes to his male relatives and not to his wife<sup>63</sup>. Female representation in positions of authority and management at all levels of national politics and governance still lags behind with, for instance, only 8.4% of the national parliament seats occupied by women after the bi-election in April 2012. Though there are disparities between urban and rural areas and among geographical regions in Myanmar, neither overall labour market participation nor women's share in the workforce seem to be major contributors to inequality (Figure 38).

60. United Nations Development Programme (2013) Human Development Report 2013

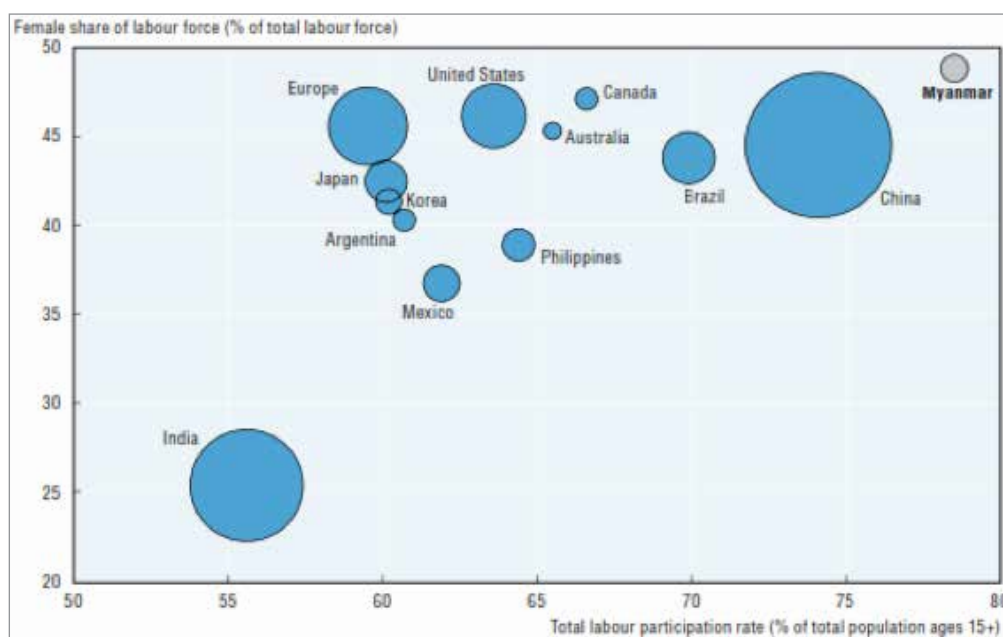
61. United Nations Development Programme (2013) Human Development Report 2013

62. ACTED (2014), Constraints to Women's Economic Empowerment in Myanmar

63. OECD, Multi-Dimensional Review of Myanmar (2013)



Figure 38: Participation of women in the labour force



Source: OECD, Multi-Dimensional Review of Myanmar (2013)

In education, enrolment ratios of girls and boys in primary and secondary education have practically achieved parity, with 18% of female aged 25 and older with at least secondary education, even exceeding male's rate (17.6%)<sup>64</sup>.

Finally, it is to be noted that Myanmar is a signatory to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), Beijing Platform of Action and the Millennium Declaration. However, inadequate gender statistics provide an incomplete overview of the gender situation and quality gender disaggregated data would be needed to benchmark the country internationally with regards to gender and women's empowerment.

The draft National Strategic Plan for the Advancement of Women (2012-2021) provides for an integrated Government approach to improving the situation of women and girls in Myanmar. The Plan aims to create enabling systems, structures and practices for the advancement of women, gender equality, and the realization of women's rights, in accordance with Myanmar's expressed commitment to international standards, treaties, and agreements.

64. *Ibid.*

#### REGIONAL DEVELOPMENT AND INCLUSION IS A POTENTIAL THREAT TO ECONOMIC DEVELOPMENT

Myanmar contains 7 regions and 7 states with more than 135 officially recognised ethnic groups and 108 linguistic groups.<sup>65</sup> In addition, the country is also divided into 64 districts, 324 townships, and 65,148 villages<sup>66</sup>, creating a complex plurality that needs to be factored in at every stage.

Internal political and social tension remains a potential destabilising factor and may lead to open conflict hence seriously threatening the fragile economic reforms.

As ethnic unrest recently continued to rumble on in Rakhine and other border regions, the government is currently attempting to put in place individual ceasefire agreements with each of the country's major ethnic-minority groups. This will be a long and unsteady process but necessary as the potential escalation of the ethnic conflict state and other border regions could undermine investors' confidence and seriously compromise the country's economic recovery.

Inclusiveness is crucial to maintaining good growth momentum as it strengthens social cohesion and contributes to human capital accumulation. With many ethnic

65. Microfinance in Myanmar Sector Assessment, IFC, 2013

66. *Ibid.*

groups<sup>67</sup>, creating a harmonious society is a key challenge to provide a foundation for inclusive and sustainable growth<sup>68</sup>.

## LIMITED QUALIFIED YOUTH EMPLOYMENT

### ECONOMIC DEVELOPMENT SHOULD BE COUPLED WITH THE CREATION OF QUALIFIED JOBS FOR THE YOUTH

Youth in Myanmar are often referred to as “a lost generation.” The main difficulties lie in a lack of quality control in the rural education system and a perceived lack of ambition on the part of youth. A practice within the education system known as distance learning, where students at the college level are only required to spend one week of the year physically on campus, has led to an anaemic and ineffective higher education system, leaving young people without the critical skills needed to fill the niche of skilled technical labour, with most youth bottlenecked at the base of the pyramid, competing for low skill jobs.

One of the growing areas which has attracted young people is “certificate courses” that take place in large cities to provide youth with training in English language and accounting. More vocational training programs in this regard are needed. However, the vocational programme itself needs a mission embodying a commitment to the overall development of the country.

The situation for young women, who are encumbered by household chores and traditional gender role allocations, is even more precarious. The lack of diversification of rural agricultural and non-farm work opportunities has negative consequences on rural youth.

While there are still many challenges to conducting business in the country (low culture of entrepreneurship, constraining legal and administrative environment, underdeveloped financial system, and predominance of the informal sector), there is now a growing space for innovation and start-ups in Myanmar, which can be filled by the country’s youthful population.

67. According to Ekeh and Smith 2007, the country has 135 officially recognized ethnic groups with the Bamar representing 68% of the population.

68. Asian Development Bank (ADB), “Myanmar in Transition” August 2012

## ENVIRONMENTAL CONCERNS

### THE ECONOMIC DEVELOPMENT COULD REPRESENT A THREAT FOR THE ENVIRONMENTAL SUSTAINABILITY OF THE COUNTRY

In terms of species endemism and biodiversity, Myanmar is one of the richest countries in the world. This is due to diverse ecosystems and microclimates resulting from changes in elevation from sea level to the high mountainous region to the north. It is part of the Indo-Burma biodiversity hotspot, with more than 10,000 species of plants and outsized diversity of birds, mammals, amphibians and reptiles, with new species being discovered constantly.<sup>69</sup> Beyond the snub-nosed monkey, endemic turtle species, and other charismatic species, Myanmar harbours many invertebrate and reptile species of huge ecosystem importance that have not yet been discovered. In the northern portion of the country lies one of the largest remaining intact primary forests. As development occurs, the population must be sensitized to the numerous economic benefits which these habitats provide.

Growing human population pressure, rapid economic growth, and unfettered expansion of fisheries and shrimp farms present the greatest threats to the country’s rich habitats. Wide-scale conversion of forest area into industrialized cash crop fields has been largely responsible for the reduction in forest cover. Between 1990 and 2010, forest cover went from 39.2 million hectares or 58% of the country’s total land area to 31.8 million or 47% of the total land area.<sup>70</sup> Between 1989 and 1998 alone, total decline in forest cover in the cities of Yangon, Mandalay and Ayeyarwady was even more precipitous, falling by 40-50%, an annual decline rate of approximately 5%.<sup>71</sup> It must be ensured that as the country industrializes, the natural resources which give Myanmar a strong competitive edge in the region, be protected and sustainably used. Promotion of non-timber forest products (NTFP) such as medicinal plants, honeybee products, fruits, seed oils, fodder, fibre and fuel may be a way to simultaneously conserve forests and provide inclusive livelihood generating activities. Myanmar is endowed with more than 1,000 different medicinal plants, many of which have growing global markets.<sup>72</sup> Another critical area is payment for environmental services (PES) schemes such as REDD+ that also help to link economic incentives with conservation goals.

69. [http://www.cepf.net/Documents/final.indoburma\\_indochina.ep.pdf](http://www.cepf.net/Documents/final.indoburma_indochina.ep.pdf)

70. OECD, Multi-Dimensional Review of Myanmar (2013)

71. *Ibid.*

72. For more information on Myanmar’s NTFP, see: <http://www.fao.org/docrep/x5336e/x5336e0r.htm#the%20role%20of%20non%20wood%20forest%20products%20in%20myanmar>



Cyclones, landslides, earthquakes, tsunami, fire and drought are also very real natural threats to Myanmar's environment, the devastating Nargis cyclone which struck Myanmar in 2008 being a tragic example. Enhanced vulnerability of human populations to natural disasters as a result of loss of biodiversity and forest resources was clearly observable in the case of Nargis, where reduced mangrove forests, which act as a natural barrier, resulted in a much higher death toll than if the forests had remained intact.

Myanmar's cities are increasingly struggling with solid waste management and air pollution issues as they develop. Air pollution in Myanmar's two major cities, Yangon and Mandalay, is among the highest for major cities in developing Southeast Asia, reflecting both the increase in the number of motor vehicles as well as the predominant use of low octane fuels suitable for the motorcycles and other lower power vehicles<sup>73</sup>. There is little question that the share of Myanmar's GDP derived from industrial activity will increase from trade liberalisation and economic reform, making it imperative to draft and implement the necessary strategies for mitigating air pollution and sustainably managing solid waste.

To protect its natural resources, the country applies the Myanmar Selection System (MSS) to manage its forests and has adopted Agenda 21 and the Rio Declaration on environment and development. Myanmar however faces environmental problems arising from underdevelopment

and poverty. According to the 2009-2009 Environmental Performance Assessment report (EPA), the priority concerns of environment activities are:

- Deforestation,
- Land degradation due to urbanisation and poor waste management
- Water resource and quality status,
- Loss of biological resources,
- Inadequate solid waste management,
- Impacts of mining industry on environment.

According to the UNDP Environmental Thematic Working Group, the country needs to address the following issues in order to improve the sustainability of its environment:

- Sustainable agriculture land use practices are unsustainable and deforestation rate is increasing.
- Scarcity of forest resources
- Lack of awareness on all aspects of environmental conservation
- Lack of integrated pest management

A huge percentage of Myanmar's population relies on the fisheries sector for food and income. Myanmar is endowed with a vast array of oceanic environmental resources, including a number of unique and important coral reefs. These resources form important habitats for a variety of species while at the same time fulfilling valuable roles such as, in the case of mangroves, pollutant sinks and sediment traps. Nevertheless, Myanmar has yet to fully appreciate the importance of such resources and

73. OECD, Multi-Dimensional Review of Myanmar (2013)

the effects of the fisheries sector upon them. The greatest threat to coral reefs comes from overfishing, while destructive fishing, coastal development, sedimentation, and marine pollution are estimated to have smaller, yet still concerning effects. Secondary mangrove forests meanwhile are threatened by the expansion of aquaculture farming as stakeholders seek out new space for production.

These natural resources are threatened by contamination from aquaculture by products and processes. Aquaculture feed can lead to imbalances in the food chain by favouring certain species, while chemical treatments, feed additives, and waste build up may have adverse impacts on local populations and water safety. Moreover, high levels of nutrients found in feeds and faecal matter can result in eutrophication, reducing oxygen supply and releasing toxins. Together, these issues can result in decreased biodiversity and resource contamination.

Despite the risks posed to ecosystems, habitats, and economic and environmental sustainability, the government has thus far developed only limited capacities to help it engage in harm reduction and sustainable management. The FAO notes that there are no provisions for environmental impact assessment in fishery legislation. Moreover, there is limited knowledge among both public and private stakeholders as to the importance of these resources and the possible harms caused by the sector. Even where steps have been taken, for example with the establishment of marine protection areas, enforcement capacities are lacking. Myanmar must develop a policy framework that allows for the protection of these resources in light of sector exploitation. Such a policy should provide for environmental impact assessments and create efficient monitoring and enforcement mechanisms.

With regards to animal resources, the long-term sustainability of capture fishery activity will depend upon the successful management of fish populations. The government must take steps to better understand local population dynamics and establish an effective system for implementing quotas in line with Maximum Sustainable Yield. Such management must consider both reproductive and carrying capacities in order to accurately judge the impact of changing population sizes on the rest of the ecosystem.

Similarly to marine capture fishermen, enterprises of the sector must improve their environment impact through the upgrading of their waste management and water treatment capacities. Potential solutions could include the upgrading of water treatment technologies, the introduction of natural treatment systems, and the expansion of water and waste recycling. In this way, potential harms to the environment can be minimized, thereby guaranteeing that these resources continue to be available in the future.

With regards to inland water resources, much of the biodiversity of Lake Inle, which is characterized by a high

degree of species endemism because of its geographic isolation, has been lost, with local residents noting massive declines in the number of fish and aquatic birds in the lake. Managing Myanmar's vast reserve of inland water resources will be critical to the country's sustainable economic development. It is imperative that RAMSAR protected wetlands in the country be preserved, so that local people can also derive income through eco-tourism in different regions.

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## CLIMATE CHANGE ADAPTATION AND MITIGATION<sup>74</sup>

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Worldwide, mountain and coastal ecosystems are hardest hit by the impacts of climate change. Myanmar has both. Melting of glaciers in the snow-capped northern region of Myanmar is already causing a decline in surface water availability.<sup>75</sup> Freshwater fisheries and wetlands are among the most sensitive to shifts in temperature and rainfall.<sup>76</sup> Biodiversity in montane forest ecosystems and lowland forest ecosystems are both likely to decline due to climate change, presenting significant socioeconomic challenges to communities that depend on this biodiversity.

The agriculture and natural resources sector is particularly vulnerable to the effects of climate change, notably the increasing risks of extreme weather patterns. Climate change also reduces local resilience to disaster impacts by degrading water and soil resources and diminishing agricultural production.

Myanmar has made international commitments under the United Nations Framework Convention on Climate Change (UNFCCC) and the related Kyoto Protocol, ratified in 2013. However, financial resources and capacity building will be required in order to ensure that the policy framework will be conducive to adapting to and fighting climate change.

*The Four Gears analysis delivers a compelling and well-rounded perspective of the constraints that affect the export value chain in Myanmar. The identified constraints support or reinforce the trade analysis presented in this paper by providing additional evidence of the causes of difficult export diversification, low survival rates of exports and their limited technology content. The identification and thorough analysis of the major export development constraints faced by Myanmar establishes the basis that guided the NES design process.*

74. UNDP Myanmar, "The State of the Environment in Myanmar"

75. OECD, Multi-Dimensional Review of Myanmar (2013)

76. [http://www.cepf.net/Documents/final.indoburma\\_indochina.ep.pdf](http://www.cepf.net/Documents/final.indoburma_indochina.ep.pdf)

# INNOVATION PERFORMANCE

Technology and innovation are major drivers for sustaining economic growth and national export development. Economic growth is a direct function of the availability of physical capital, human capital (skills and education), labour (working population) and technology. Innovation is essential for improving productivity in agriculture, manufacturing and services; increasing value added locally; and diversifying production, towards more knowledge intensive activities.

Government and markets both play a crucial role in fostering innovation:

- Firms are at the centre of innovation. They innovate in response to incentives (i.e. competition)
- A supportive state is needed to correct market failures (technology markets are imperfect and social returns are higher than private ones) and systemic failures (that is, to ensure appropriate coordination among different STI institutions).

## INNOVATION INFRASTRUCTURE AND FINANCING INNOVATION

Information and communication technologies (ICTs) are key enablers of private sector development and innovation, in particular by facilitating businesses communication and access to information and knowledge. Moreover, the development of ICTs is vital for services sectors – including tourism, a key exporting sector for Myanmar – and the financial sector, a key enabling sector for the country's economy. ICTs also play a key role in customs and trade facilitation.

Poor coverage of fixed and mobile telephony and the scarce use of Internet in Myanmar limits firms' ability to communicate with clients, suppliers and the administration, to access information important for conducting their activities, to deliver services, and to innovate. Current efforts to expand ICT infrastructure need to be accompanied by the development of online content and services that facilitate the economic and export activities of firms,

as well as by the development of skilled human resources in ICTs.

The limited access to formal financial services<sup>77</sup> is also constraining enterprises from investing in equipment and from expanding activities into new markets. At this stage of development, expanding access to formal financial services remains a priority for exporters. Once the provision of regular financial services is consolidated, the development or promotion of specific instruments for financing innovation (e.g. innovation grants, fiscal allowances, credit subsidies, seed capital) could be considered.

## FIRM-LEVEL INNOVATION CAPABILITIES

Enterprises (firms and farmers) are at the centre of innovation. They conduct innovation activities and invest in innovation based on incentives and their wider competitive environment. The level of their technological and management capacities (including their access to qualified human and financial resources) and their ability to learn and collaborate determine their capacity to innovate.

The technological capabilities of Myanmar's export firms seem to be limited. Myanmar's exports concentrate in low technology manufacturing, natural resource based manufacturing and commodities (products that require low levels of skill and are rather unsophisticated (see Figure 7)) and the export of traditional services (transport, travel, construction, personal, cultural and recreational services) dominate over modern ones (communication, insurance, finance, computer & information, royalties and license fees and other business services). Entrepreneurs and other stakeholders note great difficulties to access technical information and services, and to locally recruit technicians and experts. Larger firms employ international experts to solve specific problems and/or train domestic employees.

77. WB (2012) International Development Association and International Finance Corporation. Interim Strategy Note for the Republic of the Union of Myanmar for the Period FY 13-14. 30 October 2012

A number of issues are affecting organisational and marketing capabilities, including the scarce availability of quality market information, the lack of export promotion activities and the limited support available for SMEs. Key technological capabilities required in Myanmar include the following:

- Quality control and management (e.g. to be able to export to new countries with more demanding quality standards or to participate in international supply chains)
- Product design and development (e.g. computer-aided design of jewellery, to develop agribusiness)
- Business management (including to be able to collaborate with other firms (e.g. to offer tourism packages), adapt to a changing environment and face increasing competition)
- Market research and marketing (to identify market needs and opportunities abroad and use appropriate marketing methods)
- Identification of technological needs (e.g. to identify appropriate farming or fisheries technologies)

A detailed sector analysis has identified the set of technological capabilities to be developed as a priority.

Firm innovation is also largely dependent on the capacity of firms to learn (formal and informal learning). In Myanmar, learning has been constrained by the scarce relevance of the training provided by education institutions and of the research conducted by academia to the activities of firms. The rare opportunities to participate in international conferences and workshops or to form joint ventures with foreign firms have also had reduced firms' opportunities to acquire and develop technical and managerial skills.

Finally, market factors play a fundamental role in hindering or encouraging innovation. Decades of Myanmar's economic isolation and centralised management have been detrimental for the development of local innovation capabilities. Poor and unclear regulations (including the large discretion given to officials), monopolistic practices and extensive illegal trading in key economic sectors is distorting competition and hindering productive innovation. A number of measures currently under consideration (e.g. Competition Bill) are a step towards increasing competition and enhancing the businesses environment. Increasing foreign direct investment and greater trade openness will also foster innovation by increasing competition, by facilitating access to technology (e.g. through the imports of equipment and inputs) and by widening the opportunities to deliver to new markets. However, too strong competition without absorptive capacities and supportive framework conditions (access to finance, access to qualified human resources, well-functioning markets) may stall domestic innovation.

## CAPABILITY TO GENERATE KNOWLEDGE

Research activities are important, not only to generate new knowledge, but also to adopt existing technologies and adapt them to local conditions. Firms, education, training and research institutions may conduct research and generate knowledge relevant for national economic activities.

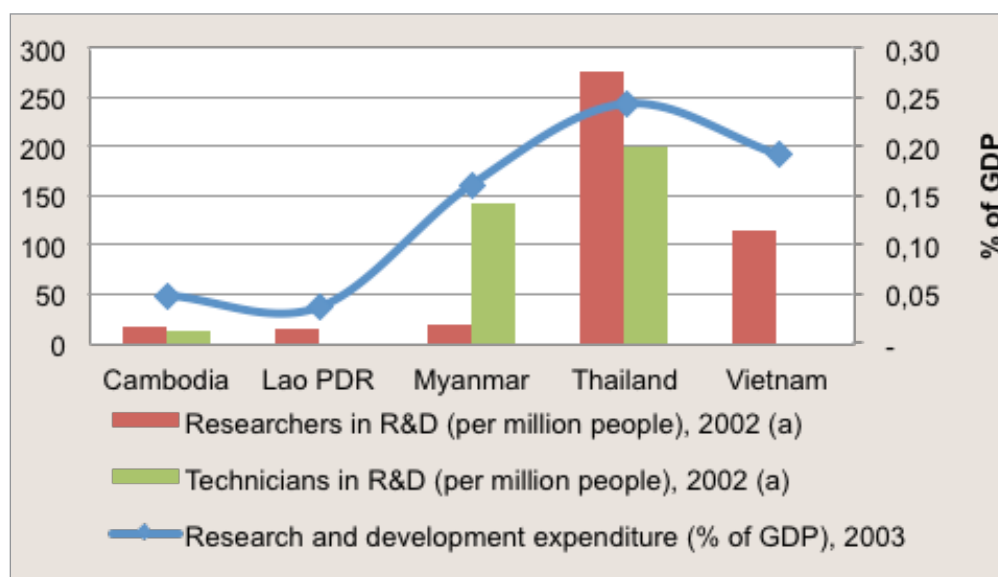
Myanmar currently has a weak capacity to generate new knowledge, as measured both by the number of researchers and the level of investment in R&D. The number of researchers or level of investment in R&D is significantly lower than that of Thailand or Vietnam (39). Furthermore, there is no evidence of private investment in R&D and Research infrastructure is very limited and outdated.

(a) Thailand 2003 Source: International Telecommunication Union, World Telecommunication/ICT Development Report and database, and World Bank estimates (as reported by the World Bank, World Development Indicators)

Given the limited human and financial resources available, investments in R&D should focus on those areas more likely to produce significant economic and social benefit. Currently, research has focused on areas of important social and environmental importance such as health and ecology, but the contribution of research towards other areas of significant economic (and social) impact such as agriculture, has been much more limited. Key economic (and export) sectors such as rice, pulses and beans and oilseed crops, fish and crustaceans, and rubber, would benefit from increased research in these areas. To support innovation in exporter sectors, a number of actions were considered during the elaboration of the NES documents:

- Establishing sectoral innovation and technology centres aimed at supporting technology transfer, conducting research to respond to firms' technological needs and increasing awareness on innovation. Firms should be at the heart of such centres, participating in the identification of needs and in the generation and application of technological solutions. Innovation centres should link firms, farmers and entrepreneurs with training and research institutions and with other enterprise support services.
- Encouraging the participation of firms/users in research through extensive consultations to identify research needs and to design technological solutions, and/or through joint financing of research.
- Relocating/establishing research and innovation centres close to firms and users.

Figure 39: Research and Development indicators, South East Asia, 2002-2003



## CAPABILITY TO LEARN AND DISSEMINATE KNOWLEDGE

Technical and vocational education and training (TVET) and Higher Education (HE) in Myanmar are facing significant challenges regarding its quality and relevance. The key issues concern curricula and materials, adequacy to respond to labour market needs, quality control systems, and faculty qualification. There is also a need for a framework that allows and governs the private provision of TVET and Higher Education (HE).

The Government of the Republic of the Union of Myanmar decided in 2012 to conduct a comprehensive education sector review. This review will provide a broad assessment of the education sector (from primary to higher education) and result in the adoption of a budgeted education sector plan that will guide Government's and partner's investments and programmes in education.

In addition to formal education and training, there is need for the provision of training related to business management and international trade, including training in business management, export activities, quality management, product development, fair trade and organic trade. A number of new programmes have recently been put in place to address these training needs (such as, the SME development centre or the Trade Training Institute). Further support is likely to be required as some of these initiatives are insufficiently equipped to be able to respond to current needs.

## GOVERNANCE OF INNOVATION

Government capacities in science, technology and innovation (STI) policies are required to identify policy priorities, and to design and implement innovation policies and instruments. Understanding how firms innovate in Myanmar, and which are their main bottlenecks, is essential. Information on businesses innovation activities and scientific and technological statistics are required to be able to design appropriate policies and to monitor and evaluate them. The promotion of innovation capabilities require coordinated innovation policy efforts, both among STI policy instruments and with other policy areas that have an impact on STI capabilities (for instance, education policies).





# PRIORITY SECTOR SELECTION

Owing to the near autarky situation under which Myanmar operated, as well as the distortions in the national economy, which arose as a result of the dominance of state owned enterprises, a complete drive towards competitiveness and diversification of the economy is required. The challenges are numerous, yet the resources available are limited. In this light, a limited number of priority sectors for the NES have been selected. A set of criteria<sup>78</sup> was used to pre-select sectors:

- Trade performance, including export dynamics and world demand dynamics for a given product;
- Domestic supply conditions captured by production capacity and RCA;
- Socioeconomic impact captured in the current employment rate; and
- Other qualitative criteria determined by the NES team.

The following priority sectors<sup>79</sup> were selected based on their capacity to contribute to sustainable export growth, employment generation, potential for broad-based socio-economic development, and based on their ability to meet selected qualitative criteria.



NES priority sectors	Trade potential	Socio-economic impact
<b>Product sectors</b>		
Beans, pulses and oilseeds	High	High
Rubber	High	High
Rice	Medium	High
Fishery products	Medium	High
Textile and garments	Medium	High
Forestry products	Medium	Medium
<b>Service sectors</b>		
Tourism	Medium	High

78. These four filters combined a number of quantitative trade and economic indicators, as well as qualitative information drawn from desk research, surveys and stakeholder consultations. Using a combination of quantitative and qualitative analyses allowed for a balanced selection of high performing goods and services sectors, but also emerging sectors with future potential.

79. Sectors are groups of products or services that are closely related through their inputs, production and transformation processes, and that share a common value chain. Usually sectors are not limited to single products or single tariff lines but are built around clusters of products or services.

