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Myanmar's Trade Facilitation Services to promote Cross-Border Economic Cooperation

Overview of Myanmar's Economy

Since the beginning of 2022, Myanmar's economy has faced a series of external and domestic shocks. Notwithstanding these shocks, some parts of the economy have stabilized and even recovered somewhat since late 2021, demonstrating the resilience and adaptability of Myanmar's businesses. Firms have reported operating at higher capacity in 2022 than in 2021, particularly in the manufacturing sector. The manufacturing Purchasing Managers' Index reached neutral levels in the first half of 2022, after a long period of contraction. Garment manufacturers – mainly reliant on external demand – seem to have recovered relatively strongly, as demonstrated by the ongoing expansion in manufactured exports since mid-2021. This improvement in economic activity has been supported by a rise in mobility, with workplace mobility returning to pre-pandemic levels in June after substantial dips in 2021.

Current Situation of Covid-19

The fourth wave of COVID-19 had a more limited impact than previously expected. Confirmed cases rose from an average of 155 cases per day in January to an average of 1642 cases per day in February before declining sharply in March. This fourth wave was less severe than expected, with the number of recorded cases and rates of hospitalization and death significantly lower than during the third wave in mid-2021. Consequently, mobility only declined slightly in February. In April, restrictions on public gatherings were lifted, and Yangon International Airport reopened after having suspended operations for over two years due to the pandemic.

National vaccination rates have improved, with 49 percent of people having received double doses of the COVID-19 vaccine (up from 29 percent in early January) and another 11 percent having received partial vaccination.

International Trade in brief

After stabilizing at relatively low levels in late 2021, Myanmar's international trade increased in the first half of 2022 (Q1 2022) but remained below pre-COVID-19 levels. Compared with the same period last year, exports and imports increased by 12 percent and 20 percent respectively in Q1 2022 – resulting in a 16-percent increase in trade values. With imports increasing by more than exports, Myanmar recorded a goods trade deficit of US\$159 million

in Q1 of 2022. Myanmar's international trade rose steadily in the March quarter of 2022, but trade moderated in the June quarter with the impacts of foreign exchange restrictions and trade license requirements beginning to become evident.

Sea trade – which accounts for more than 70 percent of Myanmar’s total trade – has increased, but land trade has declined. Compared with the same period last year, sea-bound trade (in US dollar value terms) rose by 37 percent in Q1 2022, but land trade declined by 25 percent. Sea-bound exports increased by 47 percent in Q1 2022, consistent with the trend in container exports via Yangon ports, which increased by 53 percent in the first five months of 2022 compared to the same period last year. According to shipping operators, the freight cost of a 20-foot container has dropped around 30 to 40 percent across multiple destinations since the beginning of 2022 compared to the 2021 cost.¹ Sea-bound imports increased by 30 percent in Q1 2022.

The weakness in land trade was largely due to COVID-19-related border disruptions with China.

Exports through land trade were 24 percent lower in Q1 2022 than in the same period last year, while imports through land trade remained stable at relatively low levels. Disruptions at the border with China included the closure of several land border posts; restrictions on Myanmar drivers and trucks entering via the Chinese border,² and China’s suspension of seven types of imports (including rice) over the land border, starting from mid-March 2022.³ Exports to Thailand over the land border were broadly stable, but imports declined in Q1 2022. Reports indicate that border trade with Thailand has been impacted by conflict in border areas which has disrupted transport links and caused the temporary closure of border gates.

Manufacturing exports have picked up strongly, returning to pre-COVID-19 levels. Garment exports have driven the overall increase in manufacturing exports. The price competitiveness of garment exports has received a boost from kyat depreciation through 2021 and early 2022, with the historical relationship between garment export values and the exchange rate

¹ World Bank. 2022. *Transport and Logistics: Myanmar Infrastructure Monitoring*, June 2022.

