

# Myanmar: Trade Brief\*

## Trade Policy

Myanmar has a relatively less restrictive trade regime than its East Asian and Pacific (EAP) or low-income group counterparts. Its MFN applied simple average tariff of 5.6 percent and its MFN applied trade-weighted average tariff of 4.7 percent are about half that of its comparators' averages. Its tariffs are higher in the agricultural sector, but are still lower than the average for the region. Myanmar's GATS commitment index reflects very few and weak commitments, suggesting ample room for deeper future multilateral liberalization in services trade. Its International Telecommunication Union (ITU) competitiveness in telecom index rating (0.33, on a scale from 0 to 2) reflects a telecommunications industry that remains mostly closed and under state ownership.

## Market Access

Although Myanmar's rest-of-the-world weighted average tariff of 1.8 percent is low by EAP and low-income group standards, its exports are currently banned by both the EU and the United States due to investment and trade sanctions related to the internal political situation. MFN zero-duty exports accounted for just 15.7 percent of total exports in 2006, much less than for a typical member of the Association of South East Asian Nations (ASEAN). Myanmar is, consequently, party to the US-ASEAN trade framework arrangement as well as its free trade agreement (FTA) with China. Its eligibility for Generalized System of Preferences (GSP) arrangements with most developed countries, including under the EU's "Everything but Arms" initiative for least developed countries, is currently suspended due to bilateral sanctions. According to the official exchange rate, the currency—the Myanmar kyat—has appreciated over the past 10 years, but the government maintains exchange rate restrictions and multiple currency practices. Most transactions, including a majority of government transactions, take place at the unofficial market rate.

## Behind the Border Constraints

The country's business climate is characterized by inefficient public sector enterprises, limited privatization efforts, and a large informal economy. Ranked 147<sup>th</sup> (out of 151) on the latest Logistics Performance Index, Myanmar's performance was poorest in the trackability of shipments (1.6 on the scale of 1 to 5, better) and the quality of transport and information technology (IT) infrastructure (1.7) subcategories. Except for large cities, highways are generally unpaved and railroads are inadequate. The 2005 per capita rates for telephones/mobile phones, personal computers, and Internet users are all less than 1.5 percent. The most recent secondary school enrollment rate is 49 percent, which is lower than the latest available regional mean but slightly higher than low-income group mean.

## Trade Outcomes

Myanmar's 2006 world trade share growth rate was 7.5 percent, primarily due to a 12.5 percent increase in imports, both rates surpassing those of the EAP and low-income group means. Merchandise dominated its export mix, accounting for 94.2 percent of its exports. Although most of its natural resources are largely untapped, gas accounted for 41 percent of Myanmar's total

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\*As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>

merchandize exports in 2005, followed by sawlogs (14 percent), beans (9 percent), wood (4 percent), and seafood (4 percent). In the early 2000s, tourism accounted for 4.8 percent of the country's total export, a decline from the 12.9 percent in the late 1990s. Thailand constitutes Myanmar's largest export market, followed by India and China. In 2005, Myanmar's imports came primarily from China (30 percent), Thailand (22 percent), Singapore (18.4 percent), and Malaysia (7.6 percent) and were predominantly composed of fabric, petroleum products, plastics, and machinery.

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