Figure 40: Exports of Priority and Other Sectors 2002-2012

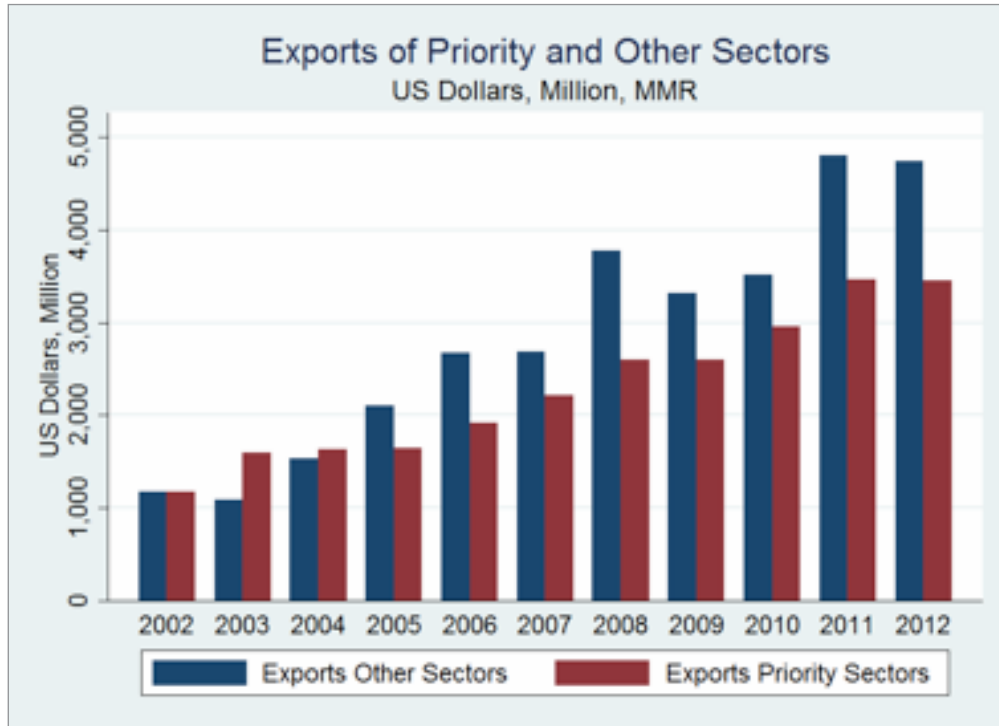


Figure 41: Exports, Imports and Trade Balance of Priority Sectors 2002-2012

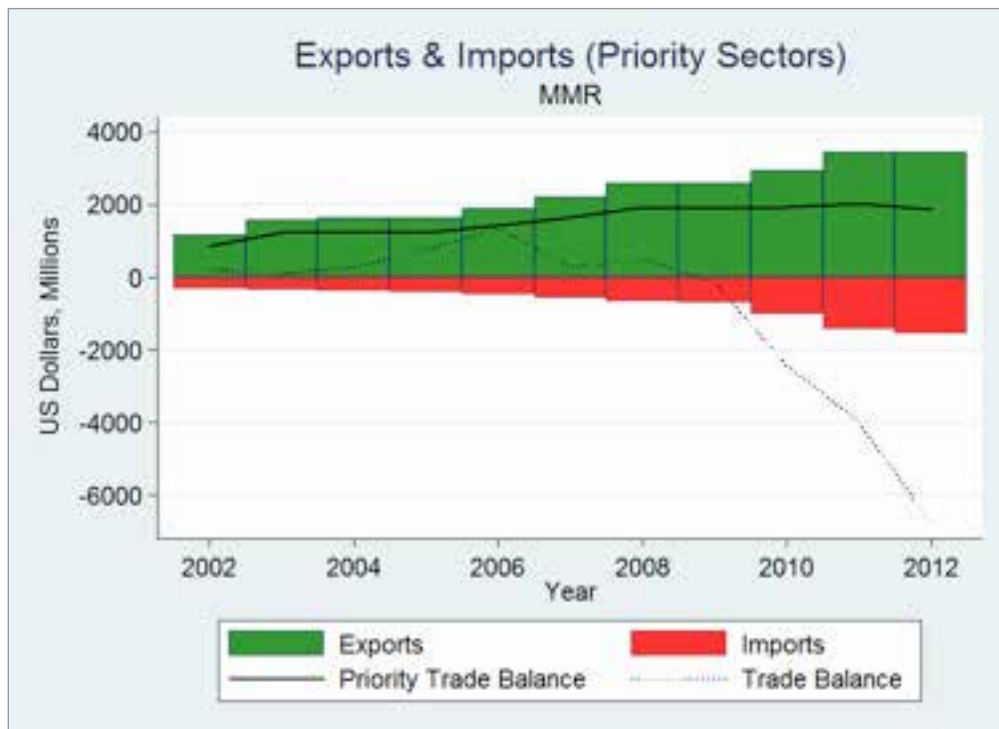


Figure 42: Revealed Comparative Advantage for Priority Sectors

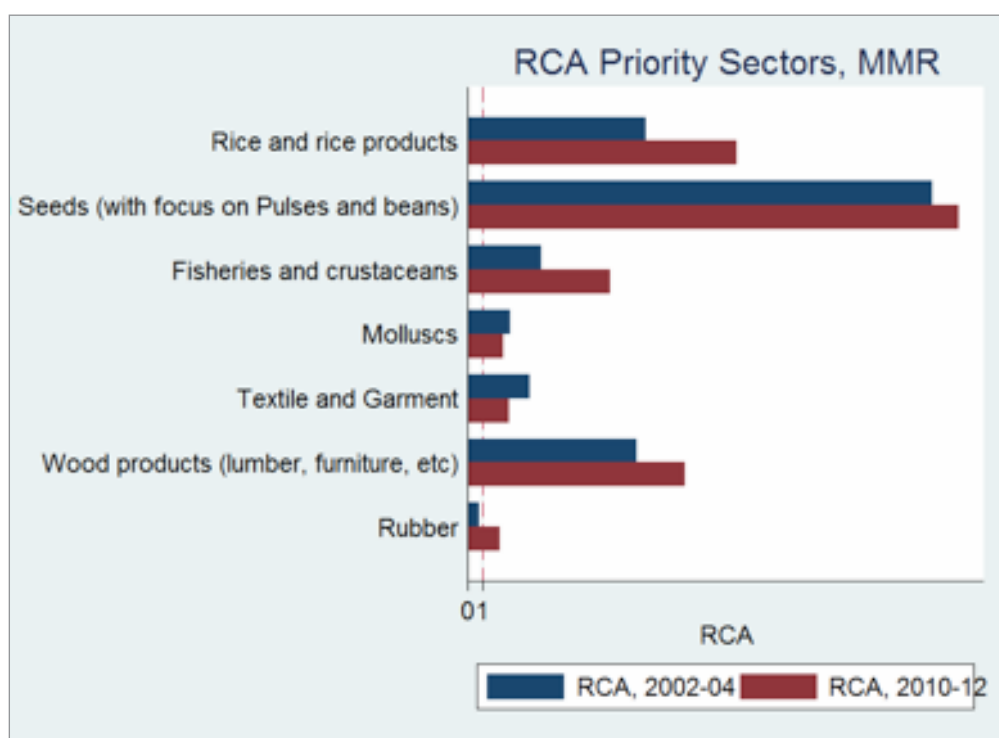
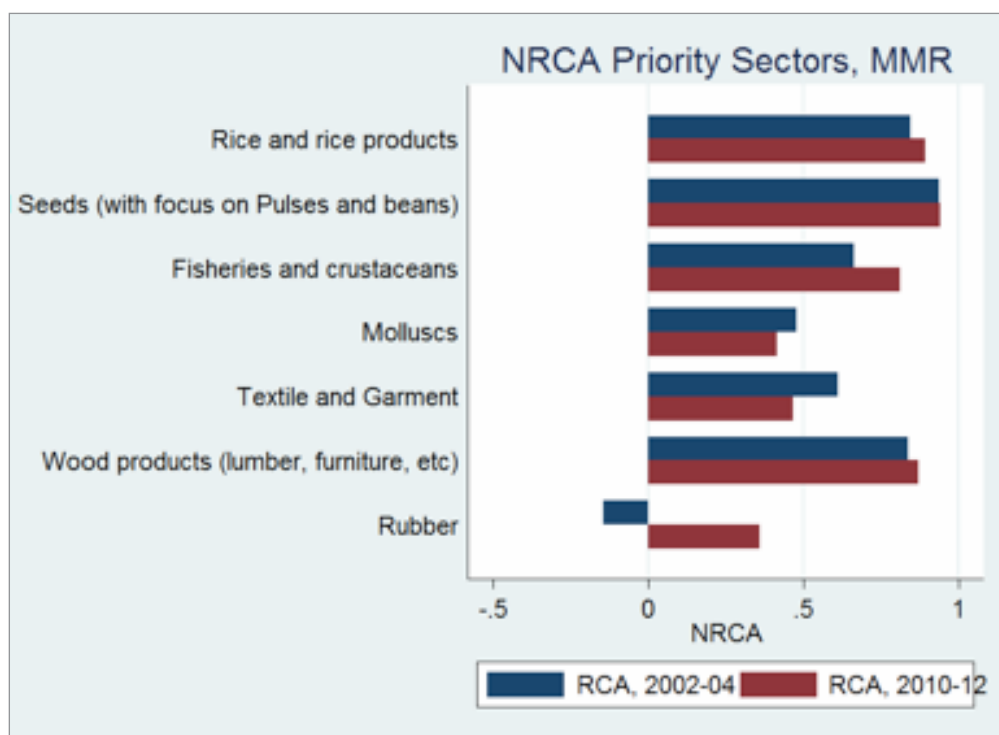


Figure 43: Normalized Revealed Comparative Advantage (NRCA) for Priority Sectors





It should be noted that sectors which have not been prioritized will nevertheless be supported by the National Export Strategy through the implementation of cross-sector strategies. In fact, the NES is also composed of cross-sector functional strategies addressing trade information and trade promotion, trade facilitation and logistics, quality management, and access to finance. In addition, selected sectors offer strong potential for forward and backward linkages to the rest of the economy as capabilities gained in priority sectors can be redeployed into other industries to foster the process of economic diversification.

Figure 40 and Figure 41 below show the important role that selected priority export sectors play in the overall economic development and balance of trade of Myanmar. Figure 40 highlights the share of the selected priority sectors in Myanmar's total export basket. Figure 41 indicates the extent to which selected priority sectors contribute to positive improvements to the trade balance. Given the significance of the selected priority sectors in Myanmar's export basket, improved performance in these sectors

will contribute to reducing the country's trade deficit and through the value chain approach, to improving its terms of trade.

As illustrated in Figure 42 and Figure 43, the revealed comparative advantage (RCA) and normalized RCA in those prioritised sectors is significant, particularly for seeds, forestry products and fish and crustaceans, indicating the relatively high level of productivity of these sectors. The computed RCA values demonstrate that Myanmar enjoys comparative specialisation in agricultural products, wood products and clothing and footwear. Such specialization may be considered promising because the capabilities developed in those sectors can be easily redeployed to other industries, fostering the process of economic diversification. Sectors with a more limited capacity to provide engines of diversification include minerals.

Rubber is the only sector that moved from a comparative disadvantage last decade to a situation of comparative advantage recently.

## PRIORITY SECTOR SNAPSHOTS

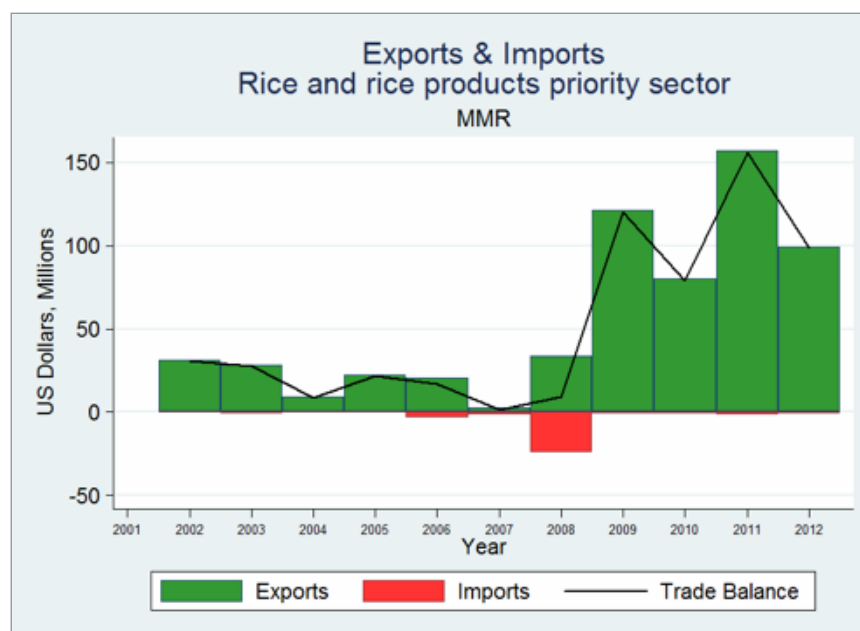
The priority sectors selected based on the four above-mentioned sets of criteria are presented and discussed in greater details in the following snapshots. Furthermore, it is to be noted that each sector is the subject of a distinct sector strategy.

Once one of the top exporters of rice in the world, Myanmar's rice exports now account for a negligible share of the world market and only accounted for 1.8% of the national exports in 2011. The sector is currently the 8th most important export product of Myanmar with US\$156 million exports. It has been growing at a 35% rate while the world demand grew by 5% in 2007-2011.

The underexploited sector has a high potential for socio-economic impact, food security and a significant growth potential. Improvements have recently been observed both in terms of area cultivated (from 6.3 million of ha in 2000 to more than 8 million in 2010) and production (from 21 million tons to more than 33 million), as a result of both expansion of cropped area and enhanced yields. If paddy rice yields have significantly improved over the past two decades, Myanmar's performance remains relatively poor, mainly due to the lack of irrigation for most paddy fields.

The global market for rice also offers promising perspectives for Myanmar imports increasing by 18% increase compared to 2010. Indonesia is the main importer of rice in the world (having imported US\$1.5 billion in 2011) and an annual growth in quantity imported of 25% between 2007 and 2011. At present, a key success element will be the improvement of seed quality and purity to ensure the varieties produced are aligned with market requirements. The policy of the Government is to work towards rural development and improvement in the quality of life, such that the promotion of rice is fully in line with these policies.

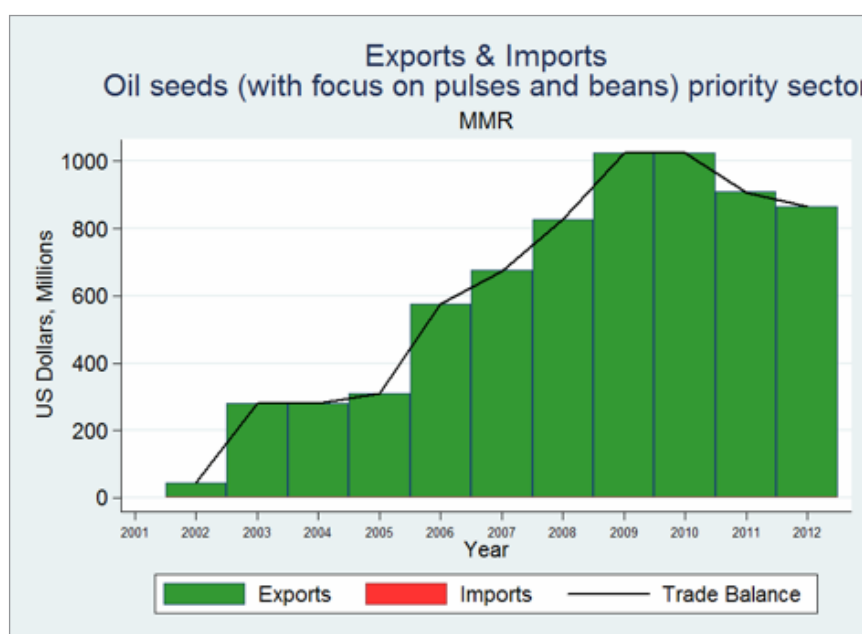
Rice



As one of the largest cultivators of beans and pulses in the world, Myanmar harvested roughly 5.3 million tons in 2012 (a 221% increase over 2000, due to gains in yield as well as an expanded portion of arable land that is dedicated to beans and pulses). Myanmar produces over 20 varieties of pulses and beans. Other essential crops for the edible oil sector include soya beans and palm oil. The availability of a large labour supply in smallholders has perpetuated reliance upon labour-intensive farming and hindered the development of more mechanized processes. Production relies upon traditional equipment, manpower, and draught animals. Enhanced sector competitiveness will require the introduction of modern farming techniques and machinery. The sector's yield of 13,237 hg/ha is significantly above the world average (9,077 hg/ha). Only 5% to 10% of beans and pulses are subject to any processing whatsoever.

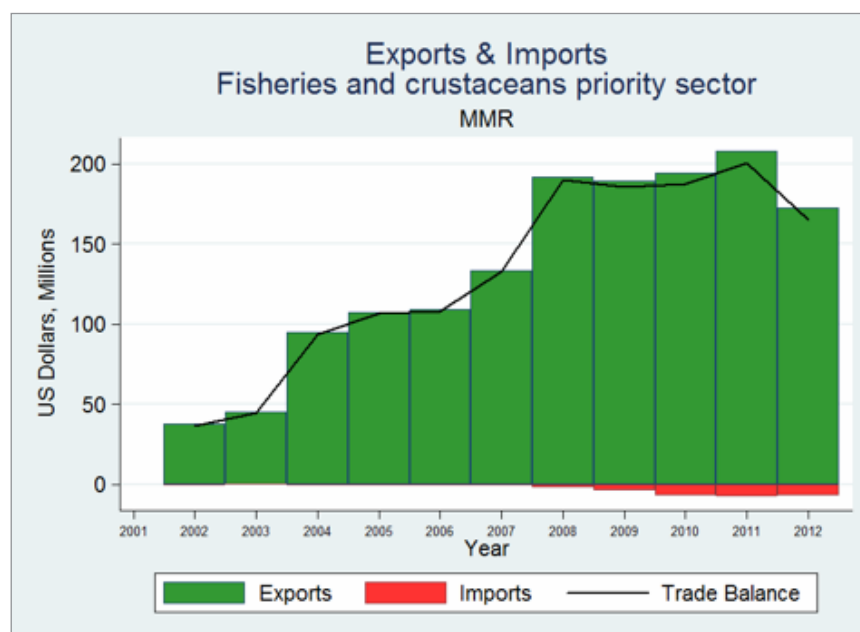
Myanmar exported 1.14 million tons of beans and pulses in 2012, or roughly one fifth of its total subsector production. These sales were valued at US\$804 million and represented 9.6% of Myanmar's total exports in 2012. Exports of beans and pulses are highly concentrated, with more than 74% of shipments going to India, and the top five countries accounting for over 90% of subsector exports. As with pulses and beans, Myanmar is one of the world's largest producers of oilseeds. In 2011, it was the largest producer of sesame seeds, the third largest producer of mustard seeds, the fifth largest producer of groundnuts, and the fifteenth largest producer of sunflower seeds. The most important oilseed crops are sesame, groundnut, and sunflower seeds. Other products including mustard and niger. Total sub-sector production grew by 115% between 2000 and 2012, reaching 3.7 million tons. This can be attributed to both a 49.56% increase in yield to 2,743 hg/ha as well as a 44.32% increase in land dedicated to oilseeds (3.578 million hectares in 2012).

Sesame accounts for approximately 94% of Myanmar's oilseeds exports in the oilseeds category. Although sesame represents less than 1% of Myanmar's total exports, Myanmar is the 16th largest exporter of sesame and this represents 1.55% of world exports for this product. Japan, China, and Taipei are the main destination markets for this category of oil seeds, and they together absorb 90% of Myanmar's beans and pulses exports. Myanmar has set up Crop Exchange Centers (CEXCs), which are voluntary membership associations whose role is to facilitate business transactions, mainly in this sector.



The seafood sector in Myanmar has a large potential to contribute to food security, employment and economic development. It is an important source of income for the domestic population as it employs approximately 3-4 million people. Seafood is also the main source of animal protein and an important part of the local diet. Myanmar's abundant inland water resources and substantial fisheries in the major rivers provide a considerable potential for aquaculture development in river delta areas in the south and centre of the country. According to the FAO, the total catch of freshwater and marine fish almost tripled between 2002 and 2011, with expanded aquaculture development being the main factor behind this increase.

The Department of Fisheries (DoF) reported that seafood exports from the 300 national exporters consist mainly of higher value products such as black tiger prawn, giant freshwater prawn, pangasius, tilapia and sea bass. The largest part is exported chilled through border trade for the regional market and smaller volumes are exported in frozen form. It is important to note that, out of the 300 exporters, only 120 are seafood exporters with processing and cold storage establishments. Despite the sector's decreasing share in total exports (from 9.8% in 2000 to 3.5% in 2011), the value of seafood exports increased from US\$185 million in 2000 to US\$282 million in 2011. These figures however differ from those of the DoF, since the later reports total seafood exports of US\$653 million with fish accounting for 61%, and shrimp accounting for 13% of fish and crustacean exports. Myanmar records a significant revealed comparative advantage (RCA) in fish products but no RCA in processing.



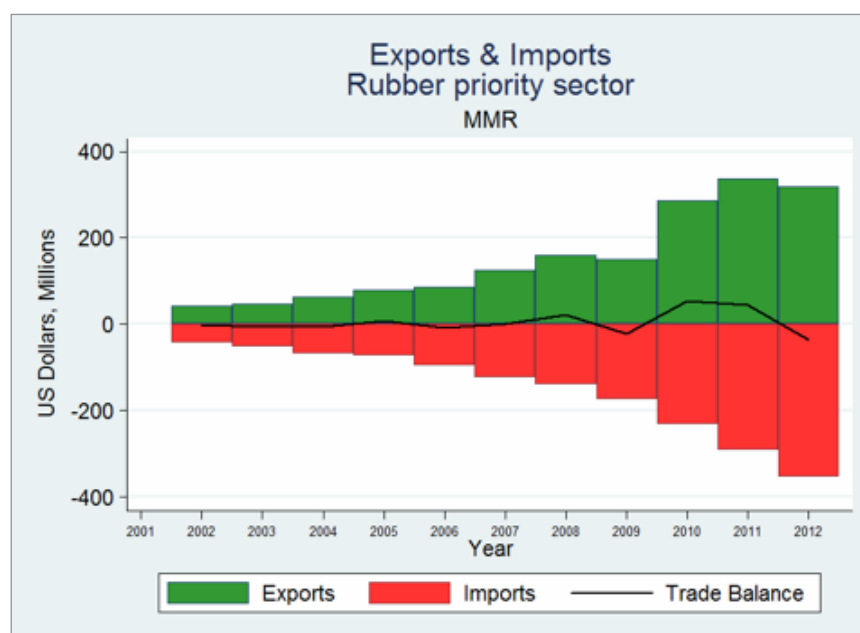
The forestry sector accounts for around 1% of the national GDP. There are around 100 wood-based industries in Myanmar. The forestry products industry is composed of 258 sawmills, 9 plywood and veneer mills, 1,497 re-cutting mills and 1,588 small production units. In addition, under the state-owned Myanma Timber Enterprise (MTE), the wood-based industries for the manufacture of value-added wood products include five furniture factories, five plywood factories, two moulding factories and one flooring & moulding factory. While the MTE is wholly state-owned, the MTE usually contracts companies to log concessions, transport and export on its behalf. The company then must share an agreed percentage of their profits from exported timber to the MTE. From April 2014, the private sector will be only sector exporting finished products.

Rural communities –accounting for 75% of population– using mainly wood for energy, we can state that fuel-wood demand is likely far higher than official supplies. According to main stakeholders of the sector, 50% of harvesting is for domestic use. According to the local authorities, production of hardwood logs reaches 1.1 million tons annually, including 600,000 tons for local use. Teak almost exclusively goes to foreign markets. The broader sector of “Wood and articles of wood” is Myanmar’s second largest export heading after mineral fuels, oils, and distillation products, accounting for 12% of the country’s exports in 2012 with an exported value of US\$1.2 billion. Myanmar’s exported forestry products consist mainly of tropical hardwood logs (accounting for 44% of Myanmar’s wood exports) and non-coniferous logs (42%). Myanmar’s is the world’s leading exporter of tropical hardwood logs (reaching 35% in 2012 or \$0.5 billion in value), with a strong growth in value of 9% yearly between 2008 and 2012. Myanmar is also the world’s largest exporter of non-coniferous logs, with a reported value of US\$493 million worth of non-coniferous logs exported in 2012, accounting for 12.8% of the world market. The country has outperformed the global annual growth of exports in value for this product with a 19% growth over the period 2008-2012, compared to global export growth of 4%. There is still very limited processed wood (furniture or wood derivative products). One of the main issues faced by Myanmar’s forestry products sector in the international market is its inability to comply with the standards and certification requirements of developed markets.





The sector's contribution to the national GDP is low (less than 1%) but the development of the sector - and more particularly of its industry - could have a high socio economic impact and become a driver of job creation, revenue and strengthen the balance of payments with stronger exports. Currently, it is estimated that the sector employs between 350,000 and 400,000 workers (1.4% of total employment), mainly in the plantation or forestry sector linked to rubber. Looking at the production structures, it appears that in rubber plantations, smallholders with less than 20 acres of planting constitute 90% of the total number of producers. The number of entrepreneurs working on the rubber plantations larger than 100 acres in size accounts for only 1% of total producers. The sector is comprised of private sector operators, and some limited joint-partnerships with private investors. The majority of smallholders produce un-smoked sheets, which are supplied to the smoke house process to produce RSS. There are about 25 factories owned by private planters and companies that process RSS. Myanmar produces only low grades of RSS. The rubber sector, in general, remains relatively small in terms of value exported (US\$215 million), only representing the ninth largest export product in Myanmar in 2012. Myanmar exports primarily natural rubber and value added manufactured rubber products are imported, mainly from China and Thailand. As a result, and partly due to the recent drop in natural rubber prices, the sector as a whole reported a trade balance deficit in 2012. Currently, 90% of the rubber products exported consists of raw natural rubber, namely Ribbed Smoke Sheets (RSS) and Technically Specified Rubber (TSR). Although rubber exports grew by 21% annually during the period 2008-2012, world imports of natural rubber are now facing a severe downturn with the world's demand decreasing by 29% in value in 2011-2012. Affected by this contraction of the market, natural rubber export prices dropped from around US\$5,500 per ton in 2011 to US\$3,000 in the first quarter of 2013. Myanmar is a small player in the global rubber market ranking 13th in world exports.

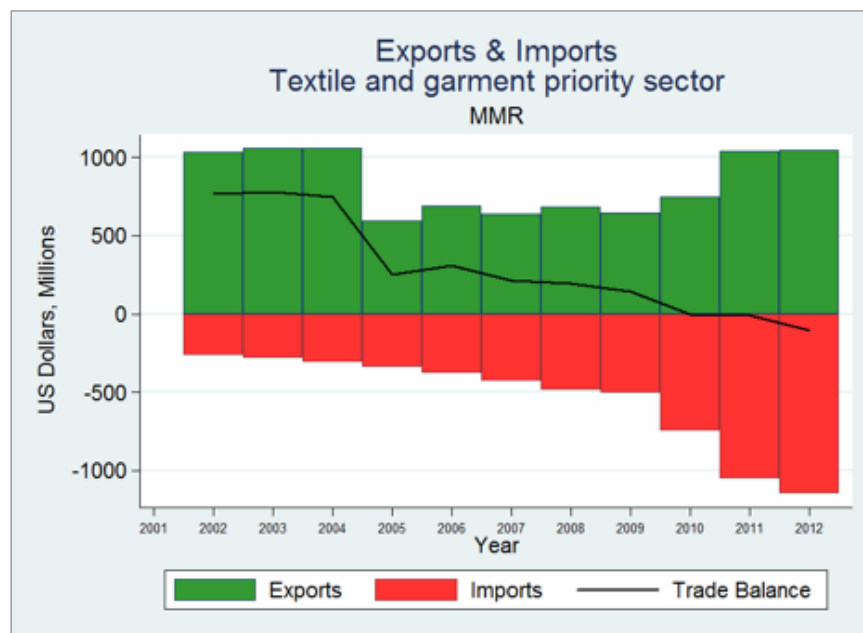


Myanmar has a history in the apparel industry of making yarn, fabric and garment. It emerged in the 1990s and ranked as the highest export item in 2000. The industry declined over the following decade due in large part to sanctions imposed by the US, at that time Myanmar's largest export market.

The garment and textile sector however remains the main manufacturing industry with over 200 garment and textile factories, and offers a potential for diversification as it is currently mainly a cut, make, trim industry. Moreover, textiles and garments can positively encourage employment of women and is more generally a major driver of employment. The revealed comparative advantage is significant owing to an abundant and low-cost labour force that presents an opportunity to expand labour-intensive and export-oriented production.

According to the Myanmar Garment Manufacturers Association (MMA), exports reached US\$ 770 million in 2011, far from its 2009 peak of US\$ 1.2 billion, meaning that utilizing its full production capacity could boost exports of the sector. To date key export markets are Japan (US\$348 million) and South Korea (US\$232 million).

With the change in the political scenario, NES stakeholders consider this sector has an important potential for the country as good prospects are foreseen ahead with the lifting of the economic sanctions. The sector anticipates a large increase in demand in the coming years with promising perspectives related the lifting of most of the US trade sanctions on Myanmar and the recent reintegration of the country in the EU's Generalised System of Preferences (GSP), granting duty and quota free access to the European market for clothing. Myanmar's large and inexpensive labour market has caught the attention of global manufacturers, but it will need to upgrade logistics, improve power supply and infrastructure and ensure compliance with international labour standards to attract buyers from global brands.



Myanmar's vast forestry reserves, snow-capped mountains, and pristine beaches combined with a rich cultural heritage (including UNESCO World Heritage Sites), present tremendous potential for tourism. That potential, however, remains highly underexploited. In 2011, tourist arrivals reached 816,400 whereas Cambodia, a much smaller country, received 2.8 million visitors and Thailand received more than 19 million visitors.

As the only service export sector with a trade surplus, tourism is considered as a key export sector for Myanmar. Based on the World Travel & Tourism Council (WTTC) data, the sector has generated revenues of MMK636.5 billion (1.3% of GDP) (US\$714 millions), making it in actual fact the 6th most important export sector in Myanmar. Also, FDI in tourism is expected to grow by 5% yearly between 2013 and 2023 according to the World Travel and Tourism Organisation.

In mid-2013, the Government of the Republic of the Union of Myanmar (GRUM), alongside the Asian Development Bank (ADB) and the Government of Norway, launched a Tourism Master Plan. The Plan outlines 38 development projects valued at nearly a US\$500 billion, which will help increase Myanmar's tourism competitiveness, while ensuring the safeguard of environmentally sensitive areas, and the cultural and economic interests of ethnic communities. The master plan forecasts that tourist arrivals will rise to 7.5 million in 2020 – a seven-fold increase from current levels and generate revenue of US\$10.1 billion, which represents a 14 fold increase in revenue.

The development of the sector could have a high socio economic impact since the sector can be a driver of job creation. The estimated contribution of the sector to employment was 711,500 jobs in 2012 (2.6% of total employment). This is forecast to rise by 3.3% in 2013 to 735,000 jobs (2.7% of total employment). The master plan envisages that under a high growth scenario, the tourism industry could provide up to 1.4 million jobs by 2020. These figures relate to direct employment, but indirect employment generated from tourism activities will be significantly higher.

In general terms, Tourism can hold a great potential for Myanmar and can generate investment in transport, hotels, restaurants, arts and culture, and travel. However, it will be important to accompany the development of the sector with adequate policies that can mitigate the potential negative effects of tourism (i.e., environmental destruction, cultural loss, encroachment on habitat, unethical tourism, etc.).

## PRIORITY CROSS-SECTOR FUNCTION SNAPSHOTS

In addition to sector strategies aimed at improving the performance of key product/service sectors of an economy, a National Export Strategy is also composed of cross-sector functional strategies, which target horizontal sectors that impact on the competitiveness and efficient functioning of specific product and service sectors. Due to their cross-cutting nature, functional strategies also benefit enterprises outside the priority sectors of the NES. As part of the Myanmar's NES, the following have been selected as priority cross-sector functions.