² Global New Light of Myanmar, April 26, 2022. “[Rice exports through border show big slump in past mini-budget period;](#)”

³ BNI Multimedia Group. March 18, 2022. “[China suspends imports of seven items, including rice.](#)” The suspended products are rice, broken rice, green pepper, frozen food, seafood, daily necessities, and easy-to-pack meals.

suggesting that this depreciation likely to have supported the recent recovery in garment exports.

Agricultural export values recovered over the six months to March 2022 but have subsequently declined. Reports indicate that since early 2022, rice export prices have risen strongly, and bean and pulse export prices also increased. Volumes of beans and maize exports have also risen since late 2021. Market diversification may have helped to support agricultural exports.

COVID-19 Economic Relief Plan (CERP)

In an effort to meet the current exigencies faced by Myanmar as a result of the COVID-19 pandemic, the Myanmar Government had, on 27 April 2020, launched the COVID-19 Economic Relief Plan (CERP). The CERP comprises 7 goals, 10 strategies, 36 action plans and 76 actions, each with an estimated timeline and designated authority in charge, covering a range of fiscal and social measures.

The CERP contains measures to mitigate the range of COVID-19 effects on our economy while leaving us in a position to bounce back to strong economic growth as soon as possible.

The CERP is a timely intervention by the Myanmar Government to cushion the financial, social and economic impact of the COVID-19 pandemic. Several of the measures already been implemented and has gradually aided the management of the crisis.

It has received a positive response from the public as it benefits both businesses and individuals. The CERP will see the government increasing its spending to the extent necessary to support the Myanmar economy and its people.

The measures are targeted at both large and small enterprises as well as the at-risk population who are undoubtedly feeling the adverse impact of the pandemic harder.

Facilitate Importation Processes

- (a) Expedite and facilitate the process for the importation of medical-related products for COVID-19 prevention, control and treatment
- (b) Waive import licensing and FDA requirements, as long as the products are FDA approved in another country

Facilitate Exportation Processes

- (a) Review all export applications, licenses and permits, and remove those that are not required to maintain market access or to protect health, safety and security Immediate Ministry of Commerce.
- (b) Facilitate rice exports to maintain incentives for farmers to plant this planting season

Trade facilitation efforts prompted by COVID-19 pandemic

Myanmar's trade facilitation efforts prompted by COVID-19 pandemic are also remarkable. Several measures have been introduced to mitigate the negative impacts of the pandemic on businesses and ensure the smooth flow of essential goods and supplies into and from Myanmar since 2020. Myanmar Customs Department has made commitment to ensure supply chain connectivity during the COVID-19 pandemic and has been operating customs clearance daily at all clearance sites across countries to accelerate the import procedures and rapid release of goods imported to fight against COVID-19 (UNCTAD 2020; MACCS 2022). An online licensing system has been implemented in Myanmar to improve trade facilitation while keeping social distancing during the COVID-19 pandemic, and export/import licenses can be applied via TradeNet 2.0 starting from December 2020. In addition, Food and Drug Administration (FDA) of Myanmar has established E-submission system⁴ since the end of 2020 to facilitate making submissions to FDA. Thus, import recommendation, import health certificate, export health certificate can be applied for via FDA Online Service Portal and payment for laboratory testing fee, application assessment fee, and notification fee can be done digitally since the beginning of 2021. Likewise, the Department of Agriculture has also established an electronic application system⁵ for issuing relevant endorsements for importation and exportation of seeds, fertilizer, and pesticide. Although some other major agencies still left behind for full implementation of their electronic system for applications and approval, UNESCAP (2021) stated that Myanmar, despite being a small economy, performs well in facilitating paperless trade and the movement of essential supplies within ASEAN to address the challenges posed by the COVID-19 pandemic. The National Trade Repository (NTR) was established to improve transparency and the trade facilitation environment in Myanmar.

Ease of Doing Business

Myanmar's efforts to enhance the business environment have been recognised internationally. Since 2013, Myanmar has been included in the World Bank's Doing Business report. The country climbed steadily in the rankings, from 182 in 2013 to 165 in 2018. The implementation rate increased by 15 percentage points (from 26% in 2015 to 41% in 2017).