## Access to finance

The financial sector of Myanmar is made up of state-owned banks, private banks, finance companies and representative offices of foreign banks. With the country liberalizing its financial sector, foreign banks, that were not allowed to obtain a branch licence for decades, will now be able to operate in the country. A new banking law is permitting licences for up to 19 domestic private banks to operate and permitting 32 foreign banks to open representative offices in Myanmar has been adopted in this regard.

Looking at trade support institutions (TSIs), and according to a survey conducted with 42 domestic TSIs, there is only one institution which provides trade finance, export credit, and insurance services, suggesting that there would be room to develop such services. A recent study conducted by Price Waterhouse Coopers in 2012 also indicated that there is only one finance company operating in Myanmar, namely the Myanmar Orient Leasing Company, a subsidiary of the Myanmar Oriental Bank.

## Trade information

Currently, there is no export promotion agency assisting Myanmar exporters and potential exporters with information on market trends, market entry requirements, opportunities, procedures and regulations for exports. There are a number of trade support institutions which exist in Myanmar but none of these provide accurate, timely and reliable trade information on third markets. As a result, it appears that Myanmar is not fully taking advantage of its preferential market access (bilateral agreements as well as ASEAN and ASEAN+1 agreements), partly due a lack of information on market demand, and knowledge on standards and procedures for exporting, required to tap into these markets.

With new market access openings in the EU and US, the demand for such information will increase by potential exporters and export-ready enterprises.

## Quality management

Many aspects surrounding Myanmar's quality management infrastructure (QMI) –from legal metrology, to standards, and from regulations to certifications– are all weak or absent. The Myanmar Scientific and Technological Research Department (MSTRD) is responsible for the preparation of laws, rules and regulations on standards and conformance, cooperation with international standardization bodies, the provision of technical information on standardization, and the calibration of the measuring equipment used in standards department's laboratories.

In addition to MSTRD, various public (MITA, MoC, DoF, etc.) and private (SGA, FIDSL, OMIC) provide a variety of QM services. Numerous policy changes are planned such as the elaboration of new standards, the restructuring of metrology functions, the development of an accreditation system but many of these initiatives are moving slowly and with limited resources to effectively boast quickly the efficiency of the QMI in Myanmar.

## Trade facilitation and logistics

Inter-ministerial coordination in Myanmar is very fragmented, leading to poor streamlining of government policies and procedures. This fragmentation creates obstacles throughout the trade facilitation system and ultimately encumbers administrative processes at the port of entry and/or exit. In addition, uncertainty in customs decision-making, informal costs (including graft), and backlog in transshipment ports (Singapore and Port Klang), among others, also hinder trade facilitation. Inadequate logistics performances (such as maritime connectivity, cargo handling services, etc.) also translate into relatively high trade costs, which limit Myanmar's gains from trade.

Levels of inter-ministerial coordination are being enhanced by a move towards a National Customs Single Window (and an ASEAN Single Window), which will simplify procedures for exporters. The country is also forming a task force to evaluate potential areas to reduce red tape

## INVESTMENT DIMENSION

Improving the value chains of the NES priority sectors in the way articulated by their strategies and plans of action will require considerable investment. Myanmar is a least developed country (LDC) and classified as being in a fragile or conflict-affected situation (FCS). It has a transition economy and a very weak financial sector. As such, domestic investment is unlikely to reach transformative levels for the NES priority sectors in the foreseeable future. A comprehensive private sector development plan is needed for domestic enterprises, but in the short to medium term the role of foreign direct investment (FDI) will be especially important.

FDI can have a transformative effect on a developing country's home-grown, domestically oriented industry, and help it to achieve significant export growth. International investors may be able to introduce a wide range of assets otherwise unavailable to local enterprises, such as large amounts of capital, better inputs (e.g. high-quality seeds), technologies, skills, management practices, operational experience, economies of scale, and international distribution channels, among others.

### INVESTMENT PROMOTION MEASURES IN NES PRIORITY SECTORS

Myanmar's ability to stimulate transformative levels of private investment in the NES priority sectors lies in its performance of three types of investment promotion activities: investment facilitation, investor-targeting, and the improvement of Myanmar's investment climate. Essentially, "investment facilitation" is providing interested investors with the information and assistance that they need to take a serious look at Myanmar, perform their due diligence, complete government procedures, and start operations. "Investor-targeting" is proactively identifying and approaching companies that are deemed desirable<sup>80</sup> and likely to invest. And, "the improvement of Myanmar's investment climate" entails the design and implementation of policies and public investments that lead to better infrastructure, treatment of investment, business costs, and availability of inputs and support services.

A range of "investment promotion intermediaries" (IPIs) may play prominent roles in these three functions, including dedicated "investment promotion agencies" (IPAs), sector associations, sector line ministries, subnational governments, and chambers of commerce. Dedicated IPAs are commonly mandated to take the lead in a country's investment facilitation and investor-targeting, as well

as to use their unique positions to identify and advocate critical policy reforms. However, other IPIs are motivated to fill that space when the lead body has low capacity.

In Myanmar, the Directorate of Investment and Company Administration (DICA) is the body that plays a role in a similar way to that of an IPA. However, it is a unit of the Ministry of Planning and Economic Development with significant regulatory responsibilities, and private sector associations may perform more facilitation and targeting in their respective sectors.

These three activities for generating FDI are progressively difficult to perform and are employed with groups of investors that are progressively difficult to attract. From easiest to most difficult, these groups are illustrated in Figure 44.

### TARGET GROUP #1: EXISTING INVESTORS IN MYANMAR'S NES PRIORITY SECTORS

Investors already operating in Myanmar successfully are the most likely to make new investments, with "reinvestments" accounting for 60-70 percent of new investments in developed countries.<sup>81</sup> Existing investors have the clearest understanding of the country's business opportunities and risks. They almost invariably have growth aspirations. They have expressed a willingness and ability to navigate government procedures. And, they are the most cost-effective to approach, as Myanmar's investment promoters can visit them repeatedly, understand their actual operations, and establish personal relationships at very low cost, especially as compared to investor-targeting campaigns conducted abroad.

Reinvestments made by investors already operating in Myanmar are likely to take the form of expanded production capacity, additional products, upgraded facilities, additional locations, and new business activities (e.g. sales office, manufacturing, R&D, regional headquarters, shared services), thereby strengthening the local value chain. IPI activities aimed at identifying this FDI potential and helping investors to realize reinvestments are known as "investor aftercare."

80. For example, investors that are in priority subsectors, operating a part of the value chain that is weak in Myanmar, likely to create many jobs or have skill and technology spillovers, or that come from a country or sector with high FDI but little experience in Myanmar to date.

81. (United Nations Conference on Trade and Development, 2007).

Figure 44: Investor mix in Myanmar



Table 8: Types of companies to be targeted for private investment

Manufacturers	Service providers
Agricultural inputs, including seeds, fertilizers, pesticides, equipment	Hotel operators, three-star and higher
Food products made of rice, pulses, beans, fish, and crustaceans	Tourist attractions and services
Garments	Financial services (e.g. business loans, trade finance, insurance)
Furniture and other wood products	Agricultural services, including warehousing, quality testing and certification, land preparation, machine maintenance
Pulp and paper	Construction
Footwear	Consulting services specific to the priority sectors
Hoses, belts, and other rubber products	Educational services in agriculture, hospitality, engineering, machine operation and repair, business, finance, and accounting
Products derived from agricultural by-products, such as animal feed and biofuel	
Primary sector	
Large-scale crop production for rice, pulses, beans, and rubber trees	Large-scale fishing and aquaculture
<b>Shading legend</b>	Activities in which foreign investors may only invest as joint ventures
	Activities in which foreign investors may only invest through joint ventures as minority shareholders

Source: Myanmar's 2013 Foreign Investment Law

## Box 5: Summary of investment promotion terminology

**Facilitation:** Providing information and assistance that helps an investor 1) make the decision to invest in a location, and 2) become operational

**Targeting:** Proactively approaching investors identified as being desirable and likely to invest to present them with tailored business cases for selecting a location

**Aftercare:** Identifying potential for reinvestment among existing investors and facilitating its realization

**Advocacy for investment climate reform:** Identifying obstacles to competitiveness and supporting relevant decision-makers and stakeholders with the formulation and implementation of solutions

**IPI (Investment Promotion Intermediary):** Any public or private body that performs one or more of the above functions as a deliberate effort to promote investment

**IPA (Investment Promotion Agency):** A body, usually an independent public body, established with the primary mission of promoting investment and performing most of the above functions.

## TARGET GROUP #2: INVESTORS ALREADY CONSIDERING MYANMAR

These investors fall into three subcategories: (i) investors that have received MIC approval but not yet started operations, (ii) investors that have applied for MIC approvals and not yet received them, and (iii) investors that have approached Myanmar's various IPIs for information about investing in Myanmar. Together these potential investors constitute Myanmar's investment "pipeline." DICA does not systematically compile and track a comprehensive pipeline. Losing track of these investors – even announced investors – allows them to withdraw investment plans without giving Myanmar's IPIs a chance to understand and deal with the reasons. Losing large numbers of announced investors is a terrible waste and begs the question of whether money spent on investor-targeting won't be wasted by ineffective facilitation. Therefore, establishing a good pipeline, through a review of investor contacts at DICA and other IPIs (i.e. ministries and sector associations), is an essential first step to tapping any form of potential investment.

### MIC-APPROVED INVESTORS NOT YET OPERATIONAL

The total value of MIC-approved investment in the past quarter century has been approximately double the amount of implemented investment, as approximated by DICA statistics. There are many reasons for a gap between announced investment and actual investment. The fact that full project implementation can take several years is an acceptable reason, however this likely accounts for a minority of Myanmar's gap. More than half of all investment approvals were granted in 2010, and most of that

investment should have been implemented by now, three to four years later.

Most other reasons have their roots in weak government facilitation of investment projects. For example, slow, cumbersome, conflicting, or unpredictable government procedures may raise investor costs and risk perceptions beyond acceptable thresholds, leading projects to be abandoned. Or, would-be investors may inflate the value of planned investments in the hope of getting more attention and smoother project facilitation from government counterparts.

Whatever the reason, Myanmar's "conversion rate" of announced investment to Myanmar's investment facilitation should not end at investment announcement. DICA should help investors navigate government procedures and link investors to labour and service providers.

### INVESTMENTS PENDING MIC REVIEW

Starting a business in Myanmar typically requires 11 procedures and 72 days, with unpredictable delays often extending this timeline.<sup>82</sup> National priority sectors, including those prioritized for export development under the NES, are not prioritized in the approval process. In fact, several of the types of companies targeted for investment will take longer because they are required to have environmental impact assessments, as detailed in Table 9. An inter-agency working group should be established to fast-track the project approval process and improve the pipeline conversion rate.

82. (World Bank Group, 2013)

**Table 9:** Activities targeted for investment, which require environmental impact assessments

Manufacturers	Service providers
Agricultural inputs, including seeds, fertilizers, pesticides, equipment	Hotel operators, three-star and higher
Food products made of rice, pulses, beans, fish, and crustaceans	Tourist attractions and services
Garments	Financial services (e.g. business loans, trade finance, insurance)
Furniture and other wood products	Agricultural services, including warehousing, quality testing and certification, land preparation, machine maintenance
Pulp and paper	Construction
Footwear	Consulting services specific to the priority sectors
Hoses, belts, and other rubber products	Educational services in agriculture, hospitality, engineering, machine operation and repair, business, finance, and accounting
Products derived from agricultural by-products, such as animal feed and biofuel	
Primary sector	
Large-scale crop production for rice, pulses, beans, and rubber trees	Large-scale fishing and aquaculture
<b>Shading legend</b>	Does not require environmental impact assessment
	Requires environmental impact assessment

Source: Myanmar's 2013 Foreign Investment Law

## INVESTORS EXPRESSING INTEREST IN MYANMAR

Having a fast-track approval process (in lieu of streamlined, best-practice government procedures that equitably expedite all projects) not only assures better conversion of applicants to implemented investments, it also increases the number of applicants by giving them the confidence that a decision to investment in Myanmar can quickly be turned into a real project.

Another useful tool for kicking off a broad facilitation effort with a back-log of interested investors is an investor conference for NES priority sectors. Typically, this might consist of two or three days of presentations on investment opportunities; discussions with high-level officials on investment climate reforms; networking with authorities, suppliers, JV partners, and business service providers; and a demonstration of new capacity for investment facilitation. Once an interested investor were re-engaged in this way, DICA could assign her to a project manager that would be responsible for following up until the investor selected a location or suspended her expansion plans.

Such an investor conference may also help to generate some new interest among previously uninterested

investors that are willing to invest in Myanmar's current investment climate (target group #3).

## TARGET GROUP #3: NEW INVESTORS THAT HAVE NOT PREVIOUSLY SHOWN AN INTEREST IN MYANMAR

The global publicity on Myanmar's recent reforms has begun to spread a sense of positive anticipation about the country's business opportunities, a sense that Myanmar may be poised to boom. For many investors that sense is not strong enough to obviate concerns over the current difficulties of doing business and living in Myanmar, as summarized in Table 10.

Although the world's most respected, objective rankings continue to present a strong negative image of Myanmar to potential investors, certain investors remain potentially attracted to invest in Myanmar. However, these investors are, for the most part, likely to be concentrated in the four types listed in Box 5. These are groups that the World Bank Group's Investment Climate Department has identified as having a high tolerance for the elevated risk levels that come with doing business in a fragile or conflict-affected situation (FCS), such as Myanmar.



**Table 10:** *International rankings of Myanmar as a place to do business and live*

Ranking	Doing Business	Global Competitiveness Index	Economic Freedom Index	Corruption Perceptions Index	Quality of Life Index
2014 rank	182 out of 189	139 out of 148	162 out of 178	157 out of 177	Not ranked
Change from 2013	No change	Not applicable	+10	+15	Not applicable
Source	World Bank Group	World Economic Forum	Heritage Foundation	Transparency International	Economist Intelligence Unit

### Box 6: Initial focus for Myanmar's investor-targeting

**1. "Fragile and Conflict-affected Situation (FCS)-accustomed" investors.** These investors have a business strategy which depends on being the first entrant into a relatively untapped market. Coca-Cola is the prime example. Between 2005 and 2012, it announced 12 investment projects in six different FCS, more than any other company during the same period. This strategy is more common among particular sectors, most notably resource extraction and large-scale infrastructure. However, the NES priority sectors of large scale agribusiness and tourism are also populated by a relatively large group of companies seeking to be first entrants.

**2. Regional investors.** The leadership of regional investors in Myanmar's FDI is evidenced by the fact that all "first-tier" FDI source countries in Table 5 are from East Asia. Generally, regional investors tend to trade more with FCS, get more frequent and detailed news and business information on them, have more personal contacts there, and have greater cultural affinity and understanding. One of the world's top 10 investors in FCS, by number of projects, between 2005 and 2012, was Dak Lak Rubber Co. This Vietnamese manufacturer of rubber hoses and belts had six investment projects in neighbouring Laos but no investments in any other FCS.

**3. Diaspora.** Collectively, these investors may have the most information on how to conduct business in their country of origin and the strongest personal desires to do so despite any obstacles. It is estimated that 2-3 million Myanmar live outside of Myanmar. Their remittances were estimated at approximately \$2.75 billion in 2012. These funds may be harnessed for a powerful source of investment, especially in combination with the business and sector-specific experience (e.g. garment manufacturing in Thailand) many members of the diaspora bring to the endeavour.

**4. Investors with non-financial motives for investing.** These investors include state-affiliated investors, such as state-owned enterprises and sovereign wealth funds, which may have political goals or long-term considerations which outweigh risks that would ordinarily stop a purely profit-based calculus. Singapore's Temasek, for example, has invested in the development of Myanmar's human capital for hospitality industries, business education, finance, and accounting through the establishment of the Temasek International College in Yangon. This directly relates to tourism (an NES priority sector) and access to finance (an NES priority cross-sector). Another non-financial motive for investing is social impact, such as that sought by the Soros Economic Development Fund. SEDF invests in sustainable businesses and job-creating initiatives through its \$200 million portfolio in the agribusiness, financial services, and logistics sectors of 28 post-conflict countries and countries transitioning to democracy.

Types 1 and 2 are generally considered to have the most potential for transformative investment globally. However, Type 4 has been known to have a large impact in some countries in some sectors.

Source: ITC and (Whyte and Griffin, 2014 (forthcoming))

**Table 11:** The top 12 sectors to attract FDI to FCS, 2005-2012

Sectors	# of projects	% of total	Leading subsectors (# of projects)
Financial Services	363	25%	Retail banking (316), corporate and investment banking (21), insurance (17)
Coal, Oil and Natural Gas	132	9.1%	Oil and gas extraction (54), gas stations (14), support activities for mining and energy (14), natural, liquefied, and compressed gas (12)
Food and beverages	125	8.6%	Food and beverage stores (22), sugar and confectionary products (22), soft drinks & ice (20), crop production (11), breweries & distilleries (9)
Metals	121	8.3%	Mining of iron ore, gold, silver, copper, nickel, lead, zinc, and other metal ores (68), production and processing of alumina, aluminium, and nonferrous metals (27), steel products (12)
Communications	106	7.3%	Wireless telecommunications carrier (41), communications equipment (21), radio and television broadcasting (17), wired telecommunications carriers (16)
Business Services	91	6.3%	Advertising, public relations and related (14), legal services (12), professional, scientific, and technical services (12)
Transportation	72	5.0%	Freight/distribution services (31), air transportation (12), water transportation (11)
Textiles and garments	41	2.8%	Garments and garment accessories (30)
Industrial machinery, equipment and tools	39	2.7%	Agriculture, construction, and mining machinery (14), general purpose machinery (9)
Real estate	38	2.6%	Real estate services (15), commercial and institutional building construction (10), residential building construction (8)
Building and construction materials	36	2.5%	Cement and concrete products (32)
Alternative/renewable energy	35	2.4%	Hydroelectric power (19)
Hotels and tourism	28	1.9%	Accommodation (19), travel arrangement and reservation services (9)

**Source:** (Whyte and Griffin, 2014 (forthcoming))

A subsector-level analysis shows that most of the subsectors prioritized in Myanmar's NES have a weak record of attracting FDI projects.

Among the project types needed to facilitate NES implementation (Table 11), the ones to attract the most FDI projects to FCS during this period are cement and concrete products (32) and garments (30). To a lesser degree, the following seven subsectors have driven FDI in FCS: corporate and investment banking (21), accommodation (19); insurance (17); agriculture, construction, and mining machinery (14); professional, scientific, and technical services (12); crop production (11); commercial and institutional building construction (10); and travel arrangement and reservation services (9). Within the current investment climate, DICA and its partners in investment promotion could expect to be met with the most interest in these sectors.

However, investors must have reliable business information to perform the cost-benefit analysis needed to conclude that the current opportunities are attractive. There will be many investors who could be willing to invest in

Myanmar as is but do not know it for lack of quality business information. DICA and its investment promotion partners should elaborate business cases for NES priority sectors using the type of information and sector-specific analysis described in the following section on target group #4 and in the strategy for each NES priority sector.

#### TARGET GROUP #4: PREVIOUSLY UNINTERESTED INVESTORS THAT MIGHT CONSIDER MYANMAR WITH CERTAIN INVESTMENT CLIMATE IMPROVEMENTS

Characterizations of Myanmar's investment climate as a whole are a useful indication of the country's overall competitiveness, but investment decisions are made based on the sector-specific data of greatest importance to each company, given its particular activities, strategy, circumstances, and list of candidate destinations. It is, therefore, useful to think of the investment climate not as a single, monolithic factor to be improved, but as a collection of

factors which affect Myanmar's attractiveness to different companies in different ways.

Understanding which factors pose the biggest deterrents to targeted FDI would allow Myanmar's IPIs to pursue a manageably small number of high-impact reforms and make a compelling case to influential stakeholders about the need for concerted reform efforts. Identifying such target reforms requires an understanding of the following:

- a. Which factors are critical to investors in Myanmar's NES priority sectors
- b. Which countries represent Myanmar's leading competitors for FDI
- c. How Myanmar and its leading competitors measure up in terms of the critical factors

**These factors are dealt with more specifically in the strategy for each NES priority sector. What follows here is a summary of major factors for the priority sectors collectively.**

*Which factors are critical to investors in Myanmar's NES priority sectors?*

Each of the following seven factors in investment decision-making is among the most critical for a majority of NES priority sectors:

- Labour availability, skills, costs, and regulations
- Customs and trade regulation
- Electricity and telecommunications infrastructure
- Transportation, time and costs
- Complying with regulations, time and cost
- Access to land and/or natural resources
- Political risk

*Which countries represent Myanmar's leading competitors for FDI*

The motive behind much of the FDI in NES priority sectors is proximity to target markets. Asia produces and consumes the majority of rice, and most international tourism is regional, placing Myanmar's most obvious competitors for these two sectors within the region. Regional competition is also significant for Myanmar's remaining NES priority sectors, many of which are perishable commodities, whose largest markets are in Asia<sup>83</sup> and for which low transportation time and costs are essential to maintaining profit margins.

Overall, therefore, Myanmar's main competitors for FDI are Asia's hosts of the same value chains. This is true

83. Oil seeds (#1 China, #2 Japan, #4 Republic of Korea), pulses (#1 India, #2 China), fish and crustaceans (#1 Japan), wood products (#1 China, #3 Japan), rubber products (#2 China), and garments (#3 Japan)



whether the FDI is export-oriented or domestic market-oriented. However, comparable data for total domestic production across the region is not readily available, and the following analysis uses export data as a close proxy.

Table 12 presents the total 2012 export value of all NES priority sectors,<sup>84</sup> excluding tourism for which comprehensive data is not readily available, for all major exporters in the region, excluding high-income countries which likely export higher value-added forms of the products.

Assuming that the distribution of total FDI inflows among exporting sectors roughly correlates to the global prominence of the goods exported, we would expect the region's biggest exporters of NES priority goods to be the region's biggest recipients of FDI in those sectors and, therefore, Myanmar's biggest competitors for future FDI. In fact, Figure 45 shows the two figures to be very highly correlated, with 75 percent of the variation in export volumes being explained by variation in FDI (i.e. an  $R^2$  of 0.75).

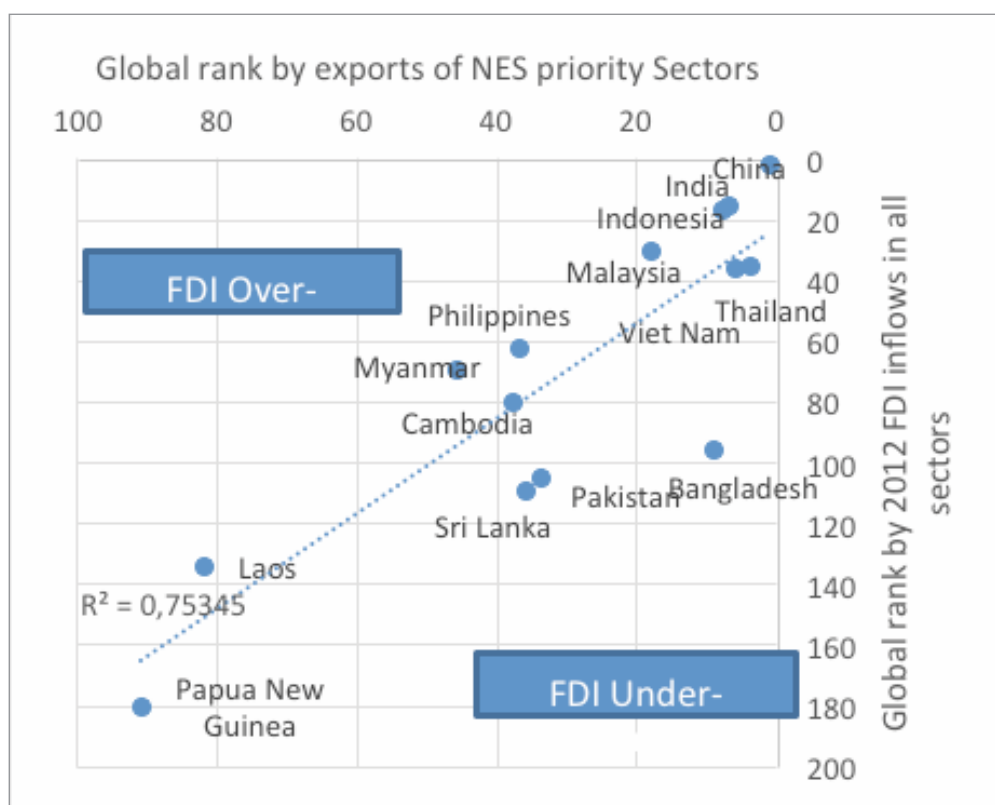
Countries plotted above the trend line attract more FDI than predicted based on their exports of NES priority sectors, while countries below the trend line attract less. From this, Myanmar's biggest competitors for FDI in the NES priority sectors overall appear to be China, India, Indonesia, Malaysia, Thailand, Viet Nam, the Philippines, and Cambodia. Again, the relative competitiveness of a given country varies significantly when analysed sector by sector, and each sector strategy should be consulted for details.

84. HS codes 03, 0713, 1006, 1207, 40, 44, 61, and 62

**Table 12:** Leading Low- and Middle-Income Exporters of NES priority products in Asia and the Pacific

Exporters	Exported value in 2012 (USD million)	Global rank by exports of NES priority products	Global rank by 2012 FDI inflows in all sectors
World	866,131	n/a	n/a
China	195,563	1	2
Thailand	29,959	4	35
Viet Nam	26,859	6	36
India	26,057	7	15
Indonesia	23,906	8	17
Bangladesh	23,216	9	96
Malaysia	15,218	18	30
Pakistan	5,932	34	105
Sri Lanka	5,043	36	109
Philippines	4,660	37	62
Cambodia	4,609	38	80
Myanmar	3,577	46	69
Lao People's Democratic Republic	651	82	134
Papua New Guinea	440	91	180

Source: ITC calculations based on UN Comtrade statistics, UNCTAD

**Figure 45:** Regional FDI in NES Priority Sectors: Over-Performers and Under-Performers

Sources: ITC calculations based on UN Comtrade statistics, UNCTAD

*How Myanmar and its leading competitors measure up in terms of the critical factors*

Extending this aggregate analysis of the competitiveness of NES priority sectors, Myanmar and its eight primary competitors can be assessed against the seven critical decision-making factors previously identified. MTDC and its stakeholders should commission a series of sector studies to benchmark competitiveness, using specific costs (e.g. labour, electricity) for the most accurate, tailored results. However, a rough sense and order of competitiveness can be found in public survey data.

The World Bank Group's Enterprise Surveys has collected business data from 130,000 firms in 135 countries, from which indicators can be selected to approximate the competitiveness of these countries, as illustrated in

Table 13 and its notes. Although data is available for all of Myanmar's major competitors, at the publication of this document Myanmar's first enterprise surveys remain ongoing. In sector-specific analysis, each factor would be weighted according to its relative importance in investment decision-making, but as this aggregated analysis can only be illustrative, weights are not used.

When data on Myanmar becomes available around June 2014,<sup>85</sup> they can be used to compare its relative investment climate strengths and weaknesses, giving sector stakeholders an area on which to focus their investment climate reforms. Even just having such a reform process underway will add to the sector's attractiveness.

85. (World Bank Group, 2013)

**Table 13:** *The competitiveness of Myanmar's leading competitors for FDI in NES priority sectors<sup>86</sup>*

Competitor	Year of data	Political risk	Access to land	Labour	Customs and trade regulation	Electricity/Telecom Infrastructure	Transportation	Complying w/regulations	Average score	Competitiveness Rank
Myanmar	n/a	8.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
China	2012	6.3	7.9	0.0	4.6	0.0	0.0	0.6	2.8	1
Indonesia	2009	5.0	5.1	0.6	0.7	4.5	4.0	1.4	3.0	2
Malaysia	2007	0.0	2.5	5.3	1.0	5.0	4.5	8.5	3.8	3
Cambodia	2007	5.5	3.3	2.7	0.1	6.8	5.7	6.0	4.3	4
Philippines	2009	4.4	0.0	1.7	6.3	6.4	6.8	10.0	5.1	5
Viet Nam	2009	10.0	10.0	1.1	2.1	3.3	5.0	4.8	5.2	6
Thailand	2006	1.9	4.7	10.0	0.0	10.0	10.0	0.0	5.2	7
India	2006	7.5	4.4	3.6	10.0	8.1	3.0	7.2	6.3	8

**Sources:** ITC calculations based on data from the World Bank Group's Enterprise Surveys and the 2013 Global PRS Index of The PRS Group (political risk only).

86.

1. Grey cells use the sample average, where country data was unavailable.
2. Yellow cells highlight excellent scores in the range of 0–1.5.
3. Red cells highlight each country's weakest score(s).
4. Data for the various factors came in a wide range of percentages and index ratings. For comparability, all data was converted to an index from 0 to 10 with the best score being set at 0 and the worst score being set at 10.
5. The indicator for customs and trade regulation is the number of days to clear direct exports through Customs.
6. The indicator for complying with regulations is the percent of senior management time spent dealing with the requirements of government regulation.
7. The indicators for all other factors (excluding political risk) are the percentages of firms which identified the factor as the "biggest obstacle" to doing business.
8. Electricity and telecommunications were assessed separately. The score in this column is an average of the two.
9. Table 13 ranks the competitiveness of Myanmar's top competitors. The average scores paint a picture of four competitive tiers with China and Indonesia at the top. Looking at excellent scores in the range of 0-1.5 (highlighted in yellow), the investment climate factors in which these "FDI over-performers" most consistently perform well are the time for exports to clear customs and the general favourability of labour markets, giving Myanmar a sense of what areas should be targeted in efforts to improve investment climate competitiveness.

# THE VISION OF THE NATIONAL EXPORT STRATEGY



The following vision statement was adopted to guide the NES design process:

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“ Sustainable export-led growth and prosperity  
for an emerging Myanmar. ”

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This vision sets the overall national direction for the export strategy and captures its spirit. However, the vision alone does not suffice to orient the strategy. It is supported by four broad national strategic objectives.

# THE STRATEGIC OBJECTIVES

The national strategic objectives define the main thrusts that guided the NES design process. The strategic objectives agreed upon are sufficiently broad to encompass all the more detailed sector and functional strategic objectives and activities.

The stakeholders defined the following strategic objectives:

**1. To foster sustainable and equitable export-led growth and value addition for the socio-economic development of the people of Myanmar.**

This objective is aligned to the FESR and the National Development Plans and is a pre-requisite for social and economic equity. The creation of value addition will be necessary to lift marginalised populations out of poverty and ensure social stability during the economic reform process.

**2. To ensure a consistent, predictable and transparent trade policy and regulatory framework**

This objective will address many concerns expressed by the private sector in terms of being unaware of policy changes or the regulation of new legislation. Moreover, red tape and difficult business and licensing procedures impose additional costs for businesses. The lack of transparency, consultation and information dissemination were also evoked as additional costs to business and impeding on business competitiveness. The actions undertaken under this strategic objective are expected to support strong public-private dialogue and foster Myanmar's integration to the world economy

**3. To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation.**

All three dimensions – competitive, diversified and branded – are currently lacking in Myanmar. The need to become more competitive and move up the value chain by diversifying into downstream activities is required. This particular strategic objective aims to respond to international market opportunities and

requirements. Introducing branding strategies is required in order to create value and create customer loyalty.

Furthermore Since the start of reforms, domestic and foreign investment is expected to increase significantly in sectors other than the extractive industries. This strategic objective also aims to leverage investment, build export-related skills and capacities, and foster innovation to support export growth. Also a number of ODA activities and private sector initiatives to promote vocational trainings have already started and are expected to continue. The easing of import restrictions and foreign investment is also expected to lead to greater technology transfer.

**4. To build modern, enabled and supportive institutions to respond to the diverse needs of current and emerging exporters.**

Currently, the principal support institutions are sector associations and the UMFCCI. There is a significant amount of overlap in services, while there are gaps in some service provisions. Some consolidation and coordination of services is required and more export-oriented services should be provided.

**5. To build up physical infrastructures**

The aim of this strategic objective is to increase logistics capacities and build trade facilities across the country and at the regional level. Trade infrastructure and transportation corridors are required across the country. Investment in a deep-sea port project is expected to boost containerization and improve port services, and industrial zones should enhance the physical infrastructure for doing business. The NES will build the necessary export led strategy that can build and capitalize on these projects.

# MARKET DEVELOPMENT

The trade analysis indicates that there are several untapped markets that could offer opportunities for Myanmar exports.

A number of indicators and models exist to indicate potential markets, which Myanmar could export to. One such indicator is the trade complementarity index, which compares the good that one country exports with the goods that another country imports. It matches the supply and demand for same products to see where there is complementarity for trade between two countries. The

outcome of the calculations for Myanmar reveal a number of countries which account for a low share in Myanmar's exports but which have a revealed trade complementarity (see Figure 46). The horizontal axis indicates the share of the country in Myanmar's export destinations, while the vertical axis indicates the trade complementarity between Myanmar and the country in question. There are a number of countries, which have a high complementarity for trade with Myanmar and yet which do not have any significant actual trade, such as the EU, USA, Pakistan and Turkey.

Figure 46: Trade Complementarity between Myanmar and Key Partners, 2009-11

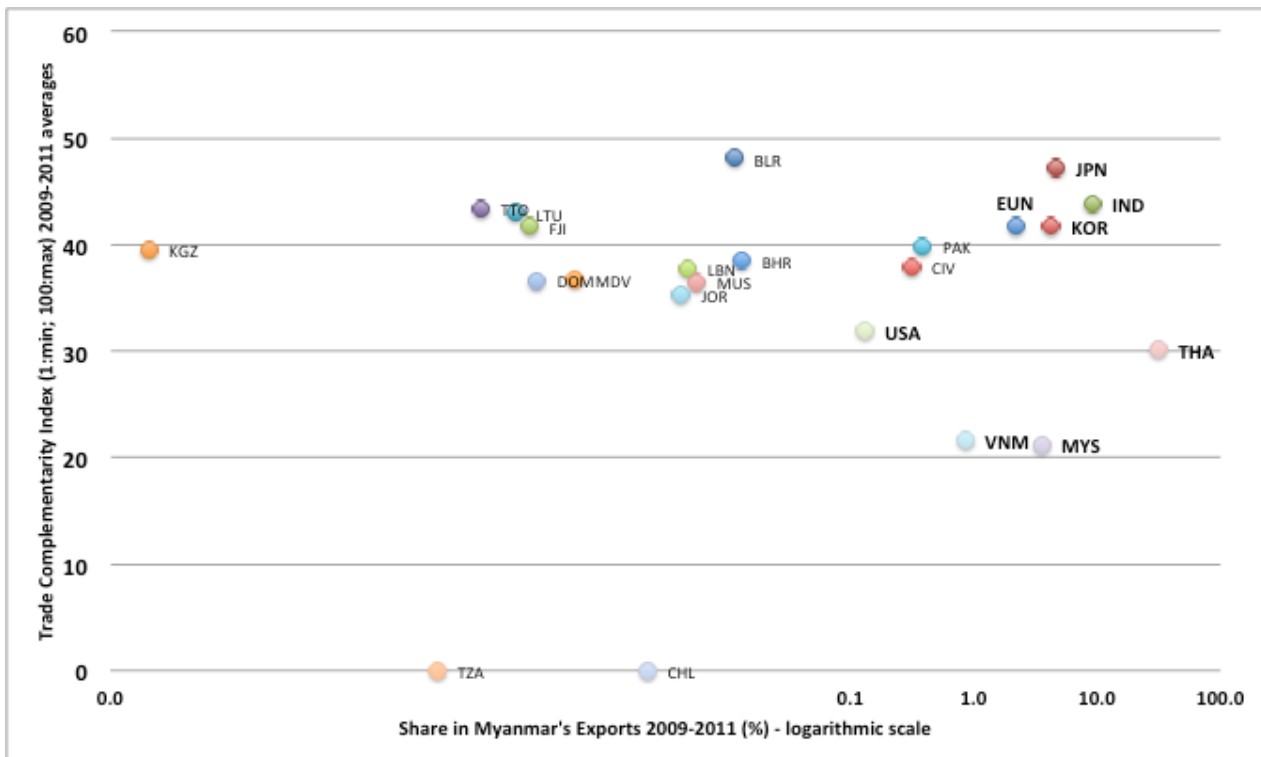
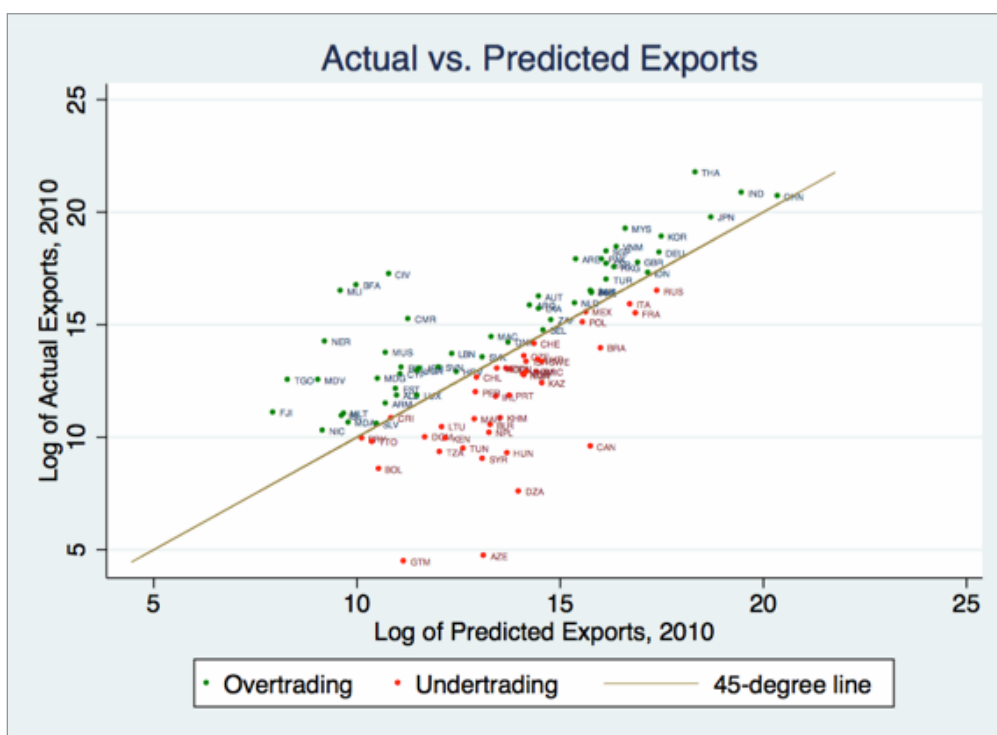


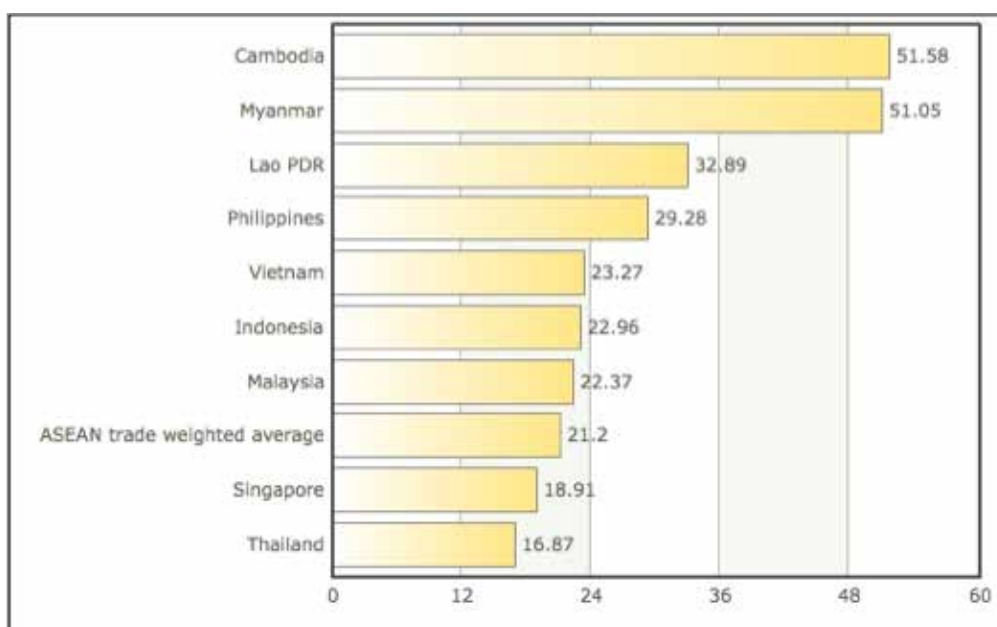


Figure 47: Gravity Model Analysis of Myanmar's bilateral potential trade



Source: ITC's calculations based on 5-Digit Comtrade, SITC Rev. 3 trade data. Country ISO codes are used

Figure 48: Export market destination concentration index in ASEAN



Note: Latest data (2006-2009)  
 Source: World Bank World Trade Indicators

Figure 47 applies a gravity model<sup>87</sup> for Myanmar to assess whether Myanmar trades as much as would be predicted with potentially important partners. Countries placed above the 45-degree line are countries with which Myanmar trades more than predicted by the mode, while those countries placed below the 45-degree line are less important to Myanmar as an export market than would be predicted. Using this model, it is apparent that Myanmar trades less than would be expected with notably large countries like the USA and EU Member States, and has a stronger export relationship with its neighbouring countries and some West African countries (owing to rice exports).

**There is great potential to increase the number of destinations of Myanmar exports.**

There is a very high level of trade intensity with few partners, which suggests difficulties in diversifying trade relationships. Many of Myanmar's trade relationships have become more intense in the period between 2002-2004 and 2009-2011, as a result of sanctions. The concentration of export partners is unusually high for Myanmar. Figure 48 highlights the degree to which Myanmar's exports are concentrated on limited number of markets, which explains the relatively high levels of intensity. Myanmar ranks

87. The model plots actual export amounts (divided by 1,000 and then converted to log) earned in those markets against amounts that were predicted by a regression model. Log value of 10, for example, is a US dollar amount equivalent to  $\exp(10) * 1,000$ , which is approximately US\$22 million.

amongst the most highly concentrated exports (in terms of markets and number of products) in the ASEAN region.

Figure 6 provides a comparison in two points in time of the number of markets reached by each product. The number of markets reached is another measure of export diversification since it indicated how many markets are reached by a single product group. The horizontal axis presents the number of markets reached; whereas the vertical axis shows the value of the export flow (in logs). The red colour has been used for the products that are in the picture in 2002 but not in 2010, in other words, those products which have become extinct. Products which were not exported by Myanmar in 2002 but are now exported are coloured in green.

## TARGET MARKET IDENTIFICATION<sup>88</sup>

For the priority NES sectors, target market analysis followed a phased approach: an immediate, short-term perspective followed by the mid to long term outlook, by which time it is expected that a significant portion of the NES and sector PoAs will have been implemented. This phased approach is aimed at staging interventions in alignment with the evolving capacities of the sector's trade support institutions and sector enterprises as the NES implementation moves forward.

88. For target market identification for specific sectors, please review individual strategies.

### Box 7: Short term market perspective

In the short term, we expect that Myanmar will intensify its exports of existing products to existing markets through capital and human accumulation. The increase will reflect increasing supply side capacity based on price competitiveness. At the same time, still in the medium term, there will be increasing awareness of market opportunities through the EU's Everything But Arms agreement, and we expect industry to move slowly towards acquiring the necessary standards, designs and non-price attributes to be able to take advantage of the EU market. FDI levels are already increasing, though these are expected to become increasingly drawn towards productive sectors, such as the agro-food sectors, textiles and clothing, footwear for exports, and towards other sectors in order to take advantage of opportunities in the national market.

Exports to ASEAN partners, other than Thailand, will also be of increasing interest, both as a means to diversify the markets but also to increase unit value of exports. The opportunities for market access under the ASEAN trade in Goods Agreement can be taken advantage of by Myanmar firms with additional trade information knowledge and moderate levels of investment in machinery and skills. Nevertheless, exports are likely to remain in low-value added segments of international trade and Myanmar will take time to tap into global supply chains outside of the textile, clothing and footwear sectors.



### Box 8: Medium to long term market perspective

In the medium to long term, it is expected that the evolving capacities of Myanmar exporters – across multiple dimensions including quality management, supply capacities, product diversification, time to market efficiency, and marketing/branding – in conjunction with the improving business environment and export value chain improvements promoted by the NES and sector implementation plans of action, will allow exporters to target other markets which seem hard to penetrate at the moment. Identified markets in the mid to long term include the EU, United States, and advanced Asian markets. Higher value addition will be generated through investment and tapping into regional supply chains will be gradually achieved through the adoption of standardisation and efficiency measures.

Sectors, such as wood and rubber, will move away from the production of raw or semi-finished products to technologically demanding manufacturing processes. Agro-processing will reach higher standards, with traceability and cold chain systems in place, as well an improved SPS measures, packing, certification, etc. The tourism sector is expected to become more inclusive and sustainable, while also leveraging higher returns.



# CROSS-SECTOR IMPROVEMENTS

## ACCESS TO FINANCE

Access to finance is a pressing need for potential exporters in Myanmar. Sanctions against Myanmar by the EU and the US weakened an already fragile financial system. Export finance mechanisms are not yet available to enterprises so that there is a need to put in place basic and more sophisticated tools such as government facilities, specific bank lines or even an export bank could contribute to accelerating export development. Difficulty accessing suitable financial mechanisms exacerbates the challenge of SMEs to access working and investment capital, which in turn limits the capacity of enterprises to diversify their export offerings and penetrate target markets. Some of the key constraints for access to finance, highlighted in the NES, include:

- The existing legal and regulatory framework is inadequate to provide the full range of modern financial services required for development. Areas for improvement include the adoption of electronic banking systems, improving information dissemination (such as credit ratings or records of default) and updating national legislation (e.g. exporters are forbidden from exporting without advanced payment or a letter of credit).
- The virtual absence of electronic banking systems has resulted in a cash-based economy which seriously hampers the effective mobilisation of domestic savings for investment.
- Export finance products are largely absent and there is a lack of direction and expertise among stakeholders involved in trade finance (including the Central Bank). Banks lack access to the foreign exchange needed to provide trade financing.
- Risk management systems are insufficient. Exporters do not have access to FOREX risk management products and banks lack risk management tools and skills.
- Enterprises tend to acquire capital through informal channels rather than through the banking sector, thereby accessing limited amounts of short-term credit for trade when long-term loans and capital loans would be required.

The prioritised actions required for the financial sector to support the export potential of sectors are to:

- Quickly process pending approvals, instructions, and clarifications that will facilitate trade by implementing reforms and improving access to information at the Ministry of Finance, Central Bank and at the Attorney General's Office.
- Review and update the legal, regulatory, and institutional frameworks for banking and finance by relaxing regulations limiting liquidity, enacting missing legislation, improving accounting standards and promoting the use of better risk management systems.
- Supply the sector with the skills, technology, and infrastructure to be internationally competitive by improving exporter knowledge of available financial services, upgrading the Central Bank's internal systems and skills, encouraging the adoption of international best-practices and systems in domestic banks and strengthening the skills of human resources.

## QUALITY MANAGEMENT

A reliable quality management (QM) infrastructure has an important bearing on export competitiveness. It allows the private sector to maintain long-term export relationships based on products that consistently meet or exceed customer expectations. Not only is the function important for adhering to mandatory standards, but the ability to penetrate new, and especially advanced, markets hinges upon an enterprise's capacity to conform to market standards. This is particularly true if Myanmar is to penetrate the EU and US markets. Moreover, production processes based on strict quality standards can help enterprises identify problems before goods reach the market, thereby reducing both the cost and reputational impact of eventual deficiencies.

At all three levels – policy, institutional and enterprise – QM framework suffers from a variety of weaknesses that constrain exporting enterprises (and potential exporters)

from bringing quality products to markets. There is thus an urgent need to revamp the framework so as to align it with global best practices in QM. The key constraints to an efficient QM highlighted in the NES include:

- There is a need for a national quality policy, an adequate/modern metrology system and a national accreditation body.
- Existing standards are outdated with insufficient linkages to third market requirements and regulations.
- Institutions are not adequately testing imports at border posts and there is a lack of surveillance programmes (e.g. micro-biology testing) (except DoF) (FDA does some limited market surveillance).
- The employment of certified trainers and inspectors (e.g. GAqP, GAP, GMP and GHP) based on international standards is currently limited.
- The absence of an effective traceability system leads to missed opportunities for firms and difficulties establishing confidence in third-markets.
- Stronger coordination and streamlining among quality management institutions is required in order to achieve synergies of expertise and resources.
- Firms and producers have low levels of knowledge and technical capabilities required to achieve quality standards and comply with export market requirements. This thought is reflected by the low application of GMP for access to the EU and US.
- Testing is difficult due to outdated laboratory testing equipment and infrastructure as well as limited collaboration between labs to pool resources and expertise, There is only one laboratory completing proficiency tests of its work, which is also the only ISO 17025 certified lab.

The prioritised actions required for the quality management function to support the export potential of sectors are to:

- Upgrade the quality management infrastructure in order to build confidence and transparency between producers and consumers, and adequately develop Myanmar's exports (branding).
- Build up scientific capacity and know-how, improve access to effective quality testing and implement of quality surveillance programmes.
- Revise and modernize policies, regulations and standards, and effectively implement them to comply with international regulations by elaborating a national quality policy, improving legal metrology, initiating the development of traceability systems and encouraging public/private dialogues related to quality management.
- Increase awareness and knowledge of farmers, traders, processors and exporters of the importance of quality management by raising awareness of market opportunities and strengthening skills training for labourers, businesses and trade support institutions (particularly related to GAP, GAqP, GMP and GHP).



## TRADE INFORMATION

There is no independent export or investment promotion agency in Myanmar and the availability of market information available to exporters is extremely limited and narrow in scope. In particular, there is a considerable lack of TI relating to current and potential target markets in terms of market developments, trends, culture and other relevant factors for exporting products to these countries. For specific information – and even for basic information – enterprises do not have access to the kind of resources on TI, which is provided by international institutions. The key constraints to an efficient Trade Information and Promotion function highlighted in the NES include:

- Despite a large number of TSIs providing business services, these are largely seen to be insufficient and market data they provide is often unreliable – hence failing to respond to the needs of exporters.
- The lack of export promotion activities in international markets has limited the visibility of Myanmar enterprises and brands.
- There is an urgent need to centralise trade information in the country while enhancing the ease of access to information and reliability of data.
- Information on internal rules, policies and procedures for engaging in trade is limited and information awareness is required.
- Market demand, trends, technology and forecasts in world demand and prices does not reach upstream producers (agricultural sector in particular) and is necessary to better adapt and capitalise on changing market dynamics.

- Relevant information on third markets is not available inside of Myanmar and export support services are also non-existent. Providing information on market access requirements and mandatory and non-mandatory standards is essential to improve export readiness in Myanmar.

The prioritised actions required for the Trade Information and Promotion function to support the export potential of sectors are to:

- Collect and improve the quality of information and data necessary to provide detailed information about countries of destination in relation to trade – about specific sectors, markets and products.
- Disseminate information through an easily accessible platform create a clearly visible network of TI providers, with improved coordination and collaboration and with limited gaps and redundancies.
- Make Information Relevant by better adapting services and TI resources to the advantage of enterprises, in terms of leveraging existing sources of trade information and synergizing information sources to their advantage.
- Create a network of TI providers to coordinate and facilitate the collection and dissemination of information by formalizing the network of research, collector and dissemination organisations and create a platform for collaborating and cooperating on TI matters.

## TRADE FACILITATION AND LOGISTICS

The current trade facilitation and logistics (TFL) environment is challenging for exporters, and particularly those exporters, which require imported inputs into their production process. Exporters are constrained by a lack of access to adequate port facilities and warehousing capabilities near ports. Exporters are also limited by several factors including the lack of a cold-chain management system (crucial for the fisheries sector), no automated domestic cargo manifest system for trucks and trains, limited skilled staff in freight forwarders and customs brokers, and an underutilization of rail transport. There is also a lack of inter-modality between rail systems and ports. Beyond infrastructure, trade is often encumbered by unpredictable customs procedures and practices due to a lack of modern IT systems, limited office hours and complicated documentation requirements. Also, the legal environment is characterized by a lack of regulations surrounding dispute settlement and the extensive use of arbitration. The key constraints to an efficient Trade Facilitation and Logistics environment highlighted in the NES include:

- Exporters are constrained by a lack of access to adequate port facilities and warehousing capabilities near ports. Ports are lacking automated systems (such as

cargo handling, scheduling) and capacity for physical inspections. These challenges increase costs for exporters, cause delays and reduce predictability.

- Trade is often encumbered by unpredictable customs procedures and practices due to a lack of modern IT systems, limited office hours and complicated documentation requirements.
- Export potential is limited by several factors including the lack of a cold-chain management system (crucial for the fisheries sector), no automated domestic cargo manifest system for trucks and trains, limited skilled staff in freight forwarders and customs brokers, and an underutilization of rail transport. There is also a lack of intermodality between rail systems and ports.
- Firms face high and unpredictable transportation times and costs when transporting goods from production sites to destination markets. High costs and delays are caused by factors such as poor road conditions, high costs for vehicle maintenance, relatively high labour costs for transport, high toll charges, etc.
- Firms have insufficient access to modern financial tools and insurance. More specifically, businesses have limited (and burdensome) access to export/import finance instruments, a lack of credit facilities to support trade, and no service liability insurance or limited liability insurance.
- The legal environment is characterized by a lack of regulations surrounding dispute settlement and the extensive use of arbitration.

The prioritised actions required to improve Trade Facilitation and Logistics to support the export potential of sectors are to:

- Introduce and effectively implement cutting edge ICT and management systems and capabilities to increase efficiency in delivering of integrated services. Specific priorities include increasing the number and use of bonded warehouses, developing inland waterways, and enhancing customs capacities (particularly through the use of IT systems).
- Adapt the regulatory framework and ensure transparency and predictability of rules and regulations and facilitate access to trade-related information for operators to reinforce trust and facilitate business.
- Accelerate the development of physical infrastructure such as road, rail, bridges, ports, inter-modal terminals, dry ports, ICDs, free zones, and economic corridors, to support facilitation of trade flows and participate in regional integration.
- Build mechanisms and capacities of the public and the private sector players to effectively and consistently coordinate activities to ensure dialogue and integration of transport modes and systems.
- Adopt legal instruments to introduce and regulate the use of palletisation in cargo transport and the modern warehouse management, including receipt trading.

## MAXIMISING INNOVATION POTENTIAL FOR PRIVATE SECTOR DEVELOPMENT

As part of a national ICT agenda, it is necessary to devise a number of measures to enhance enterprise adoption and use of ICTs. Proposed activities could include:

- Develop e-government services relevant for firms, including a one stop-shop for export firms.
- Facilitate online access to information relevant for exporting firms (including through mobile phones).
- Establish a plan to develop firms' ICT skills.
- Enhance the quality and relevance of formal ICT education and training to support the adoption of ICTs by businesses and public agencies (measures should include the adoption of adequate curricula and learning methods that encourage applied methodologies, supporting teacher development and putting in place quality control systems).

In order to promote the development of innovation capabilities among exporting sectors, there is a need to reinforce cooperation and collaboration through a number of measures:

- Promote the development of firm clusters that favour collective action (i.e. promote backward ties with suppliers/subcontractors and forward ties with traders/buyers; and/or horizontal linkages between firms through joint marketing of products, joint purchase of inputs, order sharing, common use of specialised equipment (labs, mills), joint product development, and exchange of expertise and information).
- Support the development of farmers associations and their role as active actors in supply chains.
- Establish a number of (sector) technology innovation centres, to support technology transfer and innovation among enterprises of the priority export sectors.
- Sustain efforts to support general private sector development (SME development centres, trade training, fostering awareness on technology and innovation).

In order to enhance the relevance and impact of research and training for exporting sectors, the following measures are proposed:

- Reinforce agricultural extension services through a number of measures:
  - Strengthen the linkages between research, extension services and farmers.
  - Increasing the budget for agricultural extension services
  - Reinforcing training of extension workers

- Ensure that the Comprehensive Education Sector Review considers the needs of exporters sectors for trained human resources.
- Prepare and provide an analysis of the skills and labour market needs of the priority sectors identified in the national export strategy.

## IMPROVING INSTITUTIONAL CAPACITY TO PROMOTE THE TARGETED INVESTMENT IN PRIORITY SECTORS

Myanmar's investment promotion efforts would be significantly enhanced by having an independent agency tasked solely with promotional activities. The promotional parts of DICA could be spun off, with regulation being retained under MNPED or a new agency could be created and the promotional functions transferred. Whatever the institutional arrangement chosen, more resources could be allocated to promotion – without losing sight of regulatory goals – by using a negative list for approvals. That is, allowing investment projects of uncontroversial types to be permitted without approval or without explicit rejection within a fixed time period.

The government's lead Investment Promotion Intermediary (IPI) should be organized in a way that establishes sector-specialized account managers. These people would act as the first points of contact for interested and established investors in their sectors. They would be responsible for converting leads into implemented investment and extracting reinvestments from existing investors, both against predefined, annual goals. To this end, a comprehensive and accurate investment pipeline, as well as an M&E framework, would be established and constantly maintained.

Sector-specialized account managers would regularly conduct investor-targeting campaigns and coordinate with the IPI's facilitation team, which would be the liaison for government bodies issuing permits and licenses. A dedicated investment climate reform team, led by senior staff, would be permanently engaged in establishing and driving public-private working groups with ministries and sector stakeholders to streamline government procedures.

Implementation of all the missing systems is relatively inexpensive, once the right management focus and staff skills have been arrayed. Investing in competitiveness benchmarking studies can cost a couple of hundred thousand dollars. However, this can be a cost-effective expenditure, if it provides a credible basis for selecting Myanmar and is used effectively to stimulate sector development by an IPI that is equipped to conscientiously generate and exhaust leads.



# HOW TO GET THERE?

## NES IMPLEMENTATION

The NES document is the initial step towards export development. To achieve the vision laid out by the NES, a concerted effort along with a variety of fronts needs to be undertaken by all NES stakeholders. The effective contribution of the NES to export development will largely depend on the ability of Myanmar to plan, mobilize resources, coordinate activities and monitor its implementation. Special attention needs to be given to building and reinforcing the strategy's implementation management capacities.

The broad range of activities, together with the complex nature of integrated interventions, requires careful implementation that efficiently directs resources and monitors results at both the micro and macro levels. In particular, the NES will ensure that existing development efforts, both national and donor driven, do not occur in isolation and instead are aligned with the needs of Myanmar in the broader context of export growth for socioeconomic development. This is essential to avoid fragmentation of development efforts, which would otherwise lead to an overall low impact and challenges in implementation.