⁴ <https://esubmission.fda.gov.mm/>

⁵ <https://mairs.doa.gov.mm/>

Despite significant improvement, there is still ample room for Myanmar to strengthen its reforms. The country has made limited progress in reducing compliance costs, as reflected in the World Bank’s Ease of Doing Business trading across borders indicator. Similarly, Myanmar’s rank in the World Bank’s Logistics Performance Index reports slipped from 113 in 2016 to 131 in 2018.

Source: World Bank Ease of Doing Business - Trading Across Border (2015-2020)

Cross-border coordination and transit facilitation

Myanmar’s performance in cross border coordination and transit facilitation is relatively weak and still needs efforts for improvement. Institutional coordination by border agencies with neighboring countries exists, but not all border/ regulatory agencies are involved.

Only 2 out of 4 quarantine agencies (the DoA and DoF), and the Immigration Department have set up trans-border institutional arrangements (e.g., one-stop border control, exchange programmes, or a joint border committee), for ‘border agency coordination’ only with their counterparts from Thailand, and they are functional for coordination. However, not all CIQs⁶ are involved.

Indicators	2020	2019	2018	2017	2016
Time to export: Documentary compliance (hours)	144	144	144	144	144
Time to import: Documentary compliance (hours)	48	48	48	48	48
Time to export: Border compliance (hours)	142	142	142	144	144
Time to import: Border compliance (hours)	230	230	230	232	120
Cost to export: Documentary compliance (\$)	140	140	140	140	140
Cost to import: Documentary compliance (\$)	210	210	210	210	115
Cost to export: Border compliance (\$)	432	432	432	432	432
Cost to import: Border compliance (\$)	457	457	457	457	367

⁶ Customs, Immigration, Quarantine

The MCD⁷, and the Livestock Breeding and Veterinary Department (LBVD) have set up trans-border institutional arrangements only on an ad-hoc basis, not on a regular basis.

Thus, CIQ agencies of Myanmar need to strengthen coordination with those of bordering countries for improving trans-border institutional arrangements. In terms of Border-crossing Operational Coordination with the Neighboring Countries, Myanmar has made some progress in improving coordination.

The MCD, Immigration Department, the DOA, the DOF and the LBVD have been aligning working hours between neighboring country authorities. Thus, CIQ agencies need to enhance their efforts for implementing the other two border-crossing coordination components, i.e., development of common facilities and joint controls with neighbouring country authorities, for seamless trade.

The MCD has made progress in implementing the ASEAN Customs Transit System starting with Phase A (pilot test) with Thailand in 2021 (WTO, 2020).

Thus, Myanmar needs to make effort for full implementation of ASEAN Customs Transit System, and establishing a computerised system for transit, Transit Guarantee Mechanism, and simplified procedures for Authorised Transit Traders (ATT) to help improve seamless transit facilitation within the region.

Transport facilitation

Transport agencies in Myanmar have made significant progress under this component since 2018. Myanmar has already established standard procedures for issuance of goods-vehicle cross-border permits, up to a limited number. The Department of Transport and Planning issues operator licenses to transport operators for cross-border transport. The Ministry of Transport and Communication issues permits for cross-border transport once the operator is licensed by the Department of Transport and Planning. Currently, cross-border transport is being mutually agreed upon and implemented under the Thailand-Myanmar agreement of Greater Mekong Subregion. In addition, Thailand vehicles, with applied quotas for cross-border trade, are allowed under the Initial Implementation of Cross Border Transport Agreement and Myanmar's cooperation with ASEAN member states of the Greater Mekong Sub-region.

⁷ Myanmar Customs Department

Regarding the Electronic Data Interchange (EDI) and Port Community, Myanmar has made a remarkable progress. In Myanmar, an EDI messaging platform is in place at the main port between the port regulator, operator, and all port users.

Myanmar has already ratified the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST) and the ASEAN Framework Agreement on Multimodal Transport (AFAMT). National laws and regulations have been in place for both frameworks. The implementation of those frameworks is underway and significant steps are being taken by the Ministry of Transport and Communications.

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