## HIGH-LEVEL ENDORSEMENT OF THE NES

Endorsement of the NES at the level of the Cabinet is the most important step towards implementation. A high-level Steering Committee (see Appendix 1: NES team) reporting directly to the Cabinet of Ministers was established to streamline the endorsement of the NES. In the absence of such official endorsement, the NES would not be an official policy document of Myanmar and would not be able to mobilize the national and international support (financial, institutional and political) required to effectively guide export development.

In parallel to the NES endorsement process it will be important to mainstream the NES in other national economic policy frameworks, such as the NCDP and the DTIS.

## MYANMAR TRADE DEVELOPMENT COMMITTEE

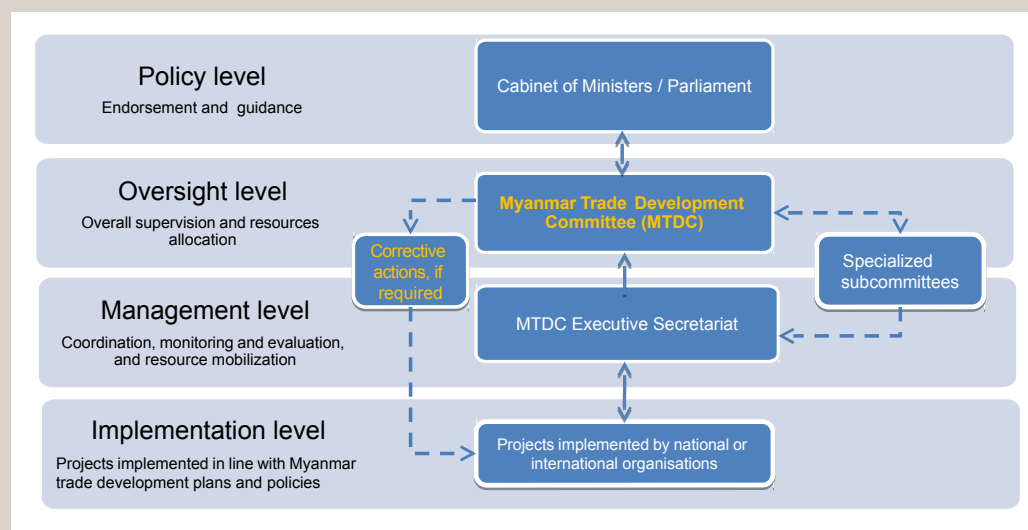
The effective coordination and implementation management of the NES will be assured by the Myanmar Trade Development Committee (MTDC), which is a formal, independent institution composed of representatives of both the public and private sectors. It acts in an advisory capacity to the government and private sector on a permanent and regular basis. The MTDC has been established by Ministry of Commerce, Order No.35/2014. This highest political support avoids unnecessary duplications, builds collaboration and ensures consistency with the government's existing policies, plans, and strategies. It facilitates the alignment of institutions' and agencies' internal plans and interventions with the NES plans of actions.

The MTDC is mandated to spearhead the NES implementation and manage its sustainability. It has played a number of critical roles in ensuring the effective implementation and monitoring of the NES:

- Coordinate and monitor the implementation of the NES by the government, private sector organizations or international organizations;
- Identify and recommend allocation of resources necessary for the implementation of the NES;
- Recommend policies that support the implementation of the NES;
- Assess the effectiveness and impact of the NES;
- Elaborate and recommend revisions and enhancements to the NES so that it continues to respond to current needs and long-term interests of the national business and export community;
- Establish specialized task forces to address specific challenges and issues emerging from NES implementation.

### Box 9: Governance structure for implementation of the Myanmar NES

Below is the governance structure for the implementation management of the NES. It aims at providing a visual framework to define responsibilities.



The Cabinet of Ministers /Parliament should be apprised on an annual or bi-annual basis of the NES implementation progress. The Cabinet of Ministers/Parliament should validate the NES implementation plans elaborated by the MTDC.

The MTDC acts as the core export development decision-making body of the government. Specialized committees, created by the MTDC General Meeting on an ad hoc, temporary or permanent basis, discharge the tasks of MTDC over the subject matter they have been created for.

The MTDC is supported by an Executive Secretariat to complete the daily operational work related to the implementation management of the NES.

Projects contributing to the implementation of the NES should be implemented by government institutions and agencies as well as international partners.

### Box 10: Value of FDI in implementing the NES

FDI can have a transformative effect on a developing country's home-grown, domestically oriented industry, and help it to achieve significant export growth. International investors may be able to introduce a wide range of assets otherwise unavailable to local enterprises, such as large amounts of capital, better inputs (e.g. high-quality seeds), technologies, skills, management practices, operational experience, economies of scale, and international distribution channels, among others

The MTDC aims facilitate a public/private partnership for implementing the NES in a manner that best enhances exports and international competitiveness. As enterprises are the ultimate beneficiaries of the NES, their representation in the MTDC fosters their long-term support for the NES and guarantees it remains aligned to actual business needs.

## EXECUTIVE SECRETARIAT

The MTDC is supported by an Executive Secretariat, a technical and coordination unit to complete the daily operational work required for NES implementation management. The core responsibilities of the Executive Secretariat are to:

- Develop annual and biennial work plans and associated budgets for approval by MTDC;
- Formulate project proposals based on NES PoAs, including budgets and work plans for implementation, and submit them to MTDC;
- Advocate in favour of the NES to public and private partners;
- Plan the monitoring and evaluation meetings of MTDC and its subcommittees;
- Collect information from project implementation and prepare regular monitoring reports to be submitted to MTDC;
- Prepare the agenda for MTDC meetings, as well as resolutions to be submitted for PEC approval;
- Perform the administrative work of MTDC and implement its resolutions;
- Collect, centralize and preserve all archives and documentation of MTDC and the NES;
- Perform any other tasks required for NES implementation.

The Executive Secretariat of the MTDC is hosted at the Ministry of Commerce since it has the required expertise, capacities and experience in trade development to link the work of the Secretariat to other TRTA initiative. The Secretariat is also related to the EIF mechanisms in Myanmar in so far as both initiatives aim to promote trade development and mainstreaming. However, as a subsidiary body of MTDC, the NES Executive Secretariat will be housed in the Ministry of Commerce both in terms of funding and operational activities. The NES Executive Secretariat will be an ex-officio non-voting member of the MTDC.

## IMPLEMENTATION MANAGEMENT CAPACITIES

The ability and skills of MTDC need to be sufficient to ensure effective management of NES implementation. MTDC and the NES Executive Secretariat should have knowledge of monitoring frameworks, resource

mobilization and programming, communications and advocacy. Without such skills, the MTDC and the NES Executive Secretariat will not be in a strong position to assume the responsibility of managing NES implementation.

It is therefore important to provide MTDC and the NES Executive Secretariat with the appropriate tools and capacities to manage NES implementation efficiently, and the transfer of these should be initiated as early as possible, even before the NES is endorsed, to ensure momentum built during the NES design process is maintained and capitalized upon to foster further ownership and support for NES implementation. Effective support for the establishment, operationalization and management of MTDC and the NES Executive Secretariat will increase the chances of success of the NES.

## FINANCIAL RESOURCE MOBILIZATION FOR IMPLEMENTATION

Resource mobilization will play an indispensable role in supporting NES implementation. An integrated resource mobilization plan should be designed as soon as possible once the strategy is adopted. Resource mobilization will involve planning the sequencing of communications with donors, project design, project proposals/applications, and resource collection and management. Active resource mobilization planning will facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive implementation, including national resources, development aid and private investment.

**National resources through direct budget support:** The action plans of the NES identify national institutions responsible for the implementation of certain activities. The activities identified are consistent with the mandates of these institutions. Thereafter, it will be up to these institutions to support the implementation of these activities through integrating them into their annual work plans. These annual work plans, aligned to the NES, are normally supported by the national budget under the mandate of these institutions. It is also recommended for these institutions to mobilize resources in coordination with the Executive Secretariat of MTDC to ensure streamlining and avoid duplication.

**Alignment of donor support and interventions with the NES:** The majority of international development partners already acknowledge that the NES provides them with the proper implementation plan and framework as well as favourable conditions for operation (i.e. political endorsement, private sector buy-in and improved collaboration with national institutions and international organizations). The next step consists of capitalizing on the significant momentum gained as part of the NES design process



and leveraging it for smooth and efficient implementation. The NES PoA will serve MTDC and the NES Executive Secretariat, as well as national institutions, to improve communication and facilitate negotiation, planning, coordination and evaluation of commitments made in the context of development aid.

**Mobilisation of investment:** Improving the value chains of the NES priority sectors in the way articulated by their strategies and plans of action will require considerable investment. The NES sector strategies envision considerable expansion of production volume, quality, efficiency, and value chain operations conducted within Myanmar. Public funds and donor aid will be important sources of support, particularly for infrastructure, the business environment, government capacity, and guidance to the private sector. However, the private sector itself will be the primary source of investment, and a successful NES should mobilize export-oriented private investment as an integral part of the strategy and an early driver of improvements to the value chain. A comprehensive private sector development plan is needed for domestic enterprises, but in the short to medium term the role of FDI will be especially important.

## MONITORING IMPLEMENTATION FOR EFFECTIVE RESOURCE ALLOCATION

A key role of MTDC and the NES Executive Secretariat is to monitor the implementation of the NES. Effective exploitation of reports and data will ensure that progress is evaluated in line with expected results and allocated resources. Monitoring will permit effective allocation or re-allocation of resources based on expected and achieved results. This critical work will facilitate effective implementation of activities and enable the NES to achieve its strategic objectives, contributing to its overall success.

## COMMUNICATION

Targeted communication is required to inform and mobilize public and private partners. The current communication plan will be extended in order to continue promoting the NES and preserve the momentum and support for its implementation. Informing the national public and implementing agencies builds confidence and trust in support of the NES.

The key implementing institutions detailed in the various PoAs of the sector and cross-sector strategies need to be informed of the content of the strategies and the implications for their 2014-2019 programming. This sensitization is essential to build further ownership and will provide institutions with the opportunity to review the PoAs in order to confirm the activities to be implemented. Such a programming approach permits better resource allocation within the responsible agencies. This allocation can be formalized by integrating the activities of the NES into the programme planning of the institution. While the financial dimension is required, the human resource element is no less important.

## PRIVATE SECTOR SUPPORT AND PARTICIPATION

The private sector will benefit from the NES implementation through improved productive capacities, reduced costs of doing business, facilitated administrative procedures, enhanced access to finance, etc. However, the private sector clearly expressed, during the strategy design process, its willingness to contribute, directly or in partnership with public institutions, to the implementation of the NES. Their implementation efforts can range from providing business intelligence to institutions to contributing to development projects, establishing processing and transformation units, advocacy, etc. In brief, the private sector practical knowledge of business operations is essential to ensure that the activities of the NES are effectively implemented and targeted.

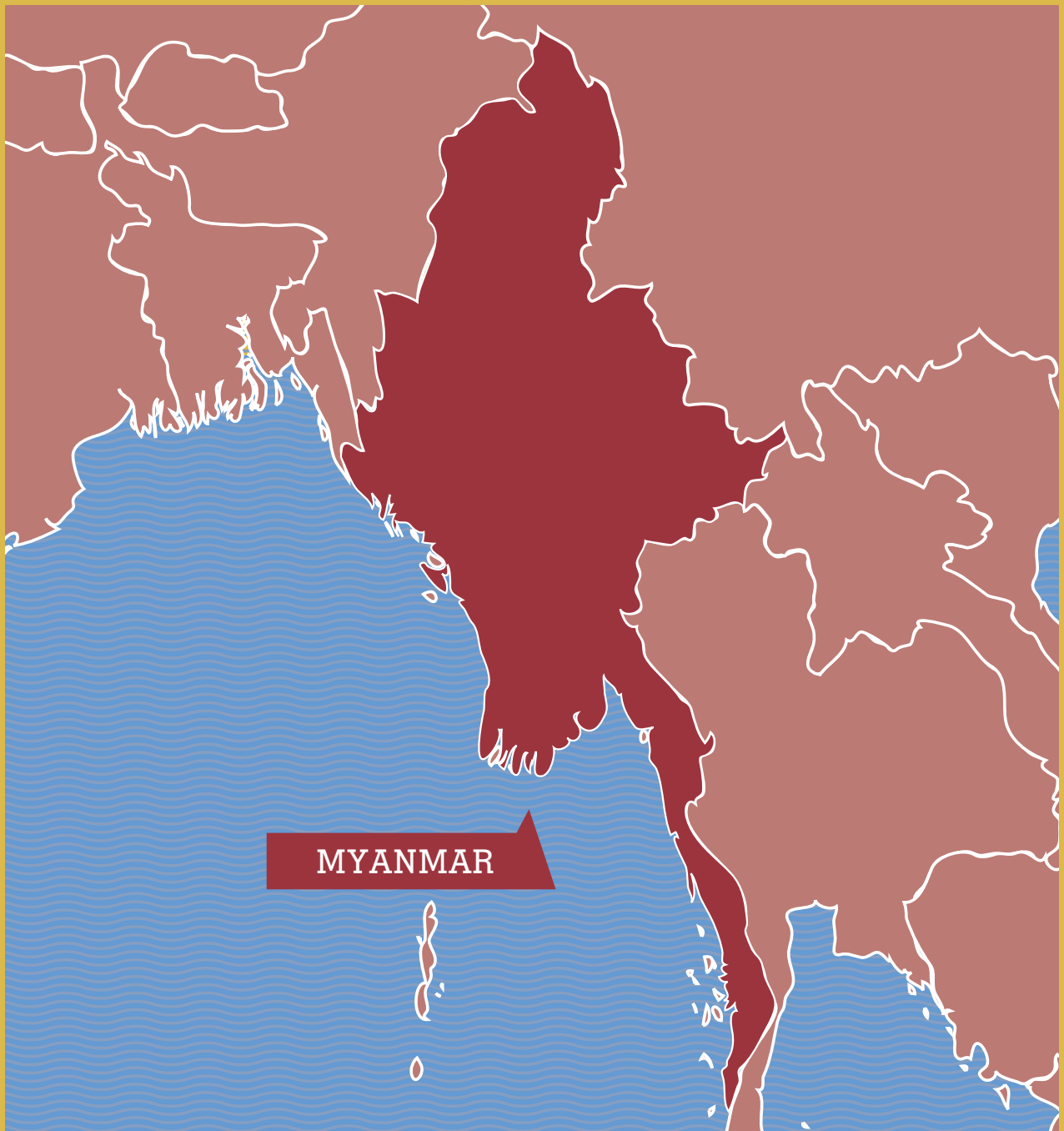
# THE REPUBLIC OF THE UNION OF MYANMAR NATIONAL EXPORT STRATEGY

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## NES PLAN OF ACTION

The consolidated plan of action of the NES is composed of macro-level activities that emerged in the sector and cross-sector strategies design process, as well as

complementary activities necessary to reach the strategic objectives of the NES. Each sector and cross-sector strategy possesses its own specific plan of action.



## Strategic objective 1: To foster sustainable inclusive and equitable export-led growth

Operational objective	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
1.1. Improve production infrastructure and transform production sites to improve volume	1.1.1. Elaborate a list of priority rural areas that should be opened up as prime production zones to ensure inclusive development. Expand accessibility and capacity of these zones and make them more integrated. This list should be transmitted to the Ministry of Planning, Ministry of Livestock, Fisheries and Rural Development, Ministry of Environmental Conservation and Forestry, Ministry of Tourism, Ministry of Construction, Ministry of Electric Power in order to ensure these zones are prioritized in the national rural development plans. (Fisheries Sector)	1	Agricultural and fisheries producers	List of priority rural areas established and transmitted to mentioned ministries. 100% of zones integrated in development plans	Ministry of Industry, Myanmar Investment Commission (MIC)	Department of Fisheries, Ministry of Livestock, Fisheries and Rural Development		200'000
	1.1.2. Establish or strengthen demonstration schemes on modern production technologies to ensure effective adaptation/modernization to current, sustainable technologies through collaboration with local, national and international organizations. (Fisheries Sector)	1	Agricultural and fisheries producers	National, regional and local demonstration schemes established.	Related Ministries	Related Ministries	Plantation Technique Training and Seminar, Center Forest Training and Development Center (CFDC), Forest Research Institute, Myanmar Human Resource Development Center (JICA), Wood Technology Training Center (CVT, Swiss Cooperation), Tour Guide Training Center, Capacity Building Training for Hotel Staff (CBT), Trade Training Institute (Post Harvest, Rice Milling, Ministry of Commerce, in Rangoon), Myanmar Rice Federation Training Centers (private sector)	3'000'000
	1.1.3. Resumption of production and strengthening of production at state owned facilities either through privatization or joint ventures for enhanced productivity and greater employment opportunity in rural communities. Elaborate a priority list of sites and include in priorities for investment promotion.	2	Agricultural producers; investors	10% of state facilities per year have resumed production in joint venture or as private operations	Privatization Commission and MIC (depending on whether privatization or joint venture)	Related Ministries		
	1.1.1.4. Establish a warehouse credit guarantee scheme to be implemented in commercial or trade banks to reduce the collateral requirements needed to access a loan, in order to enhance rural access to finance.	1	Producers	Warehouse credit guarantee established in two years.	Ministry of Finance, Central Bank	Commercial banks; Trade banks		10'000'000

Strategic objective 1: To foster sustainable inclusive and equitable export-led growth								
Operational objective	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
1.2. Enable development of an effective rural finance	1.2.1. Establish a rural finance mechanism (agricultural credit, etc.) through rural banks by setting up an integrated network collaborating with public and private banks.	1	Agricultural communities, producers;	Rural finance mechanism established and 25% of rural banks participating in two years.	Ministry of Finance, Central Bank	Regional and state banks; commercial banks; trade banks	Rural Development Bank, Capital Finance have started banks for SMEs	20 000'000
	1.2.2. Increase private sector lobbying to GoMYA in order to strengthen the financing instruments required to enhance quality and quantity of production.	1	Private sector firms; producers.	A lobbying campaign organised; Legislation on access to finance for industrial and agricultural production enacted; Increased financial instruments created.	Ministry of Finance, Central Bank	Ministry of Cooperatives, Region/State Governments	Women Entrepreneur Association Low-interest Loan Program for SMEs, Government short-term loans for private sector, Myanmar Economic Bank (MEB) and also private banks have such programs	100'000
	1.2.3. Encourage private banks and micro-finance banks to develop rural finance through the establishment of a special fund (agriculture credit line) with advantageous interbank lending rates to be carried over to agriculture loans.	1	Agricultural producers	Special fund established; Agricultural credit lines available in banks.	Ministry of Finance	Department of insurance	Micro-financing from Cooperative Development Fund (CDF)	20'000'000
	1.2.4. Establish and nurture development funds for priority production and processing centres or specialized credit lines (long term loans at favourable interest rates) to be made available to priority sectors through commercial banking sector or specialized funding organization.	2	Producers and enterprises in priority sectors	Development funds established; Credit lines available through commercial banks.	Ministry of Finance, Central Bank	Commercial banks		20'000'000
1.3. Ensure equitable supply of energy	1.3.1. Advocate in favour of setting up power production families (hydro, gas, solar, wind, tide, coal, nuclear, etc.) in rural areas for the adequate and reliable supply of electricity to industrial zones, SEZs, landing sites, factories, and processing centres through public and private partnerships in line with energy policy.	1	Producers, enterprises, investors consumers	Advocacy campaign for reliable supply of energy in rural areas conducted, Public-private partnerships in energy in rural areas established, Increased power supply capacity.	Private Institutions, Regional/State Governments	Private-Public Enterprises, companies and agencies		1'000'000
	1.3.2. Upgrade the availability and quality of renewable energy technologies to support households and industries at all levels.	1	Households, agricultural producers, manufacturers.	Increased power supply capacity, Renewable energy technology technologies available and used.	Ministry of Energy		Trading companies selling solar panels, wind, and hydro technology, various NGO programs	tbd
	1.3.3. Draft frameworks, inspection and traceability systems, and establish certification bodies to produce eco-friendly products.	1	Agricultural producers, processors, manufacturers, Consumers.	Frameworks, inspection and traceability systems, established, certification bodies for eco-friendly products established.	DoA	MoA, UMFCCI	MFCC Certification Committee, Myanmar Inspection and Testing Service (MITS), Star Rating Certification Committee (Hotel and Tourism), ISO	5'000'000

## Strategic objective 1: To foster sustainable inclusive and equitable export-led growth

Operational objective	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
1.4. Develop framework to ensure compliance of voluntary standards	1.4.1. Raise awareness among producers and consumers regarding requirements and voluntary standards and build cooperation with regional and international institutions to disseminate trainings and information.	2	Agricultural producers, manufacturers, consumers testing labs, certification bodies	Awareness campaign conducted, Training schemes conducted, Increased compliance with international voluntary standards.	DoA	Organic Team		2'000'000
	1.4.2. Establish CSR (Corporate Social Responsibility) standards and encourage compliance with them through education training, and capacity-building of businesses and government institutions.	2	Producers, processors, manufacturers, workers.	CSR campaign conducted Content of a national-level CSR standard established, Compliance modalities Established Increased compliance with CRS standard.	Government, Private	MoC	MFCC, MHRDC, Ministry of Labour	2'000'000
	1.4.3. Support Fair Trade certification of producers associations/cooperatives and processors by training these groups in good governance, labour rights, and other related competencies and provide technical support to comply with and implement Fair Trade standards.	2	Agricultural producer organisations Producer cooperatives Consumers.	Fair Trade training programme established; Increased Fair Trade standards compliance in priority sectors.	Government, Private	MoC	Myanmar Fair Trade (MTF), Union of Myanmar Travel Association, Timber Certification, Social Compliance of Fisheries	5'000'000
1.5. Minimize negative effects on water and land quality	1.4.4. Build awareness and education among those who are already engaged in organic farming (for lack of fertilizer, pesticides, etc.) to understand how to access global organic markets.	2	Agricultural producers, manufacturers, consumers testing labs, certification bodies	Awareness campaign on organic farming conducted Increased organic certification	MOAI	MRF	Model Organic Farming by Ministry of Agriculture and Irrigation, Myanmar Paddy Producer Association (private Sector)	2'000'000
	1.4.5. Incorporate environmental considerations into agricultural extension services.	1	Agricultural producer organisations Producer cooperatives	Extension service staff is trained in environmental issues Environment is a significant extension service area in three years	MOAI	Ministry of Environment and Forestry Ministry of Health	Environmental Impact Assessments, and Social Impact Assessments (in process), Professional trainings by Department of Fisheries, Trainings by the buyers and regional institutions	1'000'000
	1.5.1. Provide training to labourers in land preparation, construction, and the operation and maintenance of machinery in a manner that is sustainable and equitable.	1	Agricultural producer organisations Producer cooperatives	Sustainable agricultural practices training programme conducted; Increased use of Sustainable agricultural practices in Myanmar in three years.	MOAI	Ministry of Labour MRF State governments	Land Use Policy, Technological trainings for fishery processing	2'000'000



Strategic objective 1: To foster sustainable inclusive and equitable export-led growth								
Operational objective	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
1.5. Minimize negative effects on water and land quality	1.5.2. Support rural youth to find non-farm employment opportunities in addition to farm opportunities.	1	Agricultural producer organisations and cooperatives Rural communities	Rural youth employment programmes established and conducted in agricultural areas with high youth unemployment rates; Increased farm employment of rural youth; Increased non-farm employment of rural youth	Rural Development Committee	Ministry of Labour State governments	Income Generation Programme by INGOs and NGOs, and the government, seasonal aquaculture trainings and support by Fisheries Department	1'000'000
	1.5.3. Develop and disseminate systems of adequate waste water management in agricultural and fishery production.	1	Agricultural producer organisations and cooperatives Rural communities	Increased programmes in waste water management Waste water management is integrated in extension services; Regulatory framework adapted.	Ministry of Environmental Conservation and Forestry,	MOAI; State Governments; Municipal Authorities	EIA, SIA (in process), Preventive Measures through vocational training, government regulations or restrictions to keep shrimp farm some distance from shore line, biodiversity not fully exploited	5'000'000
1.6. Extend vocational training run by the Ministry of Labour to the Private Sector and increase the courses available to rural communities	1.6.1. Gradually increase skills level of young trainees from urban and rural areas up to expert level in various job categories in the priority sectors.	1	Youth on the job market Youth in education	Increasing the number of young trainees attaining expertise in priority sectors to mitigate bottlenecking of youth vying for low skills jobs.	Ministry of Labour	Ministry of Hotel and Tourism, in collaboration with Hotelier Association, Level 1 – Diploma, Department of Fisheries to treat about water treatment		5'000'000
	1.6.2. Twinning courses with higher level regional institutes to introduce higher technology content in the courses and market these programs in regions that may not have knowledge of such programs.	1	Rural communities Youth in training and technical schools	Twinning courses introduced in curricula of schools in disadvantaged regions or regions relevant for NES priority sectors.	MOE	Ministry of Labour	TVET, Bachelor Course for Tourism, Occasional trainings by Department of Fisheries in processing (USAID Farmer to Farmer Programme, aquaculture)	2'000'000
	1.6.3. Extend conservation training programmes to private sector participants to enhance adherence to sustainable practices by industries, creating a culture of environmental responsibility within the private sector.	1	Youth in training and schools; Workers and staff in vocational training	Existing conservation training programmes extended to private sector participants.	Ministry of Environmental Conservation and Forestry (MOECAF), Ministry of Labour	Community Forestry Training Programme, People Participation Programme		1'000'000
1.7. Provide scholarships and internships for national and overseas study to youth	1.7.1. Develop young exporter incubation centres in three regions to promote entrepreneurship around non-timber forest products and other sustainable value chains.	1	Young entrepreneurs	young exporter incubator established in three key regions Increased number of young entrepreneurs entering the export value-chain.	MOE	Entrepreneurship Development Programme (Institute of Economics), Community Forestry Training Programme	ACTED and other NGOs	3'000'000

## Strategic objective 1: To foster sustainable inclusive and equitable export-led growth

Operational objective	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
1.7. Provide scholarships and internships for national and overseas study to youth	1.7.2. Create internship programs in operational aspects (bankable business plans, financing, management and management) for young people in rural and urban areas.	1	Youth in secondary and higher education in economics and business administration	Internship programmes established at major universities and technical schools	Ministry of Higher Education	Ministry of planning and economic development (MOPED), Ministry of Commerce, Ministry of Labour, UMFCCI, Sector Associations		500'000
	1.7.3. Establish/strengthen a scholarship programme for priority areas and sectors (engineering, management, sustainable tourism, health, IT, forest conservation, environmental conservation, agriculture, fisheries, etc.) through the setting up of agreements with international universities and a special scholarship fund.	1	Youth in secondary and higher education in economics and business administration	Scholarship incentive programme established; Increased number of students obtain scholarships at major universities and technical schools.	Ministry of Higher Education, Universities and technical schools NGOs	UMFCCI, Sector Associations, NGOs, Foreign investors and firms		1'000'000
1.8. Strengthen capacities public sector capacities in forestry area	1.8.1. Extend community-based forestry and train local people in priority areas in theory and practice.	3	Local rural communities	Local communities trained in community-based forestry	MOECAF	Sector Associations, State governments		1'000'000
	1.8.2. Strengthen the forestry department's management of natural forest resources.	2	Forestry Department of MOECAF	Forestry Department has increased resources and improved skills to deliver on its mandate	MOECAF	International agencies dealing with forestry management and issues.		300'000
1.9. Develop the effectiveness of consumer protection and safety	1.9.1. Based on the implementation of the upcoming consumer protection law, MoC consumer affairs and MoH-FDA to increase coordination for effective monitoring and promote consumer protection.	1	Consumers	Coordination increased Effective consumer protection monitoring conducted.	MoH -FDA	MOC		500'000
	1.9.2. Approve the consumer protection law and formalize, operationalize and adequately resource the Consumer Protection Agency to fulfil its mandate of protecting consumers against hazardous goods and services as well as fraudulent behaviour.	2	Consumers	Consumer protection Law enacted Consumer protection agency established, operational and adequate resourced	MoH	Cabinet; FDA, MOC		1'000'000
1.9. Develop the effectiveness of consumer protection and safety	1.9.3. Include registered consumer protection associations in working groups on quality management and consumer protection.	2	Consumers	Increased participation of consumer protection associations in working groups on quality management and consumer protection	MSTRD	UNFCCI; /Associations		5'000

## Strategic objective 1: To foster sustainable inclusive and equitable export-led growth

Operational objective	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
1.10. Facilitate improvements in labour relations	1.10.1. Conduct employer-employee workshops and seminars on labour issues for more transparency and mutual understanding.	1	Employers, Employees, Workers	Increased understanding and culture of employer-employee relations	MoLESS	Union of Myanmar Federation of Chamber of Commerce, Myanmar Garment Manufacturers Association, NGOs, & INGOs, MTA, Ministry of Information, Ministry of Commerce, Consultants		300'000
		1	Employers, Employees, Workers	Improved labour relations	MoLESS	Union of Myanmar Federation of Chamber of Commerce, Myanmar Garment Manufacturers Association, NGOs & INGOs, MTA, Ministry of Information, Ministry of Commerce		500'000
1.11. Ensure an equitable utilization of natural resources	1.11.1. Enhance transparency for utilization of natural resources through participating to the Extractive Industries Transparency Initiative (EITI).  1.11.2. Limit annual allowable exploitation for all categories of natural resources, and enforce boundaries where extraction is not allowed.	1	Producers Manufacturers Consumers Citizens	A dedicated Union government information website established and regularly updated	Planning Commission	Union government Local communities Business associations NGOs	EITI Process (extractive, industry transparency initiative)	200'000
		1	Producers Manufacturers Consumers Citizens Local communities	Allowable annual exploitation standards legally established, monitored and enforced	Planning Commission and President's office, Department of Environmental Conservation (under MOECF)	State governments Local communities Business associations NGOs	MOECF, Fisheries	400'000
1.11.3. Combat all illegal smuggling/trafficking of natural resources (including CITES-protected species), especially from the national parks, wildlife sanctuaries and reserves through law enforcement and sensitization trainings to customs officials, law enforcement officials, and others.	1.11.4. Develop plans for conservation of natural resources in threatened natural habitats including but not limited to the Northern Forest Complex, Hukuang Forest, the southern islands, Coco islands, Inle Lake, Ayeayarway riparian areas, and other critical wetlands and forests.	1	Producers Manufacturers Consumers Citizens Local communities Public sector officials	Regulatory framework adjusted Training programmes designed and conducted Decreasing smuggling/trafficking of natural resources	Ministry of Home Affairs, Ministry of Foreign Affairs, Department of Customs, Department of Environmental Conservation (under MOECF)	State governments Local communities Business associations NGOs	Law Enforcement Programmes	1'000'000
		1	Producers Manufacturers Consumers Citizens Local communities Tourists	A national wetland conservation strategy and developed and implemented Regulatory framework adjusted	Department of Environmental Conservation (under MOECF)	State governments Local communities Business associations NGOs	Government, State, NGO INGO Private, media	1'000'000

Strategic objective 1: To foster sustainable inclusive and equitable export-led growth								
Operational objective	Activities	Priority 1=high 2=med 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
1.12. Enhance the relevance and impact of training for exporting sectors (Innovation policy)	1.12.1. Reinforce agricultural extension services through a number of measures:	1	Producers Agro-business firms	Higher technology and innovation content of agricultural extension services.	MOAI	MoC UMFCCI State governments		5'000'000
	» Strengthen the linkages between research, extension services and farmers.		agricultural extension services staff	Agricultural extension services are better trained and skilled and resourced				
	» Increasing the budget for agricultural extension services							
	» Reinforcing training of extension workers (Innovation policy)							
	1.12.2. Ensure that the Comprehensive Education Sector Review considers the needs of exporters sectors for trained human resources. (Innovation policy)	1	Human capital in priority sectors	Review of required skills in priority sectors taken into account in the Comprehensive Education Sector Review.	Ministry of Higher Education Ministry of Labour	Ministry of Higher Education Ministry of Agriculture Ministry of Labour MoC UMFCCI		100'000
	1.12.3. Prepare and provide a detailed analysis of required skills and labour market needs of the priority sectors identified in the national export strategy. (Innovation policy)	1	Human capital in priority sectors	Strategy for skills and workforce development in NES priority sectors formulated and endorsed	MOC	Ministry of Higher Education Ministry of Agriculture Ministry of Labour UMFCCI		500'000
	1.12.4. Open new TVET programmes throughout the country aligned to the needs and priorities of the NES priority sectors. (Innovation policy)	1	Human capital and youth in education and training in priority sectors	TVET programmes redesigned and aligned to NES	Ministry of Labour	Ministry of Higher Education Ministry of Agriculture UMFCCI		3'000'000

Strategic objective 2: To ensure a consistent, effective, predictable, and transparent policy, legal and regulatory framework								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
2.1. Ensure favourable policy conditions for industry development	2.1.1. Organise an advocacy campaign to introduce and industrial fuel policy (tax differentiation or other) as a means to reduce the costs for industry development. UMFCCI to prepare an industry position paper for the Ministry of Energy with regard to the effects of tax policies on competitiveness. The study should differentiate the usage of fuels, such as fuel used for vessels, used for generators for cold storage (required 24 hours) and fuel not used for resale.	1	Agriculture producers Manufacturers Tourism industry	Study on industrial fuel policy conducted and published. Campaign conducted, Industrial fuel policy introduced	UMFCCI	Ministry of energy Public private partnership and exporters Ministry of Finance Ministry of commerce Ministry of electrical power	ADB & JICA electrification programmes	200'000
	2.1.3. Simplify the procedures related to the issuance of multiple entry business visa for 1 year or 6 month visas.	1	All economic sectors	Business visa scheme streamlined, Increased number of business visas issued per year	MoFA	Ministry of Immigration & Population		50'000
	2.1.4. Enforce the regulations for the trained worker retention clause of the Employment and Skill Development Law in order to create the incentives for investment in skills by the private sector, ensure employee loyalty.	1	MGMA; workers	Implementing regulations issued and enforced, Retention rate of trained employees increased	Ministry of Labour	Union of Myanmar Federation of Chamber of Commerce, Myanmar Garment Manufacturers Association NGOs & INGOs, MTA		300'000
	2.1.5. Strengthen the enforcement of contractual arrangements as well as the arbitration body in order to better enforce employment contracts in case of employees leaving factories.	2	All economic sectors	Labour legislation on employment contracts strengthened Labour disputes arbitration body strengthened, Rate of employees leaving factories reduced.	Ministry of Labour	Trade unions, UMFCCI, Associations ILO		1'000'000
	2.1.6. Adjust monetary, exchange rate and fiscal policies to support industrial development goals, as well as monetary and budgetary goals and to exert fiscal constraint to maintain lower interest rates. Set up a joint committee (industrial, macro, monetary and fiscal) for a unified position which supports industrial development interests. Seek technical assistance required to prepare analysis and position papers before meetings.	1	All economic sectors	Legislative framework adjusted, Joint committee established	President Office	Ministry of planning and ED Central Bank Ministry of Finance Ministry of Commerce	Cooperation quarterly meeting between MoFR, MPED and CB but not sufficient	300'000

Strategic objective 2: To ensure a consistent, effective, predictable, and transparent policy, legal and regulatory framework								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
2.1. Ensure favourable policy conditions for industry development	2.1.7. Industrial policy (in draft) to be developed in synchronization with a trade policy (in draft) to support export-led industrialization. Currently the two drafts do not seem to be prepared in concert so that it would be necessary to produce a unified and coherent document. 2.1.8. Reduce the number of formal procedures (e.g. registration) and/or processing time for establishing new business and obtaining trade licenses. For example, it currently takes a garment factory between 3-6 months to start-up, which could be reduced to 1 month. A strategy for streamlining the process for establishing businesses is therefore needed.	1	All economic sectors	One consolidated trade and industrial policy document produced	MoC and Mol	UMFCCI, Ministry of Finance, Myanmar Engineering Society, Myanmar Industries Association	Draft being produced but not sufficiently in coordination between Mol and MoC	50'000
		1	Agribusiness, enterprises Manufacturing enterprises, Traders, Exporters	Procedures to register a business and obtain a trade licence streamlined and shortened	MoPED (DICA)	Ministry of labour, Regional government, Ministry of Industry, UMFCCI, Ministry of cooperatives, Ministry of mines, other line ministries related to activity of business, Myanmar Investment Commission, Ministry of Commerce	DICA currently working on it with JICA	1'500'000
2.2. Provide targeted support to facilitate access to credit	2.2.1. Prepare the necessary study and institutional framework required to establish a credit bureau and prepare a policy for the issuance of credit insurance. (AZF Strategy)	1	Importers; exporters	The scoping study with institutional set as well as its credit policy are prepared and published.	Central Bank	Insurance Companies, Financial Institutions, Ministry of Finance	Central Bank studying the establishment of a credit bureau. Must consider the issue in the currently being drafted financial institutions & banking law of Myanmar.	300'000
2.2. Provide targeted support to facilitate access to credit	2.2.2. Set up a mechanism for providing relief on the land lease rate in the case that production of agriculture or aquaculture is severely affected during natural catastrophes and unforeseen disasters. Currently land is taxed at around 500Kyat/acre for agriculture and land for fishery/aquaculture is taxed at 3,000 Kyat/acre. A policy document and feasibility study could ascertain assistance during unforeseen climatic events. (Fisheries Strategy)	2	Agriculture and aquaculture producers	Feasibility study determining the suggested mechanism and policy document are prepared. Mechanism is established and operational.	Ministry of agriculture and irrigation (Settlement and land record Dept)			200'000
	2.2.3. Set up a credit rating agency (or encourage branch of international agency) for buyers so that exporters can be insured against the risk of default from buyers.	1	Exporters/Importers	A reliable credit rating available for at least one million business	Ministry of Finance	Private insurance companies	None	2'000'000

Strategic objective 2: To ensure a consistent, effective, predictable, and transparent policy, legal and regulatory framework								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
2.2. Provide targeted support to facilitate access to credit	2.2.4. Carry out a feasibility study and follow up activities to establish a Small & Medium Industry Development Bank (SMIDB) to encourage SME growth and investment, through the provision of ST loans managed by an SMIDB with flexible collateral requirements. (Pulses strategy)	2	Industrial enterprises	Feasibility study is carried out and published. The SMIDB is established and operational. Collateral requirements are relaxed.	UMFCCI	MoAI, MoC	MoI and GIZ already support this area and provide trainings Currently drafting a new Financial Institutions law (expected by Q1 2014) which will allow loans to be provided by banks without collateral (according to the banks judgement and credit worthiness of businesses).	500'000
2.3. Enhance trade facilitation and customs procedures	2.3.1. Eliminate the requirement of providing an advanced payment on imports, which is costly to businesses in terms of cash flow. (TFL strategy)	1	Importers Producers	Advanced payment on imports requirement removed and legislation adjusted accordingly	CB	Commercial banks	CB currently drafting exchange rate management rules that will cater for this.	10'000
	2.3.2. Eliminate requirement to receive funds from buyers before exporting. This requirement in effect requires exporters to deposit the funds, affecting their cash flow. Prepare a proposal if a letter of recommendations or references from the buyer's competent authority (including a chamber of commerce or equivalent) could be allowed. Otherwise, use letters of credit, although these are rarely used by exporters/traders in Myanmar. Provide awareness on the benefits of LCs and how to use them.	1	Producers Exporters	Requirement to receive funds from buyers before exporting removed. Legislation adjusted to allow using letters of credit instead.	CB	Ministry of Finance	Currently use LCs through other banks in other countries	10'000
	2.3.3. Create a modern customs clearance management system based on risk assessment to avoid 100% checking. The system in place is currently as follows: in the green channel, there are no checks; in the yellow channel, 10% is checked; in the red channel, everything is checked. Shipments are checked using x-ray or scanning system. A customs fee is charged to finance the equipment (like x-ray scanners), which must be paid by the trader. (TFL strategy)	2	Importers; Exporters	Customs clearance system is in place. Average customs clearance time reduced to ASEAN average in two years.	Customs Dept. (MoFR)	MoC UMFCCI	UNESCAP, JICA and EU assistance	5'000'000
	2.3.4. Hold regular meetings with Customs to discuss issues and challenges concerning Customs Department procedures through monthly meetings between associations and customs officials. Customs has introduced a management system to track time and procedures in sea, air, road ports and so Customs is able to identify problems. (pulses strategy)	2	Importers; Exporters Traders Freight forwarders	Regular consultation mechanism established Problems and issues identified and regularly discussed.	UMFCCI	MoFR, Customs Dept		100'000

Strategic objective 2: To ensure a consistent, effective, predictable, and transparent policy, legal and regulatory framework								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
2.4. Relax regulations limiting liquidity	2.4.1 Study the regulatory and supervisory framework required to enable banks to access to a full range of financial hedging instruments - swaps, forwards, futures, options - giving Myanmar exporters the forex risk mitigation tools they need to compete in international markets. (A2F Strategy)	1	Importers, Exporters, Traders, Banks	Study completed, A list of hedging instruments proposed Legislative framework adjusted accordingly.	CBM	All Commercial Banks	IMF, JICA, GIZ are already studying this and giving TA. The Spot foreign exchange market already established.	100'000
	2.4.2. Optimize the financial system's liquidity and, consequently, lending to enterprises, by issuing clear and comprehensive Central Bank guidelines on inter-bank lending. The new Financial Institutions law of Myanmar will resolve this issue but its implementation will require support from donors. (A2F Strategy)	1	Importers, Exporters, Traders, Banks	CB guidelines/regulations on inter-bank lending established and enforced, Donor assistance secured.	CBM	All Commercial Banks		200'000
2.5. Strengthen the arbitration system for employer-employee disputes	2.5.1. In order to resolve labour disputes, create a study group on arbitration measures and present a proposal to transform the current system in place (negotiation-based) to a legal-based system by reviewing arbitration cases in Myanmar, international procedure and practices, and the necessary legal framework. (pulses strategy)	2	Employers employees	Reform proposal formulated by study group, Labour legislation amended accordingly.	MFF	Associations under MFF, Private enterprises		100'000
	2.5.2. Formulate and establish a sound national and international commercial arbitration system by reviewing the proposals prepared by the above study group, forming a special committee on arbitration. (pulses strategy)	2	Employers employees		Attorney General	UMFCCI, MoC		400'000
2.6. Strengthen the national policy and legislative framework for quality management and standardisation (QM Strategy)	2.6.1. Ensure the new National Quality Policy, which is in the process of being drafted, is designed in consultation with the private sector, defines the roles and framework of the different NQI functions and is rapidly supported by a coherent legislative framework.	1	Producers Agribusiness enterprises Manufacturing enterprises	National Quality Policy formulated and corresponding legislation enacted,	MSTRD	Relevant ministries & Organizations	UNIDO, EU, PTB	200'000
	2.6.2. Rapidly endorse the new standards law and formalize the restructuring of MSTRD to ensure the rapid establishment, operationalization and resourcing of the metrology, standards and conformity assessment divisions.	1	Producers Agribusiness enterprises Manufacturing enterprises, Consumers	New standards law enacted, MSTRD restructured and adequately resourced	MSTRD	Relevant ministries & Organizations		50'000



Strategic objective 2: To ensure a consistent, effective, predictable, and transparent policy, legal and regulatory framework								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
2.6. Strengthen the national policy and legislative framework for quality management and standardisation (QM Strategy)	2.6.3. Provide guidance and capacity-building to standards department of MSTRD and national standards committees on the elaboration of standards aligned to international requirements.  2.6.4. Finalize the drafting of a metrology law and ensure its rapid endorsement to provide the legal basis for upgrading the metrology function of the National Quality Infrastructure (NQI).	1	MSTRD and national standards committees, All economic operators, Consumers	MSTRD's and national standards committees' capacities are built, All new standards are internationally aligned or also standards revised and harmonised	MSTRD	Relevant ministries & Organizations		250'000
2.7. Efficiently develop new standards and technical requirements for key export/import sectors (QM Strategy)	2.7.1. Increase ASEAN-wide and international collaboration with National Standards Bodies (NSBs) to align Myanmar standards to regional and international standards.  2.7.2. Establish a standards Committee and technical standards committees, in collaboration with the private sector, for priority export/import sectors, in order to define and adhere to a timeline for the development and validation of new standards.  2.7.3. Disseminate through the various associations, via workshops and public awareness campaigns (media), newly approved standards to key inspection, regulatory and control institutions to ensure their application.  2.7.3. Once standards are endorsed, increase public awareness of newly approved standards through structured communication channels (websites, newspapers, etc.).	1	National Quality Infrastructure All economic operators, Consumers	New metrology law drafted and enacted, Metrology function of NQI upgraded	MSTRD	Relevant ministries & Organizations		100'000
2.8. Enact missing financial legislation and update key regulations	2.8.1. Implement an inclusive system for fast-track formulation of finance and trade laws by requiring through a decree that there is consultation on new laws. (AZF Strategy)  2.8.2. Update Myanmar Company Act of 1914. In this law, even if foreign ownership stands at 1%, the company can be considered foreign. DICA is studying the law with a view to revise it or introduce a new law. (AZF Strategy)  2.8.3. Review bankruptcy laws, which is outdated and needs updating in order to reduce the risk of exposure of banks in case of default/difficulties. (AZF Strategy)	2	All economic operators, Consumers	Public awareness campaigns conducted, Standards discussed	MSTRD	Relevant ministries & Organizations		300'000
		2	All economic operators, Consumers	Training sessions and certification organised	MSTRD	Associations Relevant ministries & Organizations		300'000
		2	All economic operators, Consumers	A fast-track consultative process on new laws is established by decree	CBM	MOF AG office, CBM, All Commercial Banks, Associations		50'000
		1	All economic operators	A revised Myanmar Company Act is passed in one year.	Ministry of National Planning(DICA)	AG office, Government Ministries, UMFCCI, and NGOs		500'000
		1	All economic operators	Legal framework on bankruptcy and banking is revised one year	Ministry of National Planning(DICA)	AG office, Government Ministries, and Related Law Firms		250'000

Strategic objective 2: To ensure a consistent, effective, predictable, and transparent policy, legal and regulatory framework								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
2.8. Enact missing financial legislation and update key regulations	2.8.4. Review insurance business law, in order to take into account the changing market. Previously, there was only one state owned insurance company. Now, there are various private sector operators, so that there is a need to revise the law. (AZF Strategy)	2	All economic operators	Insurance business law is revised on two years	Myanmar Insurance	MOF, private insurance companies Exporters/Importers		250'000
2.9. Update air and marine regulations so that they are consistent with international standards	2.9.1. Establish a working group (WGI) comprised of both public and private stakeholders in charge of identifying deficiencies in transport-related oversight and regulations in maritime and air transport. (TFL strategy)	1	Pure Freight Forwarders & Logistics Service providers, MTO, Traders	WG1 established; Regulation and oversight of maritime and air transport is strengthened and transparent	MoTransport (Department of Transport)	Dept of civil aviation-DCA Department of Marine Administration (DMA)		200'000
	2.9.2. The working group above shall prepare a study of the gaps between national, ASEAN and international standards with regards to both air and marine transport regulation and oversight as it applies to safety, security, and facilitation. (TFL strategy)		Maritime and air transport operators; Traders	Study is conducted and published, Regulation and oversight of maritime and air transport is strengthened and transparent.	MoTransport (Department of Transport)	Dept of civil aviation-DCA Department of Marine Administration (DMA)		200'000
	2.9.3. Introduce and approve new maritime legislation based on the working group's recommendations so that it is coherent with those adopted by the International Maritime Organization. (TFL strategy)		Maritime transport operators; Traders	New maritime transport legislation is passed in line with ASEAN and IMO standards	MoTransport (Department of Transport)	Dept of civil aviation-DCA Department of Marine Administration (DMA)		300'000
	2.9.4. Introduce and approve new air transport legislation based on the working group's recommendations so that it is coherent with those adopted by the international community and supported by the International Civil Aviation Organization. (TFL strategy)		Air transport operators; Traders	New air transport legislation is passed in line with ASEAN and ICAO standards	MoTransport (Department of Transport)	Dept of civil aviation-DCA Department of Marine Administration (DMA)		300'000
2.10. Update inland water, rail and road transport regulations in order to improve quality of service	2.10.1. The working group above shall conduct a study that identifies deficiencies in the inland waterway regulatory and operational environment. (TFL strategy)	1	Ship operators	Study conducted and published	MOT/ Department of Inland Waterway Transport	None	Currently being drafted by Department of Inland Waterway Transport (under MoTransport)	100'000
	2.10.2. Introduce and approve legislation that establishes an adequate regulatory framework for national inland waterway transport while facilitating connectivity with regional networks. (TFL strategy)	1	Ship operators Traders	Legislation drafted and enacted	MOT (Department of Inland Waterway Transport)	None	Currently being drafted by Department of Inland Waterway Transport (under MoTransport)	200'000

## Strategic objective 2: To ensure a consistent, effective, predictable, and transparent policy, legal and regulatory framework

Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
2.10. Update inland water, rail and road transport regulations in order to improve quality of service	2.10.3. Update relevant regulations in order to reduce documentation and simplify procedural hurdles required for inland water operators to purchase new vessels. (TFL strategy) 2.10.4. Develop and introduce (for example through Port EDI) a standard cargo manifest system and ensure its adoption by road and rail logistics stakeholders (under multimodal law). (TFL strategy)	2	Ship operators Traders	Legislation updated and streamlined	MOT (Department of Inland Waterway Transport)	None		100'000
2.11. Improve utilization of trade agreements	2.11.1. Petition the U.S. for LDC status in order to benefit from generalised system of preferences in the US for the application of tariffs/preferences. (rice)	1	All transport operators, Cargo services providers, Traders	Standard cargo manifest system introduced, Multimodal Law amended accordingly	MOT/ MOR	MPA/DCA/MIFFA/ Truck Associations, Highway truck associations, IMMMDA/MBCA	Port EDI supported by JICA	2'000'000
	2.11.1. Negotiate a preferential trade agreement with China on agricultural products, including border trade	1	All exporters	Engage formal discussions with US Embassy in Myanmar, US Mission to WTO in Geneva, and USTR/US Customs in Washington DC. Law lifting sanctions amended; designation by U.S. Customs of Myanmar as an LDC	MoPED	MoC Sector Association MRF		250'000
	2.11.1. Undertake a detailed study of gaps in implementation between the requirements of the AEC and national measures in place. Prepare an implementation strategy for overcoming the gaps.	1	All exporters	Engage formal discussions with China Embassy in Myanmar, China Mission to WTO in Geneva, and China Ministry of Trade in Beijing. Agreement signed in two years.	Ministry of Commerce	MoPED Sector Associations MSTRD MRF		500'000
	2.11.1. Undertake a detailed study of gaps in implementation between the requirements of the AEC and national measures in place. Prepare an implementation strategy for overcoming the gaps.	1	All exporters	Study conducted and published, Implementation strategy prepared Gaps reduced or eliminated	MoPED	MoC, Customs, etc..		50'000

Strategic Objective 3: To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.1. Build productive capacities to increase volumes of export	3.1.1. Establish and/or modernize irrigation facilities such as pump set, canal, and drainage wherever irrigation water are available; disseminate efficient use of irrigation water through water user groups; and train farmers on mulching and soil moisture conservation methods. (pulses & rice strategy)	1	Farmers Agro-producers	Irrigation modernization programme established in 2 years, Extension services progressively adapted 10% of farmers trained a year	MoAI	Regional Gov, Farmer groups, MRF and MPBSMA	MoAI	10'000'000
	3.1.2. Encourage farm mechanization and provision of maintenance services by providing special long-term credit, hire-purchase system, in collaboration with private farm machinery companies and private and public banks. (pulses strategy)	1	Farmers Agro-producers	Special long term-credit offered, 5% of farms are partially/fully mechanized per year	MoAI -AMD	MoFR, MPBSMA, MRF Farm Machinery Co., Private & Public Banks	MADB	10'000'000
	3.1.3. Encourage farm mechanization by providing special technical assistance and training to farmers. (pulses strategy)	2	Farmers Agro-producers	Technical assistance secured and provided, 5% of farms are partially/fully mechanized per year 5% of farmers trained per year	MoAI- DoA	Machinery suppliers		5'000'000
3.2. Improve crop and plantation management to ensure constant returns	3.1.4. Associations (MPBSMA, Rice producers association, etc.) to jointly organize a lobbying campaign to encourage public sector investment in seed multiplication in order to ensure growth of production and improved quality for export development. (pulses strategy)	1	Farmers Agro-producers	Advocacy campaign conducted, Seed multiplication investment increased by 25% in 2 years	UMFCCI	MPBSMA, MRF		500'000
	3.1.5. Resumption of production at four state-owned urea facilities, either through privatization or joint venture with foreign companies (at the end of current gas contract exports, renegotiated to get a part of production for urea - complete a cost-benefit analysis). (rice)	1	Farmers Agro-producers	Cost-benefit analysis conducted, 2 urea facilities operational in year 1 2 urea facilities operational in year 2	Ministry of Energy	Ministry of Finance, MIC, Privatization Commission		4'500'000
	3.1.6. Attract fertilizer, pesticide and insecticides foreign producers to establish sales offices and manufacturing plants in Myanmar. (rice)	1	Farmers Agro-producers	3 branch offices established in Myanmar in years 1 and 2; Manufacturing plant established in year 3	MOAI	Myanmar investment Commission DICA, MRF, MPBSMA,		300'000
3.2. Improve crop and plantation management to ensure constant returns	3.2.1. Improve data collection on production varieties and volumes by ensuring systematic sampling, crop cuttings, and adequate use of information technology. Prepare an action plan and statistics committee to develop the dissemination strategy of results. (pulses strategy)	1	Farmers Agro-producers	Reliable data is available, Action plan formulated, Results are disseminated on a regular basis	MoAI - SLRD	CSO, MNPED, MPBSMA and MRD	Agriculture census- FAO	500'000

Strategic Objective 3: To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.2. Improve crop and plantation management to ensure constant returns	3.2.2. Better analysis and forecasting of plantation requirements by surveying and by application of remote sensing and GIS technology. This requires sharing resources from other ministries and obtaining technical assistance to improve competencies. (pulses strategy)	2	Farmers Agro-producers	Increased number of plantations use remote sensing and GIS. Improved forecasting of plantation requirements	MoAI - SLRD	CSO, MNPED, MoST		1'000'000
3.3. Ensure exporting enterprises have efficient access to key inputs	3.3.1. Key sector associations (MRF, MFF, etc.) to prepare a list of key inputs required increasing production and for which import duties should be lowered. Once the list is established, organize structured meetings with Customs and Ministry of Commerce to propose a reduction or elimination of duties on these products. (Fisheries Strategy)	1	Sector associations, Farmers, Agro-producers	Import duties on key inputs for agricultural production lowered or eliminated in one year	Sector associations (UMFCCI)	Customs (MoFR), MoC		250'000
	3.3.2. Remove the obligation for already registered exporters/importers to receive a specific license for importing, every time they want to import something. Introduce time-bound permits for non-sensitive products based on authorised traders scheme.	1	Importers, Exporters, Traders	Import licensing requirement removed on select products, Time-bound permits introduced, Authorised trader scheme introduced	MoC	Customs (MoFR)		10'000
	3.3.3. Increase the availability of inputs (pre-mixes, concentrates, additives, etc.) used in the production of manufacturing processes by studying the feasibility of implementing a system of duty free imports (when these are used for re-exports) by expanding the list of permitted items for temporary admission (duty waiver). Currently this benefits only the garment industry under the CMP system. (Fisheries and textile Strategy)	1	Importers, Exporters, Traders Manufacturers	List of products eligible for duty-free temporary admission expanded, Increased availability of inputs for manufacturing	Customs- MoFR	Ministry of Commerce	MoC	100'000
3.4. Build up a traceability system from production to market	3.4.1. Build up the technical know-how of key institutions (MSTRD, MoAI-DoA, MLFRD-DoF, MoH-FDA, Mol-HIE.2) in Myanmar concerning the requirements and processes required to establish and implement a national traceability system. Prepare a training programme and provide technical assistance for the regulations required and institutional framework needed to have a comprehensive traceability system. (QM Strategy, pulses strategy)	2	MSTRD, MoAI-DoA, MLFRD-DoF, MoH-FDA, Mol-HIE.2 Traders Consumers	Technical assistance, including training, to establish a comprehensive traceability system provided, Traceability system established at national level, Increased application of traceability of agro-production	External trainers to provide training – MSTRD to identify	MIA MoAI-DoA, MLFRD-DoF, MoH-FDA, Mol-HIE.2		2'000'000
	3.4.2. Expand fisheries traceability system for illegal, unreported, unregistered (IUU) vessels to other products of the sector and collect lessons learned to expand traceability framework to other priority sectors. (QM Strategy, pulses strategy)	2	Agro-producers; Processors, Traders, consumers	IUU traceability system expanded to other sectors	MSTRD	DoF		500'000

Strategic Objective 3: To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.4. Build up a traceability system from production to market	3.4.3. Propose a partnership between sector associations and competent authorities (using a OOO system) to expand membership and registration of traders in order to have a better mapping of producers, processors and traders in order to better trace product flows. (QM Strategy, pulses strategy)	2	Agro-producers; Processors, Traders, consumers	Partnership among sector associations, including traders, and authorities established, Traceability of product flows enhanced	Sector associations	MoA, MLFRD, MoCoop,		200'000
	3.4.4. Organize a communication effort to private sector operators on the importance of traceability for access to EU and US markets. (QM Strategy, pulses strategy)	1	Agro-producers; Processors, Traders, consumers	Awareness campaign organised and conducted, Increased awareness about traceability	UMFCCI	Sector associations		300'000
3.5. Support trade promotion efforts of exporting enterprises	3.5.1. Upgrade the Ministry of Commerce's Department of Trade Promotion into a Trade Promotion Organisation as a stand-alone organisation similarly to other ASEAN countries. Consider and assess the feasibility of integrating in the TPO an investment promotion function for priority sectors as well as potential benefits and challenges of having a PPP organisation using a SWOT analysis. (Trade information strategy)	1	Agro-Producers Processors, Manufacturers, Exporters, Traders	Concept and business plan of the TPO developed, Required legislation establishing the TPO passed, TPO established and adequately resourced Increased visibility for Myanmar products in foreign markets, Increased Myanmar's export performance	MoC	MoFR, MoNPED		10'000'000
	3.5.1. Establish a trade information section in Myanmar Embassies abroad in order to promote Myanmar businesses abroad. The activity would consist in encouraging private sector associations to provide promotional material and brochures for dissemination. (Tourism Strategy)	1	Exporting enterprises	Trade information sections in Embassies located in major export markets established, Regular information and coordination meetings with sector associations held	MoFA	Sector associations, MoC		3'000'000
	3.5.2. Train more commercial attachés to be sent to target countries. Sector associations to train the commercial attachés on their sector's export products and provide continuous information sharing on the evolution of products and promotional materials. (Tourism Strategy)	2	Exporting enterprises, Commercial attachés	A training programme for commercial attachés established, Commercial attachés in major export markets trained and refreshed regularly	MoC	Sector associations		1'000'000

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Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.5. Support trade promotion efforts of exporting enterprises	3.5.3. Organise regular trade missions to target markets for existing and emerging exporters through the setting up of a joint cost-sharing scheme (market intervention scheme to support costs of participating in trade fairs and market research). Study the sustainability and operational design of a special fund for such promotional activities, which may be financed from income taxes or contributions via associations. (Wood and pulses Strategy)	1	Exporters, Traders	Joint cost-sharing mechanism for trade promotion established, Increased participation in trade fairs, Increased visibility for Myanmar products in target markets	MOCC-TPD	UMFCCI, MoFR		4'000'000
	3.5.4. Receive technical assistance to prepare more professional annual Myanmar international trade fair by inviting local and international business partners to participate. (Wood and pulses Strategy)	2	Exporters, Traders	A technical assistance project on international trade fair in Myanmar formulated and partners identified, Annual International trade fair launched	MoC-TPD	UMFCCI, Sector associations, MoHT, MTF, Customs and immigration		1'000'000
3.6. Improve quality management systems for export products	3.6.1. Establish a working group to improve dialogue between quality institutions and universities, to review and upgrade the curricula of agricultural, industrial and health sciences to ensure technicians and graduates are properly trained on latest "good practices" in quality management, including "standards and conformity assessments". (QM strategy)	2	Agro-producers, Processors, Manufacturers, Exporters, Traders	Working group established, Improved training curricula developed and quality of training improved, Increased number of qualified and trained technical staff available	Ministry of Education,	MSTRD, MoH, MoAI, MoC, MLFRD Universities		200'000
3.6. Improve quality management systems for export products	3.6.2. Based on above developed curricula, develop jointly between the private and the public sector, new technical courses and on-the-job training to be provided by vocational schools at the national level. Ensure trained technicians are able to receive nationally recognized certificates, by accrediting key or leading training institutes and organisations. (QM strategy)	2	Agro-producers, Processors, Manufacturers, Exporters, Traders	New technical and on-the-job training provided by vocational schools and nationally recognised by certificates and diplomas	MSTRD	Ministry of Education ; SGS, MITA, etc;		3'000'000
	3.6.2. Strengthen collaboration with technical partners (regional and international) to set up on-the-job training for current technicians of MoA, MoH, MLFRD, etc., in order to upgrade their training skills in GAP, GACP, GMP, HACCP and GHP. Trained technicians to receive a nationally recognized accreditation. (QM strategy)	1	Technical staff of MoA, MoH, MLFRD, etc.	On-the-job training programme for technical staff in MoA, MoH, MLFRD, etc. established, Accredited diplomas /certificates delivered	MoEdu.	MSTRD, MoA, MLFRD, etc.		1'500'000

Strategic Objective 3: To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.6. Improve quality management systems for export products	3.6.3. Establish regular training programmes for private sector (central training centre and in-enterprises training) to build up the number of enterprises informed and practicing "good quality practices" and quality management systems. (QM strategy)	2	Agro-producers, Processors, Manufacturers, Traders	Increased number of enterprises benefit from quality management training (in-house and external). Increased number of enterprises apply good practice in QM Increased number of enterprises are certified for quality standards	MoH	University of public health, QM institute with a training mandate or subsidiaries		2'000'000
	3.6.4. Ensure regular testing of accredited QM trainers, auditors and inspectors to ensure that current trainings and inspections are in line with international best practice. (QM strategy)	2	Accredited QM trainers, auditors and inspectors	Accredited QM trainers, auditors and inspectors required to undergo annual exams/tests in QM to maintain their qualification	MSTRD	MoH and relevant Ministries/Private Associations/Inspection Bodies		2'000'000
	3.6.5. Establish, maintain and continuously improve a pool of internationally trained trainers that can provide capacity-building to other national laboratory technicians. (QM strategy)	3	Public /private labs	A pool of internationally trained trainers established and operational, Increased capacities of national laboratories	MSTRD	MoH and relevant Ministries/Private Associations/Inspection Bodies		1'000'000
	3.6.6. For working lab technicians, upgrade skills and ability through regular capacity-building courses, practical training and regular proficiency testing of capacities. (QM strategy)	2	Lab technicians	Working lab technicians required to undergo regular exams/tests in QM to maintain their qualification, Eighty percent of laboratory technicians' skills upgraded	Respective Ministries/private labs	MSTRD		1'000'000
	3.6.7. Encourage laboratories to be certified ISO/IEC-17025, and increase use (through the National Accreditation Focal Point – MSTRD) of the ISO/IEC-17020 inspection body and accredited labs (according to the Law on Standardization). (QM strategy)	2	Public /private labs	Minimum of five of labs accredited, Increased use of the ISO/IEC-17020 Inspection body and accredited labs	MSTRD	Respective Ministries/private labs/Inspections Bodies		1'000'000
	3.6.8. Increase collaboration (Participate in the International Lab- network (ILAC) with International Laboratories networks (i.e. lab network) to stay attuned to latest innovations and initiatives. (QM strategy)	3	Public /private labs	MSTRD registered in two international networks	MSTRD	Respective Ministries/private labs		1'000'000



## Strategic Objective 3: To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation

Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.6. Improve quality management systems for export products	3.6.9. Undertake a study to evaluate the incentives or penalties which could encourage the inland container depots (ICD) to set up track, trace and retrieval systems to reduce ports tariffs (time of storage). 3.6.10. Establish pilot laboratories in Yangon and Mandalay, which can test for physical analysis, phyto-sanitary and fumigation, chemical residues, food quality testing (carbon testing- benzopyrine) etc., required to export products to target markets. Organize annual meeting with sector associations to agree on the kind of tests required in line with market requirements. (pulses strategy)	1	Traders	Study conducted and published, Appropriate measures identified	MPA	MMMDA, UMFCCI (sector associations), MoC		200'000
3.7. Align vocational training with industry needs	3.7.1. Formalize a dialogue between the private sector and training institutes (universities, vocational training institutes, etc.) by establishing a working group. The Working group will update vocational training curricula and programs to ensure alignment with industry requirements. (Fisheries Strategy)	1	Agro-producers, Processors, Exporters, DoA	Pilot labs in Yangon and Mandalay established, Annual meeting taking place, Type of tests to be conducted are identified	DoA	MoAI, MoC, MoH		2'000'000
3.7.1. Formalize a dialogue between the private sector and training institutes (universities, vocational training institutes, etc.) by establishing a working group. The Working group will update vocational training curricula and programs to ensure alignment with industry requirements. (Fisheries Strategy)		1	Agro-producers, Processors, Manufacturers, Exporters, Traders	Working group established, Improved training curricula developed and quality of training improved, Training curricula increasingly aligned with industry requirements	Ministry of labour	UMFCCI, sector associations, all relevant ministries		300'000
3.7.2. Design language learning curricula in public and private schools targeting the English language, and languages of strategic target markets (Chinese, Japanese, Korean, Thai, Russian, German, and French). (Tourism strategy)		2	Guides, Tour operators, Hotel and hospitality staff, Tourism information staff	Language training curricula in key target market languages established, Increased use of those languages by tourism professionals,	Ministry of Education	Language training schools (private and public), MTF, MoHT, UMFCCI (language courses)		400'000
3.7.3. Extend the network of vocational training institutes by including non-state training institutes (i.e. private and associations).		2	Technical staff,	Non-public training institutes included in national network	MoLESS	CVT		50'000
3.8. Increase investment promotion in favour of export development	3.8.1. Expand the mandates of the Myanmar Investment Commission (MIC) and Department of Investment and Company Administration (DICA) to proactively seek investment in priority export sectors, and implement a programme of investment promotion through trade fairs and commercial attaches (in embassies abroad), to target joint ventures and strategic partnerships. Study the possibility of establishing an independent investment promotion organisation. (Wood Strategy)	1	Agro-producers, Processors, Manufacturers, Exporters, Traders	Feasibility study of establishing a TPO with investment function in priority export sectors conducted and published, Investment promotion programme in priority export sectors established, Increased investments in priority export sectors	MIC-DICA	Sector Associations	MIC currently operating but poorly defined and not properly set-up	2'500'000

Strategic Objective 3: To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.8. Increase investment promotion in favour of export development	3.8.2. Streamline the procedures related to investment approvals by studying the processes and making recommendations for shortening the time it takes and simplifying approvals, as well as clearly publishing the time it takes to evaluate proposals by MIC.	1	Investors, Agro-producers, Processors Manufacturers	Procedures related to investment approvals streamlined, Evaluation and approval times published, Evaluation and approval times significantly shortened,	MIC-DICA	Relevant ministries		500'000
	3.8.3. Structure collaboration between private sector and MIC-DICA to elaborate a list of key priority investment areas for increased export development.	1	Private sector enterprises, investors, MIC-DICA	List of key priority investment areas for increased export development established and published, Increased investment flows in those areas recorded	UMFCCI (Sector Associations)	MIC-DICA		500'000
	3.8.4. Increase utilisation of private sector companies (through tenders and subcontracting) to support investment promotion efforts.	2	Investors, Agro-producers, Processors Manufacturers	Increased number of tenders/expressions of interest and subcontracts		MIC-DICA		500'000
	3.8.5. Evaluate possible incentives and efforts required to attract investment (land price for industry, electricity, water, land policies, taxes, licencing system, etc.) to encourage local investors to develop industries.	2	Local investors	Study on investment incentives conducted and published, Incentives and other measures identified, Increased domestic investment recorded		MIC-DICA	Region Governments -Industrial zone committee	1'000'000
	3.8.6. Study the possibility for Myanmar to join international arbitration bodies and courts for investments (such as the international centre for settlement of investment disputes and the World Bank's Multilateral Investment Guarantee Agency (MIGA)) as a means to increase protection of investors. This is particularly important given the current limited efficiency of Myanmar's courts and dispute resolution system.	1	Investors, Private sector, Government	Myanmar formally contracting member of MIGA's ICSD in two years, For commercial arbitration: Myanmar member of ICC in two years		MIC-DICA	Attorney General	400'000

Strategic Objective 3: To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.9. Increase R&D capacities for product development	3.9.1. Undertake a study and recommend policy proposals to establish a special innovation fund capable of providing incentives (tax reduction, duty free-import, etc.) to enterprises engaged in R&D or adopting technology, with the aim of stimulation innovation and new products development. (Innovation policy)	2	Agro-producers, Processors, Manufacturers, Investors, Universities, Research institutes	Feasibility study on innovation fund conducted and published in one year, Innovation fund established, adequately resourced and operational	UMFCCI	MoFR		20'000'000
	3.9.2. Enhance financial capacity of national institutions to develop new technologies by allocating a larger budget to them, depending on absorption capacity of institutions and the estimated expected returns. Undertake a study to assess the different policy options. (Pulses strategy)	2	Agro-producers, Processors, Manufacturers, Investors, Universities, Research institutes	Feasibility study on policy options to increase funding and financial incentives for innovation conducted and published in one year	MNPED	Relevant Ministries		300'000
	3.9.3. Upgrade the curriculum and educational capacity for food science and technology in agro-processing (processing and food development) at related universities and institutes through joint discussion between Ministry of Education, and key sector associations. (Fisheries Strategy)	1	Agro-producers, Processors	Joint discussions between Ministry of Education and key sector associations held, Educational curricula upgraded	MoST	MoH-FDA	MFF	1'000'000
3.10. Build business and export skills of farmers, processors and exporters	3.10.1. Develop business skills of farmers by setting up farmer's business schools in strategic areas to educate farmers in business skills, management, and economic decision. (pulses strategy)	2	Farmers, Agro-producers	Regional farmers' business schools or curricula established, Farmers' business skills gradually improved	MLFRD	MoAI, MoCoop, UMFCCI (sector associations)	FAO	4'000'000
	3.10.2. Hold regular training workshops with exporters in order to build their capacity in trade. These workshops, to be held in major cities, should increase exporters' knowledge and capacities in the following areas: trade documentation, customs procedures, tax systems, multimodal transport, international regulatory conventions, contracts and negotiation, insurance and financial products, rules of origin, domestic and international regulation, licensing requirements and procedures, certification requirements and procedures, HS codes, dangerous goods, etc. (TFL strategy)	1	Exporters, Traders	A training workshop for exporters established and operational, Increased number of traders and exporters trained and certified, Exporters' skills and capacities in trade gradually improved	MoC-TTI	Freight and custom brokers associations, MMMDA, MBA		2'000'000
3.10.2. Vastly increase the frequency and number of sites where the Ministry of Commerce's training on international trade and the Ministry of Industry's SME centre is provided, either directly or through partnerships with other institutions or by implementing a system of training of trainers. (AZF strategy)	2	Exporters, Traders	Frequency and number of sites of trainings increased by 15% a year, Increased number of exporters/traders trained and certified	MoC,	MOI		1'000'000	

Strategic Objective 3: To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.10. Build business and export skills of farmers, processors and exporters	3.10.3. Provide training to SMEs in keeping better records and producing reliable financial statements. (A2F strategy)	1	SMEs	Increased training offered to SMEs through sector associations, vocational training centres and universities, Increased number of SMEs using training	UMFCCI	MICPA., Ministry of industry, Ministry of Cooperatives, MBA		500'000
3.11. Initiate the branding of Myanmar products	3.11.1 Develop a branding strategy for Myanmar and its export products (tourism, fisheries, wood, etc.) which would be rolled out across existing and new product segments as well as existing and new target markets. In line with the following strategy: develop quality standards to attach to the Myanmar Brand develop common brand logo and a slogan similar to the proposed tourism sector; develop messages, marketing material and communication channels, train enterprises about implementation of the branding strategy and benefits for Myanmar.	1	Exporting enterprises, Promotion professionals	Strategy and brand developed and validated by stakeholders (MoC and associations). Increased number of enterprises comply with Myanmar Brand and benefit from greater visibility, Greater awareness of Myanmar products in foreign markets	MoC	MoTA, Myanmar Marketing Association, UMFCCI, MMC, Ministry of Information		5 000'000
3.12. Enhance adoption and use of ICTs in enterprises and government	3.12.1 Link the branding strategy to export promotion efforts of the Ministry of Commerce, Ministry of Foreign Affairs and enterprises export promotion efforts. Tourism can act as the pull sector. (tourism strategy)	2	Exporting enterprises, Promotion professionals	Branding strategy deployed in Tourism sector, Branding strategy expanded to other priority sectors	MoC	MoTA, Myanmar Marketing Association, UMFCCI, MMC, Ministry of Information		1'000'000
3.12. Enhance adoption and use of ICTs in enterprises and government	3.12.1. Develop e-government services relevant for firms, including a one stop-shop for export firms. (Innovation policy)	1	Domestic and exporting enterprises, Traders	Export one-stop shop set up, Increased number of exporters make use of one stop shop, Export procedures streamlined and shortened	Customs	MoC, UMFCCI, Sector Associations		2'000'000
	3.12.2. Facilitate online access to information relevant for exporting firms (including through mobile phones). (Innovation policy)	1	Domestic and exporting enterprises, Traders	Mobile services identified and offered (e.g. price, information)	MoC	UMFCCI, Sector Associations		500'000
	3.12.3. Enhance the quality and relevance of formal ICT education and training to support the adoption of ICTs by businesses and public agencies (measures should include the adoption of adequate curricula and learning methods that encourage applied methodologies, supporting teacher development and putting in place quality control systems). (Innovation policy)	2	SMEs in all sectors	A national ICT adoption programme established, Education and training curricula adapted to include ICT, Increased use of ICT at schools and training centres	Ministry of Education	UMFCCI, Sector Associations		2'000'000

## Strategic Objective 3: To develop competitive, diversified and branded exports by expanding productive capacities and fostering innovation

Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
3.12. Enhance adoption and use of ICTs in enterprises and government	3.12.4. Initiate a national ICT firm-level sensitisation programme to encourage and incentivise enterprises to develop their ICT skills by establishing dedicated ICT skills development plans. (Innovation policy)	2	SMEs in all sectors	Increased number of firm sensitised through the national ICT adoption programme, Increased number of enterprises adopt ICT skills development plans	Ministry of Education	UMFCCI, Sector Associations		1'000'000
	3.12.4 Provide training to staff at government institutions involved in customs and trade facilitation on the use of basic office software, in order to raise the ICT skills. Some software and skills is required through TA for customs but also some ministries. (TFL strategy)	2	Relevant government ministries and bodies	Initial basic training conducted, Relevant staff trained on each new ICT tool/software introduced, ICT training budgets established, ICT skills improved and maintained	All ministries			300'000
3.13. Promote the development of innovation capabilities among exporting enterprises (Innovation policy)	3.13.1. Promote the development of firm clusters that favour collective action (i.e. promote backward ties with suppliers/subcontractors and forward ties with traders/buyers; and/or horizontal linkages between firms through joint marketing of products, joint purchase of inputs, order sharing, common use of specialised equipment (labs, mills), joint product development, and exchange of expertise and information). (Innovation policy)	1	SMEs in all export sectors	Increased number of clustering and cooperative initiatives, Reduced cost of inputs extension services and transport and handling, Increased synergies and cross-fertilisation of enterprises	Ministry of Co-Operatives	UMFCCI, Sector Associations		5'000'000
	3.13.2. Establish a number of (sector) technology innovation centres, to support technology transfer and innovation among enterprises of the priority export sectors. (Innovation policy)	2	Investors, Exporters in priority sectors	At least one technology innovation centre established on a public-private partnership basis in each priority sector,	MIC	UMFCCI, MoC,		10'000'000
	3.13.3. Sustain efforts to support general private sector development (SME development centres, trade training, fostering awareness on technology and innovation). (Innovation policy)	3	SMEs in all sectors	A national SME development policy, including incentives and development targets, formulated and enacted	Ministry of Industry	UMFCCI, Sector Associations		500'000

## Strategic Objective 4: To build modern, enabled and supportive institutions to respond to the diverse needs of current and emerging exporters

Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
4.1. Upgrade laboratories to ensure modern testing in line with international market requirements and food safety standards	<p>4.1.1. Strengthen the PTAC to offer the range of testing facilities (flotoxins, residue levels etc.) in one place rather than exporters having to go to multiple labs. The PTAC, under the Ministry of Commerce, has 6 Trade testing laboratories for agricultural post-harvest products. The technicians are not sufficiently trained, facilities need upgrading, equipment is outdated and more modern equipment is needed (for testing HPLC, microtoxins, etc.). Carry out a feasibility study for all the requirements to upgrade facilities. (QM Strategy)</p> <p>4.1.2. Strengthen ARCPC &amp; RTTCRP, including upgrading equipment, testing methods and training staff. RTTCRP has a single laboratory which focuses on quality. ARCPC has a second laboratory which focuses on research into upstream products. ARCPC &amp; RTTCRP are in need of upgrading their equipment and testing methods, as well as training staff.</p> <p>4.1.3. Establish a food technology laboratory and research institute for agro-processing industries capable of facilitating food product development in line with market requirements, food testing, and operate research labs at strategically important processing areas. (Fisheries + Pulses Strategy)</p>	1	PTAC/MoC	Feasibility study conducted and published, PTAC is strengthened, adequately equipped and resourced, Staff is trained regularly	MoC	Local authority and regional Government divisions	None but potentially in discussion with JICA/KOICA	500'000
		1	ARCPC & RTTCRP	Feasibility study conducted and published, ARCPC & RTTCRP are strengthened, adequately equipped and resourced, Staff is trained regularly	DICD (Dept. of industrial crop development) under MoAI	MRPPA MoIndustry Local authority and regional Government divisions		500'000
		1	Agro-producers, Processors, Exporters	Technical and financial feasibility study conducted and published, Research institute established and operational, Testing labs progressively opened in processing areas	MoST	MoH-FDA, Mol, Local authority and regional Government divisions		5'000'000
		1	MSTRD, Exporting enterprises	Legislation and guidelines enacted, Plan of action for accreditation developed, Accreditation is effected	MSTRD	Parliament, Sector associations	Law already promulgated and with parliament. Guidelines for infrastructure are included.	3'000'000
		1	Relevant ministries, FDA	Needs assessment incl. technical and financial feasibility conducted, Labs progressively established and operational, Testing capacity progressively increased	MSTRD	Relevant ministries, Sector associations		2'000'000

Strategic Objective 4: To build modern, enabled and supportive institutions to respond to the diverse needs of current and emerging exporters								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
4.1. Upgrade laboratories to ensure modern testing in line with international market requirements and food safety standards	4.1.6. Other laboratories under different ministries need to be established and supported. Additional members of staff in the Livestock & Fisheries laboratory and upgrading of facilities are needed.	1	Relevant ministries, FDA	Needs assessment incl. technical and financial feasibility conducted, Labs progressively established and operational, Testing capacity progressively increased	MoLFRD (Ministry of Livestock, Fishery and rural development)	MFF, Relevant ministries, Sector associations	Ad hoc from EU, CBI	2 000 000
	4.1.7. Chemical and dye, and fabric testing laboratories are required. Chemicals are being tested by the Ministry of Industry but there is currently no fabric testing. Mol laboratories need to upgrade their facilities and improving the methods for testing.	1	Mol Textile and garment enterprises	Feasibility study conducted and published, Mol testing labs are strengthened, adequately equipped and resourced, Staff is trained regularly, At least 5 fabric testing labs established	Mol	Sector associations, exporters		5 000 000
	4.1.8. Increase collaboration between public and private laboratories by setting a joint working group with a view to sharing information and practices, and with ASEAN and other international laboratories to introduce new standards.	2	Mol SMEs in priority sectors	Working group set up, New standards progressively introduced	MoAI	UMFCCI, Sector associations, exporters		100 000
	4.1.9. Increase collaboration with regional and international technical/financial partners to upgrade the testing methodology & equipment in public laboratories. Prepare ministry recommendations and proposals. Collaborate between exporters and the relevant department in ministries on international requirements. (QM Strategy)	2	SMEs in priority sectors	Collaboration formalised and intensified, Recommendations and proposals prepared, Testing methodology and equipment gradually upgraded	Line Ministries having labs	Associations/exporters		300 000
	4.1.10. Improve public awareness about the laboratories and ministries, and encourage participation from stakeholders, on how to handle, store, package and distribute products. Use a series of workshops and use local media (e.g. Commerce Journal) for awareness	2	SMEs in priority sectors	Public awareness campaign incl. media and training conducted,	Relevant ministries/public laboratories	MoC, Mol, Media, Sector associations		300 000
	4.1.11. Based on laboratories "plans", relevant Ministries to prepare a request for financial support from state budget, private sector (service fees) or donor funds to ensure laboratories have the capacities to conduct adequate tests for exports. (QM Strategy)	1	Relevant ministries	Budget requests prepared and duly submitted, Funding proposals prepared and submitted to donors	Each relevant Ministry with a lab			20 000

Strategic Objective 4: To build modern, enabled and supportive institutions to respond to the diverse needs of current and emerging exporters								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
4.1. Upgrade laboratories to ensure modern testing in line with international market requirements and food safety standards	4.1.1,2. Revise current regulations to provide more financial autonomy for laboratories to manage their own resources (currently any income is placed into the central government budget and cannot easily be accessed when needed). Allow laboratories to adjust charges for services in line with actual costs and retain the revenues generated (always in a non-profit manner). Remaining gaps in resources for effective long-term development to be supplemented by the Government. (QM Strategy)	1	Relevant ministries	Regulations revised, Delegated authority for labs to manage their revenues granted, Cost-recovery and fee-for-service principles are granted,	MoFR	Relevant laboratories		100'000
4.2. Expand testing capacities to Border posts and key remote regions	4.2.1. Establish a formal dialogue with the Department of Borders (Ministry of Commerce), to establish a workplan towards upgrading border posts with electricity, telecommunications and lab infrastructure, in order to ensure quality management tests can be conducted in suitable condition and report data to a central database. (QM Strategy)	1	Department of Borders (Ministry of Commerce) Exporters, Traders	Workplan established and approved, Upgrading of border posts initiated in year two, At least 6 major border posts upgraded in year three, All 13 border posts upgraded in year four	MoC	MOAI, MOLFRD Local authorities and Regional Government Customs		50'000
	4.2.2. MoAI and MoC to collaborate in deploying rapid test kits (used for pesticides, fertilizers, fuel tests) and setting up quarantine measures in remote regions and in the current 13 border posts. Enforce better border control to limit importation of illegal substances and pesticides. Raise public awareness campaign on usage of fertilizers, pesticides and chemicals. Myanmar Inspection and testing services (MITS) under MoC carries out tests at border areas. Therefore they need test kits for inspection teams to test imports from China (e.g. fertilizers). (QM Strategy)	1	Border posts, Exporters, Traders	Rapid test kits deployed in border posts and remote region posts, MITS trained and incentivised to seize illegal substances, Public awareness campaign conducted,	MoC (MITS)	MOC, MOAI, MOLF		500'000
	4.2.3. Set up 10 pilot test mobile labs (pesticides, aflatoxin, fertilizers, water quality, etc.) to be sent to farming sites to conduct tests at production & adjacent areas on a random and ad-hoc basis. Improve cooperation with NGOs and local communities. (QM Strategy)	1	MOAI, MLFRD Farmers, Agro-producers, Exporters, Traders	10 pilot test mobile labs set up and operational, Tests conducted in major production areas,	MOAI, MLFRD	NGOs Local Communities		1'000'000
4.3. Establish an Export-Import Bank for Myanmar	4.3.1. Setting up an EXIM bank (with the promulgation of an appropriate law) to support exporters. Carry out the feasibility study for establishing the bank, set out its core activities and mandate, legal structure and budgets. Pass necessary legislation for it. (A2F and rubber strategy)	1	Exporters, Importers, Traders	Technical and financial feasibility study conducted and published, Development partner identified, Draft legislation prepared and passed	MoC	CBM, MoFR Associations Potential development partners: IFC, ADB, EXIM India.		1'000'000



Strategic Objective 4: To build modern, enabled and supportive institutions to respond to the diverse needs of current and emerging exporters								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
4.3. Establish an Export-Import Bank for Myanmar	4.3.2. Under the establishment of an EXIM bank, provide credit guarantees to private banks in order to reduce risk exposure of commercial banks. Prepare study or position paper on the implications of this with stakeholder consultations. Improve awareness of what the EXIM bank can do for the export/trade sector. (rubber strategy)	1	Exporters, Importers, Traders	Credit guarantee scheme designed, EXIM Bank business plan prepared and approved, Public awareness campaign conducted,	EXIM Bank	CBM, MoFR Associations Potential development partners: IFC, ADB, EXIM India.		1'000'000
	4.3.3. Once the credit bureau is established, conduct an awareness campaign for the private sector to be aware and encouraged to share information with the bureau to improve credit rating system and improve access to finance.		Private sector enterprises Exporters, Importers, Traders	Information flow with credit rating bureau ongoing, Credit rating system improved, Increased lending to enterprises	CBM, MoFR	Sector associations		100'000
4.4. Establish an electronic data exchange centre for national and international markets	4.4.1. Undertake feasibility study aiming to successful implementation of electronic communication centre (of market exchange) by collecting and analysing information on current and future markets, availability of market information, user needs, applicable technology, budget requirement, and experience learned by foreign commodity exchange centres. (pulses & rubber)	2	Private sector enterprises Exporters, Importers, Traders	Technical and financial feasibility study for the conducted and published, Electronic communication centre implemented, Exchange of commodities accelerated and reliable	MoC	CBM, MoFR UMFCCI Ministry of Telecommunications	There is a completed plan to establish a commodity exchange centre. Rice, beans and pulses already have Centres but these are not electronic.	2'000'000
	4.4.2. Establish an electronic market exchange centre in Yangon and Mandalay as a pilot for selected products, then expand to other major products by transforming and modernizing the market exchange centres. (pulses strategy)	2	Private sector enterprises Exporters, Importers, Traders	Electronic market exchange centres established in Yangon and Mandalay and operational, Range of exchanged products increasingly expanded	MoC	UMFCCI Ministry of Telecommunications		4'000'000
	4.4.3. Ensure effective monitoring and evaluation of the electronic market exchange centre, by surveying users, benchmarking with other centres, etc. (pulses strategy)	3	Private sector enterprises Exporters, Importers, Traders	Monitoring and evaluation system established, Benchmarking ongoing, Centre is increasingly efficient and used	MoC	UMFCCI, Ministry of Telecommunications		300'000
4.5. Establish a trade information network to provide useful and easily accessible trade information	4.5.1. Establish trade information centres where users could access physical documents and have access to the web. This could be achieved by expanding the trade information centre in the MoC-Dept. of Trade Promotion and in each region /Dept. of trade offices or regional chambers of commerce. Also establish more specific resource centre by sector or market and make information more easily accessible. Provide training to staff in the information centres. (TI strategy)	1	Private sector enterprises Exporters, Importers, Traders	Trade information centres established in major cities (Yangon, Mandalay, etc.), MoC Trade Information Website upgraded and expanded and single-window compatible, Staff trained	Trade Information Centre (MoC), UMFCCI	38 trade associations	There are currently 14 Trade Promotion Information Service Centres (TPIS) in all States/Regions & 41 existing commodity exchange centres	5'000'000

Strategic Objective 4: To build modern, enabled and supportive institutions to respond to the diverse needs of current and emerging exporters								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
4.5. Establish a trade information network to provide useful and easily accessible trade information	<p>4.5.1. Set up, update, and maintain an Internet portal to provide news, statistics, and information relating to export news (Customs, TFL, finance, trade law, etc.) in Myanmar and important trade partner countries. The information contained in this portal should be integrated with the e-government single window. Among others, the website shall contain sections on:</p> <ul style="list-style-type: none"> <li>» General and product-specific customs and licensing procedures</li> <li>» Market demand and market access conditions</li> <li>» General and product-specific certification procedures and requirements</li> <li>» Dangerous goods and restrictions</li> <li>» Ports, warehousing, cargo and transport services</li> <li>» Business matching</li> <li>» (TFL strategy)</li> </ul> <p>4.5.2. Establish a trade enquiry support service, since the current system is not responsive and does not have an established framework to answer queries using an IT system. Review current institutional set ups and analyse failures through interviews with users (or survey based questionnaires) and propose remedial measures. (TI strategy)</p> <p>4.5.3. Utilise new technologies (printed media, radio, TV such as farmer channel, mobile dissemination such as SMS, websites etc., to collect and disseminate information concerning market data, quality management, etc. to enterprises. (QM Strategy)</p> <p>4.5.4. Review the current information dissemination systems in ministries and central bank of Myanmar and make these more efficient to provide up to date and relevant information, particularly with regard to information on regulations and laws. Provide TA/consultancy to all public sector bodies for this. (A2F strategy)</p> <p>4.5.5. Provide training in market information research, technology, methodology and tools to key service providers and training in sources for information and databases. (TI Strategy)</p>	2	Private sector enterprises Exporters, Importers, Traders	Trade Information Portal set up, operational and compatible with future single window project. Extensively used by traders.	MoC	MoFR, MoT, Freight and custom brokers associations, MMMDA, MBA, MPA,		1'000'000
		1	Private sector enterprises Exporters, Importers, Traders	Trade enquiry support service or point established and/or upgraded and single-window compatible. Staff trained	Department of Trade Promotion, UMFCCI	Private agencies	UMFCCI trade enquiry for foreign traders	300'000
		1	Private sector enterprises Exporters, Importers, Traders	Mapping/audit of existing media/tools and needs assessment conducted, QM Internet portal/services upgraded and integrated and single-window-compatible	MoC	UMFCCI Ministry of Telecoms Ministry of Information & relevant Ministries, media agencies	Information scroll bars on TV channels such as Myawaddy, MRTV	500'000
		1	Private sector enterprises Exporters, Importers, Traders	Mapping/audit of existing media/tools and needs assessment conducted, Internet portal/services upgraded and integrated and single-window-compatible	CBM Ministries CSO			500'000
		2	TI service providers	Key TI service providers identified, Training programme designed and initiated, Increased number service provided trained	MoC	UMFCCI, Sector Associations, Ministry of Information, Relevant Ministries		1'000'000

Strategic Objective 4: To build modern, enabled and supportive institutions to respond to the diverse needs of current and emerging exporters

Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
4.5. Establish a trade information network to provide useful and easily accessible trade information	4.5.6. Systematically process documents obtained in workshops, catalogue the documents and disseminate them, which is currently not the case. The dissemination will require staff and training, and introducing an ICT system in relevant organizations. (TI Strategy)	3	Ti service providers	Introduce electronic data and knowledge management systems in key TI service providers, Key TI service providers trained	MoC	UMFCCI, Sector Associations, Ministry of Information, Relevant Ministries		1'000'000
	4.5.7. Publish an annual directory (paper and electronic/online) of exporters and importers in Myanmar, including auxiliary service providers, such as freight forwarders and customs agents, distributors, transporters, etc. The directory should include company profiles (including but not limited to: Names of Directors, number of staff, year of establishment, membership to professional organisations, markets where they are active in). (TI Strategy)	1	Ti service providers, Importers, Exporters, Traders	Directory published and financially self-sustaining	UMFCCI	Ministry of Commerce Associations		300'000
	4.5.8. Expand trade information network internationally to include information on associations, business and investment opportunities, certification and standards, market access conditions, distributors and importers, etc. Provide technical assistance to prepare a strategy and assist in implementing the strategy. (TI Strategy)	1	Ti service providers, Importers, Exporters, Traders	TA partners identified, Implementation plan prepared, Trade information network covers at least 5 new target markets annually	Department of Trade Promotion, UMFCCI	Foreign Chambers of Commerce, Commercial Attaches, Myanmar Embassies & Missions Foreign Trade Orgs		300'000
4.6. Improve the trade facilitation environment	4.6.1. Vastly increase the frequency and number of sites where MoC training on letters of credit is provided (Currently every 3-6 months and only in Yangon), either directly or through partnerships and training of trainers. Keep trainings in Yangon but increase to at least 4 trainings a year.	2	Importers, Exporters, Traders Trade finance service providers, Commercial Banks	4 trainings a year organised, Increased use of letters of credit	MoC, UMFCCI, MIFA, Customs			300'000
	4.6.2. Ensure that the port and logistic facilities develop and implement cargo checking system, tracking and tracing (RFID Radio Frequency Identification), retrieving system in their container yards by improving and modernization the facilities of the operating company. (Pulses strategy)	2	Importers, Exporters, Traders Freight Forwarders	Cargo checking system introduced in Yangon Port, Cargo checking systems progressively introduced in logistic facilities	Customs	Logistics association Myanmar Port Authority		5'000'000
	4.6.3. Prepare a study on introducing ICT and EDI systems for improved maritime ports operations through the provision of technical assistance and incentives to port operators.	1	Importers, Exporters, Traders Freight Forwarders	Study conducted and published, Increased use of ICT in port operations.	MoT	MPT, MCPA		100'000

## Strategic Objective 4: To build modern, enabled and supportive institutions to respond to the diverse needs of current and emerging exporters

Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
4.6. Improve the trade facilitation environment	4.6.3. Develop a fee based vocational training program to strengthen the capacity of freight forwarders and customs brokers in logistics, documentation, cargo handling, insurance, and transport management issues, including multi-modal. (TFL strategy)	1	Freight Forwarders, Customs brokers	Vocational training program developed and self-sustaining. Regular training and tests organised, Freight Forwarders' Customs brokers' staff are certified, their capacities improved and maintained	MIFA (Myanmar International Freight Forwarders)	MMU (Myanmar Maritime University) Customs		500'000
4.7. Reinforce the national quality infrastructure	4.7.1. Set up a National Accreditation Focal Point (NAFP - MSTRD) and formalize an agreement with a partner accreditation body in an ASEAN Member State (possibly Thailand).	2	Exporters, Traders, Importers	National Accreditation Focal Point established, Agreement with partner signed,	MSTRD	Relevant ministries & Organizations	PTB	100'000
	4.7.2. Provide capacity building on accreditation procedures and requirements to the NAFP - MSTRD staff.	1	NAFP - MSTRD staff	NAFP - MSTRD staff capacities improved and maintained	MSTRD	Relevant ministries & Organizations	PTB	300'000
	4.7.3. Disseminate information through seminars & workshops to national laboratories, certification bodies and inspection bodies concerning the procedures and requirements for accreditation.	1	National laboratories, certification and inspection bodies	Procedures and requirements for certification accreditation widely known	MSTRD	Relevant ministries & Organizations	PTB	300'000
4.7.4. Complete a thorough roadmap and assessment of resources requirements for the transition from NAFP to establishing a National Accreditation Body (NAB).		1	National laboratories, certification and inspection bodies Exporters, Traders, Importers	A transition plan developed and approved, National Accreditation Body established, operational and adequately resourced	MSTRD	Relevant ministries & Organizations	Government plans to do this but not yet developed	300'000
		2	Key quality management institutions in relevant ministries	Needs assessment conducted and published, Mandates expanded accordingly, Key quality management institutions in relevant ministries adequately resourced for training	MSTRD	Relevant ministries & Organizations		300'000
4.7.6. Organize working groups between QM institutions and the private sector to disseminate the Quality policy and define work plans for operationalizing the implementation of the policy.		1	Key quality management institutions, Private sector	Working groups set up, Quality policy disseminated, Work plans for operationalizing the quality policy developed	MSTRD	Relevant ministries & Organizations	UNIDO Policy exists but not yet disseminated	300'000

Strategic Objective 4: To build modern, enabled and supportive institutions to respond to the diverse needs of current and emerging exporters								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Targets	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost in USD
4.7. Reinforce the national quality infrastructure	4.7.7. Provide capacity building to staff of QM institutions and private sector QM operators to explain the implications of new quality policy.	1	Key quality management institutions, Private sector	Working groups set up, Quality policy disseminated, Work plans for operationalizing the quality policy developed	MSTRD	Relevant ministries & Organizations	UNIDO	100'000
	4.7.8. Establish a metrology institute in 2014 as a commercial operation. The Government has already committed funds but these are insufficient and staff will need to be trained in order to ensure adequate and timely provision of services. Prepare a sustainable financing strategy for the metrology institute in the medium term with funding sources from: 1) Union government budget; 2) state governments and testing labs' fees; and 3) third party contributions (private sector, donors, etc.). (QM Strategy)	1	Key quality management institutions, Exporters, Importers, Traders, Consumers	Metrology Institute established, operational and adequately resourced, Financing strategy developed requiring commercial operation, no loss/no deficit principle and minimum 40% self-financing rate.	MSTRD	Relevant ministries & Organizations	Government plan in place but funding insufficient	10'000'000
4.8. Improve transportation safety	4.7.9. Support the strengthening and development of the conformity assessment division of MSTRD to act as a key certification body in Myanmar. Also, build linkages with the private sector certification bodies to enhance the availability of certification services at the national level. (QM Strategy)	1	Conformity assessment division of MSTRD	Conformity assessment division of MSTRD strengthened and adequately resourced, Availability of certification services significantly enhanced	MSTRD	Relevant ministries & Organizations		2'000'000
	4.8.1. Introduce standard aviation safety measures and security equipment at airports such as explosive detectors, and create an international communications control unit.	2	Tourists, Travel services providers	International-standard aviation safety measures introduced, Regulatory framework adopted accordingly, Increased aviation safety	Mot, Mol, DCA	Mot, DCA, Ministry of communication		10'000'000
	4.8.1. Enhance the safety and efficiency of the inland waterway network by introducing night-time navigation systems.	2	Inland waterways cargo service providers, Exporters, Importers, Traders	Night-time navigation systems introduced and increasingly used, Increased use and safety of inland water ways transport	MOT	IWT		5'000'000

Strategic objective 5: Build up physical trade infrastructures								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost
5.1. Develop cold chain management capacities (TFL strategy)	5.1.1. Construct warehouses and pack houses at airport, border trade zone (Wyawaddi, Muse).	2	Exporters, Importers, Traders, Freight forwarders	New warehouses and pack houses built at Wyawaddi and Muse.	CDCs	UMFCCI Region Governments -Industrial zone committee		n/a
		1	Freight forwarders, Truck transport operators	A petition submitted to MIFFA, Regulatory framework adjusted accordingly	MIFFA	MOC, MoT, Sector associations		50'000
	5.1.2. Lobby "road transport authority" to allow trucks to integrate a generator for provision of electricity to refrigerate containers thus enabling them to provide cold storage. This is a temporary measure until the truck fleet is modernized.	1	Exporters, Importers, Traders, Freight forwarders Cargo service providers	Priority lanes established in 50% of merchandise ports in year one, 100% in year two Waiting times reduced by 50%	MoFR- Customs	Port Authorities		n/a
5.2. Upgrade the logistics infrastructure	5.1.3. Establish a priority lane for fresh products and perishables (as opposed to dry products) for processing by the X-ray scanner at ports in order to reduce the waiting times.	2	Exporters, Importers, Traders, Freight forwarders Cargo service providers	Cold storage facilities build in all major cities in 5 years	UMFCCI (private operators)	Region Governments	JICA	n/a
		5.1.4. Construct public cold storage facilities in major cities to better manage exports and imports of perishable goods.	1	Exporters, Importers, Traders, Freight forwarders Truck transport operators	Truck terminals constructed based on demand, Road transport increasingly reliable and cost-efficient	MoT	MIFFA, truck association	ADB, JICA
5.2. Upgrade the logistics infrastructure	5.2.1. Enhance the efficiency of road transport by introducing truck terminals along major transportation corridors and in important transport nodes (e.g. Yangon).	1	Exporters, Importers, Traders, Freight forwarders Truck transport operators	Technical and financial feasibility study conducted and published, Bonded warehouses established near main ports, cargo-handling airports and major border posts.	MIFFA/Customs	MoC, MoT, UMFCCI (Sector associations)	JICA	n/a
		5.2.2. Prepare a study for customs to approve and assess the feasibility of establishing a joint venture with UMFCCI members to develop bonded warehouses, through the identification of suitable locations at and near ports, airports, industrial zones, and special economic areas (especially Mandalay, Muse, and Myawaddy). Ensure that all bonded warehouses are equipped with modern ICT, EDI, and inventory management capabilities.	1	Exporters, Importers, Traders, Freight forwarders Storage providers, Customs				

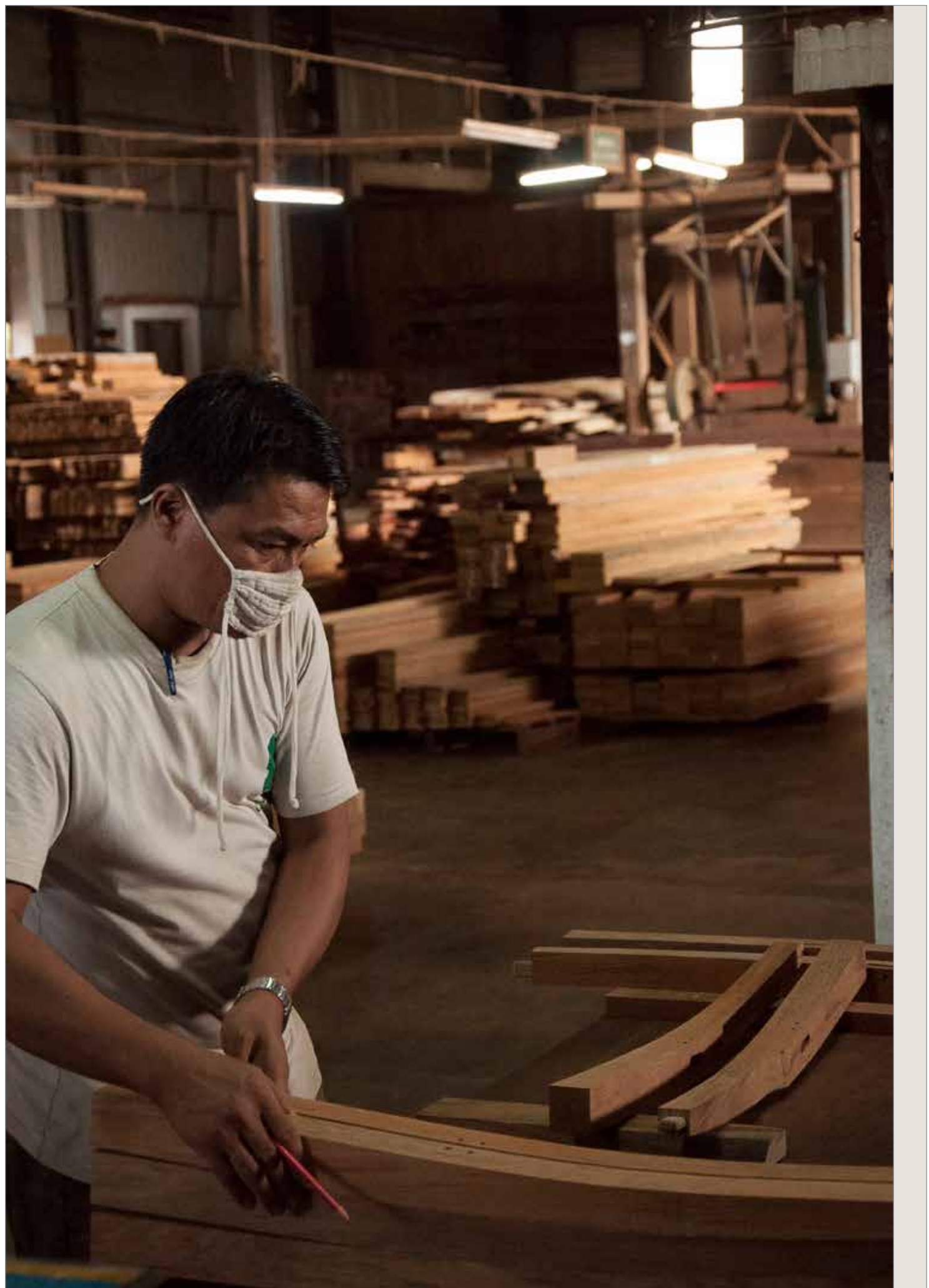
Strategic objective 5: Build up physical trade infrastructures																
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost								
5.2. Upgrade the logistics infrastructure	5.2.3. Develop a pilot project for the construction of a sea-floating bonded warehouse	3	Exporters, Importers, Traders, Freight forwarders, Storage providers, Customs	Feasibility study conducted, Pilot project developed	MIFFA/Customs	MoC, MoT, UMFCCI (sector associations)		n/a								
									5.2.4. Develop and implement a plan to construct jetty and river-bank palletized cargo trans-shipment terminals along the rivers of the inland water system that include ICT systems and mechanized handling capacities to increase efficiency and capacities while reducing the incidence of cargo damage. Encourage PPP or Build-Operate-Transfer schemes (BoT).	2	Exporters, Importers, Traders, Freight forwarders, Water transport providers	Plan developed, Key pilot projects selected and awarded to private investors, If successful, fully implement the plan	IWT Associations	Region Governments, MoT	JICA	n/a
5.3. Upgrade the transportation network	5.2.5. Develop dry ports that are connected directly with the rail, road, and seaport networks in order to reduce time, cost, and port congestion while ensuring improved national capacities for shifting, consolidation, distribution, supply chain management, and storage (8 locations have already been identified). Encourage PPP or Build-Operate-Transfer schemes (BoT).	2	Exporters, Importers, Traders, Freight forwarders, Water transport providers	Prepare dry port pilot projects in at least 3 identified locations, Develop investment plan for all 8, At least one dry port built on a PPP/BOT bases.	MoRT	Union Government, MIFFA, MoT, Regional government	UNESCAP (assessment)	n/a								
									5.3.1. Rehabilitate and modernize the road network by improving road conditions, expanding all-weather paving, expanding the road network, and ensuring the network's proper maintenance. Introduce truck parks, maintenance and parking areas, and rest stops along major transportation corridors and in important transport nodes e.g. Yangon, based on the list of priorities of road rehabilitation. Encourage PPP or Build-Operate-Transfer schemes.	2	Exporters, Importers, Traders, Freight forwarders, Truck transport operators	Develop a road network modernisation master plan, Develop investment project for priority road links along main economic and transport corridors,	MoConstruction	Regional governments, MoT	ADB	n/a
									5.3.2. Lobby for the renovation of old roads and construction of new roads, railroads, airports, as well as docks and ports, to connect areas to the processing centres. (Fisheries Sector)	1	Agricultural and fisheries producers, transporter, Freight forwarders	Sensitisation campaign conducted at national and state level, 10% of priority road link rehabilitated and modernised a year	UMFCCI, Sector Associations	Ministry of Construction, Ministry of Transportation, Ministry of Railways State and local authorities	Local donation and cost-sharing, BOT systems, self-reliance	200'000
	5.3.3. Investigate, and if possible implement, ways to integrate Myanmar's railways with the regional network and facilitate the cross-border interoperability of tracks and trains.	3	Exporters, Importers, Traders, Freight forwarders, Rail operators	Rail interoperability study conducted, Where possible, rail transport agreements signed with neighbouring/regional countries (ASEAN).	MoRT	Union Government	JICA, ADB	n/a								

Strategic objective 5: Build up physical trade infrastructures								
Operational objective	Activities	Priority 1=high 3=low	Beneficiaries	Target measures	Leading implementing partner	Supporting implementing partners	Existing programmes or potential support	Estimated cost
5.4. Improve the quality and supply of water utilities	5.4.1. Develop quality water supply system by upgrading or replacing the current water supply system. Undertake a feasibility study with accompanying recommendation on financing options for implementing an advanced water sanitation system to the industry area including, drilling tube wells, extending piping system from main water supply, treatment systems, and waste water management. Focus activities on industrial zones. Encourage PPP, Build-Operate-Transfer or private operation schemes. (Fisheries Strategy)	1	Farmers, Agro-producers, Processors, Manufacturers, Consumers	State/Regional/Local water management upgrading plans developed in major production and industrial areas, Upgrading projects implemented in priority industrial areas,	CDCs	Region Governments -Industrial zone committee,		n/a



## APPENDIX 2: STAKEHOLDERS IN THE NES DESIGN PROCESS

Fish and Crustaceans Sector				
No	Name	Designation	Organization	Contact
1	U Zaw Win	Deputy Director	FIQC, Department of Fisheries	zawwindof@gmail.com
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8	U Ohn Lwin	Chairman	MFFA	
9	U Kyaw Naing	Vice Chairman (2)	MSFS	
10	Dr. Kyaw Tun Myint	Vice Chairman	MSA	Ukyaw.arrman@gmail.com
11	U Soe Tint	Vice Chairman	MFFA	
12	U Aung Myint	Vice Chairman	AFS	
13	U Hnin Oo	Vice President	MFF	
14	Dr. Toe Nandar Tin	CEC/Treasurer	MFF, MPEA	
15	U Hla Win	Consultant	MFF	Hlawin.dofmm@gmail.com
16	U Van Lian Cung	Counsel	HRMR	Nelson.cung@hrmr.us
17	U Myo Aung	Joint Secretary (1)	MPEA	umyoaung@gmail.com
18	U Win Naing	Secretary	MSFS	
19	U Tin Tun Oo	Joint Secretary (2)	MSA	Tintunoo.pago1@gmail.com
20	U Mg Mg Oo	Businessman		
21	U Tint Swe	Manager	MMP	



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# APPENDIX 1: NES TEAM

Nb.	Name	Position	Organization
1	Mr. Kyaw Zeya	Director	International Organizations and Economic Department, Ministry of Foreign Affairs
2	Mr. Maung Maung	Assistant Director	Ministry of Information
3	Mr. Lin Htut Moe	Deputy Director	Small-Scale Industries Department, Ministry of Cooperatives
4	Ms. Thi Thi Myat	Deputy Director	Cooperatives Department, Ministry of Cooperatives
5	Mr. Win Myaing	Assistant Director	Agricultural Mechanization Department, Ministry of Agriculture and Irrigation
6	Ms. Yin Kyi	Assistant Director	Myanmar Industrial Crop Development Enterprise, Ministry of Agriculture and Irrigation
7	Ms. Khin Nam Myint	Deputy General Manager	Myanmar Agricultural Development Bank, Ministry of Agriculture and Irrigation
8	Mr. Zaw Moe Hlaing	Director	Directorate of Livestock and Fisheries, Ministry of Livestock and Fisheries
9	Mr. Tun Win	Director	Department of Fisheries, Ministry of Livestock and Fisheries
10	Col. Zaw Win (Retired)	Deputy Managing Director	Myanmar Livestock and Fisheries Development Bank, Ministry of Livestock and Fisheries
11	Dr. Esther	Assistant Director	Livestock Breeding and Veterinary Department, Ministry of Livestock and Fisheries
12	Mr. Htike Htike	Assistant Director	Department of Transport, Ministry of Transport
13	Ms. Kyawt Kyawt Moe	Assistant Director	Department of Transport, Ministry of Transport
14	Mr. Aung Moe	Deputy Director	Department of Marine Administration, Ministry of Transport
15	Mr. Kaung Htet	Assistant General Manager	Myanmar Port Authority, Ministry of Transport
16	Mr. Ko Ko Aye	Assistant Director	Department of Environmental Conservation, Ministry of Environmental Conservation and Forestry
17	Mr. Soe Yee	Manager	Myanmar Timber Enterprise, Ministry of Environmental Conservation and Forestry
18	Mr. Win Myint	Deputy Director	Planning and Statistics Department, Ministry of Environmental Conservation and Forestry
19	Mr. Myo Min	Deputy Director	Department of Forestry, Ministry of Environmental Conservation and Forestry
20	Ms. Khin May Myint	Deputy Director	Office of the Union Minister, Ministry of Energy
21	Mr. Thein Swe	Assistant Director	Directorate of Industry, Ministry of Industry

Nb.	Name	Position	Organization
22	Mr. Tint Lwin Oo	Assistant Director	Department of Industrial Planning, Ministry of Industry
23	Ms. Mu Mu Aung	Deputy Director	Department of Education Planning and Training, Ministry of Education
24	Dr. Sandar Oo	Pro-Rector	Yangon Institute of Economics, Ministry of Education
25	Dr. Tin Tin Htwe (2)	Professor	Meiktilar Institute of Economics, Ministry of Education
26	Dr. Moe Moe Khine	Professor	Yangon Institute of Economics, Ministry of Education
27	Dr. San San Aye	Lecturer	Monywa Institute of Economics, Ministry of Education
28	Dr. Zaw Win	Director	Department of Food and Drug Administration, Ministry of Health
29	Ms. Nilar Zin	Deputy Director	Department of Mines, Ministry of Mines
30	Mr. Than Zaw Oo	Deputy Director	Myanmar Gems Enterprise, Ministry of Mine
31	Ms. Thida Mya	Assistant General Manager	Myanmar Pearl Enterprise, Ministry of Mines
32	Mr. Yin Min Aung	Deputy Director	Customs Department, Ministry of Finance and Revenue
33	Mr. Sein Win Kyi	Assistant General Manager	Myanmar Foreign Trade Bank, Ministry of Finance and Revenue
34	Mr. Win Naing Oo	Deputy General Manager	Myanmar Economic Bank, Ministry of Finance and Revenue
35	Mr. Nyo Htay	Assistant General Manager	Myanmar Microfinance Supervisory Enterprise, Ministry of Finance and Revenue
36	Ms. Myat Myat Cho	Assistant Director	Internal Revenue Department, Ministry of Finance and Revenue
37	Mr. Zaw Win Maung	Deputy Director	Central Statistical Organization, Ministry of Planning and Economic Development
38	Mr. Myint Swe	Director	Planning Department, Ministry of Planning and Economic Development
39	Dr. War War Maung	Deputy Director General	Foreign Economic Relations Department, Ministry of Planning and Economic Development
40	Ms. Thidar Aung	Deputy Director	Department of Investment and Company Administration, Ministry of Planning and Economic Development
41	Mr. Tun Than	Deputy Director General	Social Welfare Department, Ministry of Labor, Employment and Social Welfare
42	Mr. Kan Nyunt	Director	Department of Transport Planning, Ministry of Rail Transportation
43	Ms. Khin Sabai	Deputy Director	Directorate of Inland Transport, Ministry of Rail Transportation
44	Dr. Khin Hnin Pwint Pwint	Assistant Lecturer	Department of Technology Promotion and Coordination, Ministry of Science and Technology
45	Dr. Than Zaw	Assistant Director	Directorate of Hotels and Tourism, Ministry of Hotels and Tourism
46	Ms. Pa Pa	Assistant Director	Directorate of Trade, Ministry of Commerce
47	Mr. Thant Zin	Staff Officer	Department of Trade Promotion, Ministry of Commerce
48	Mr. Tun Aung Zaw	Staff Officer	Department of Trade Promotion, Ministry of Commerce
49	Ms. Khin Mya Mya Htwe	Assistant Director	Department of Commerce and Consumer Affairs, Ministry of Commerce
50	Ms. Cho Mar Kyaw	Assistant Director	Department of Commerce and Consumer Affairs, Ministry of Commerce

Nb.	Name	Position	Organization
51	Mr. Khin Maung Cho	Head of Office	Myanmar Maternal and Child Welfare Association (MCWA)
52	Ms. Mya Mya	Chair	Myanmar Women's Affairs Federation (MWAF)
53	Mr. Soe Win	Executive Director	Myanmar Paddy Producer Association
54	Mr. Wai Phyoe	Vice Chairman	Myanmar Agro Based Food Processors and Exporters Association
55	Mr. San Lin	Joint Secretary	Myanmar Edible Oil Dealers Association
56	Mr. Hnin Oo	Vice Chairman	Myanmar Fisheries Federation
57	Mr. Kyaw Htay	Secretary	Myanmar Gems And Jewellery Entrepreneurs Association
58	Mr. Hla Myint	Head of the Advisors	Myanmar Rubber Planters' and Producers' Association
59	Ms. Thin Thin Su Hlaing	Member	Myanmar Women Entrepreneurs Association
60	Mr. Thein Htike Aye	Member	Myanmar International Freight Forwarders' Association
61	Mr. Soe Than Min Din	Secretary	Myanmar Fruit and Vegetable Producer and Exporter Association
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63	Mr. Thein Htike Oo	Member of Executive Committee	Myanmar Forest Products & Timber Merchants Association
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68	Mr. Ye Myint	CEC	Myanmar Pulses, Beans & Sesame Seeds Merchants Association
69	Mr. Soe Paing	Member	Myanmar Pulses, Beans & Sesame Seeds Merchants Association
70	Mr. Sai Maung	Member	Myanmar Garment Manufacturers Association
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With the financial support of:



Federal Ministry  
for Economic Cooperation  
and Development

In collaboration with:

**giz** Deutsche Gesellschaft  
für Internationale  
Zusammenarbeit (GIZ) GmbH