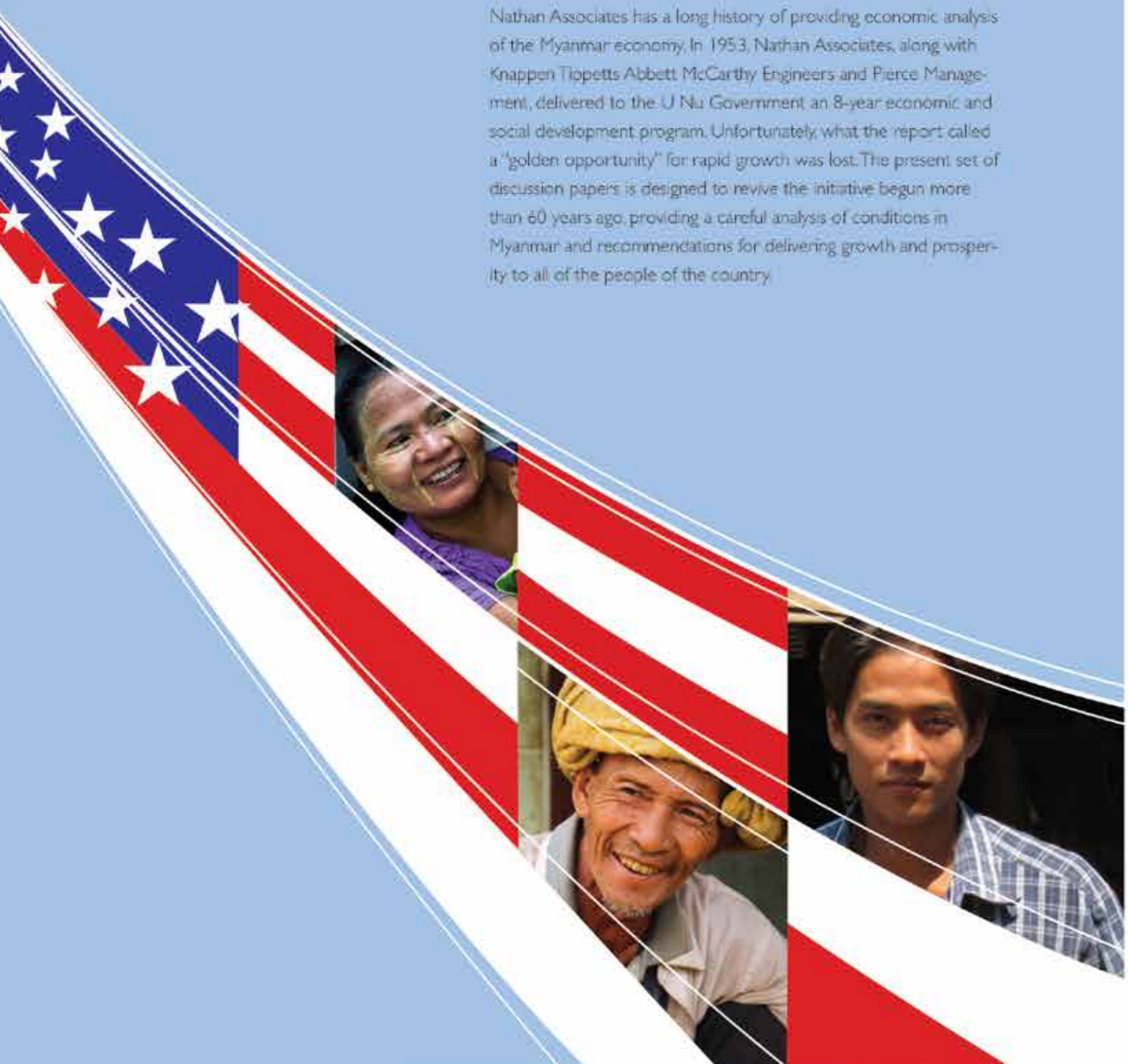


**ECONOMIC REFORM AND GROWTH  
DYNAMICS DISCUSSION PAPER SERIES**

In 2015 the United States Agency for International Development commissioned a set of discussion papers to review Myanmar's economic status, benchmark its performance relative to other countries, and identify priority policy reforms and institutional innovations to place the country on an inclusive growth path. This effort has been led by Nathan Associates under the Private Sector Development Activity and the ASEAN Connectivity through Trade and Investment Project.

Nathan Associates has a long history of providing economic analysis of the Myanmar economy. In 1953, Nathan Associates, along with Knappett Toppetts Abbett McCarthy Engineers and Pierce Management, delivered to the U Nu Government an 8-year economic and social development program. Unfortunately, what the report called a "golden opportunity" for rapid growth was lost. The present set of discussion papers is designed to revive the initiative begun more than 60 years ago, providing a careful analysis of conditions in Myanmar and recommendations for delivering growth and prosperity to all of the people of the country.



**USAID**  
FROM THE AMERICAN PEOPLE

**THE OBLIGATIONS  
OF MEMBERSHIP**  
MYANMAR IN ASEAN



## ACKNOWLEDGMENTS

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# THE OBLIGATIONS OF MEMBERSHIP

MYANMAR IN ASEAN

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# LIST OF ACRONYMS

## ECONOMIC REFORM AND GROWTH DYNAMICS DISCUSSION PAPER SERIES

In 2015, as Myanmar prepared for new elections, the United States Agency for International Development (USAID) commissioned a set of discussion papers to review Myanmar's economic status, benchmark its performance relative to other countries, and identify priority policy reforms, investments, and institutional innovations to re-establish the country on a new, inclusive growth path. This effort has been led by Nathan Associates under the Private Sector Development Activity (PSDA) and the Association of Southeast Asian Nations (ASEAN) Connectivity through Trade and Investment project Economic Reform through ASEAN Integration program.

Nathan Associates has a long history of providing economic analysis of the Myanmar economy. Originally headed by the economist Robert R. Nathan, who helped develop the United States' first national accounts in the U.S. Department of Commerce, Nathan Associates was founded in 1946 to provide applied economic analysis services to clients in the United States and around the globe and started working in Burma in 1951 at the request of the U Nu Government. The latter sought "advice with respect to various important aspects of the country's economy and engineering problems and assistance in solving practical operating difficulties." Nathan Associates worked in Burma until 1959 with two U.S. engineering firms to deliver this advice, initially with funding from the U.S. Technical Cooperation Administration (a predecessor to USAID) and later with direct support from the Burmese government.

In 1953, Nathan Associates, along with the firms of Knappen Tippetts Abbett McCarthy Engineers and Pierce Management, delivered to the U Nu Government an 8-year economic and social development program. The comprehensive plan, "Economic and Engineering Development of Burma," laid out a strategy of economic and administrative policies to stimulate growth in agriculture and irrigation, transportation, telecommunications, power, and industry, along with an analysis of the country's macroeconomic conditions. Unfortunately, what the report called a "golden opportunity" for rapid growth was lost, as many of the recommendations were set aside due to political developments in the late 1950s and early 1960s.

The present set of discussion papers is designed to revive the initiative begun more than 60 years ago, providing a careful analysis of conditions in Myanmar and recommendations on how the country can accelerate its integration into the global economy and deliver growth and prosperity to all of the people of the country.

Lynn Salinger, Principal Associate at Nathan Associates, has led the design and implementation of the discussion paper series in collaboration with Steve Parker, Chief of Party of the Private Sector Development Activity, and Tim Buehrer, Chief of Party of the ASEAN Connectivity through Trade and Investment Project. Daniel Swift has supervised the effort from the U.S. Agency for International Development Mission to Burma.

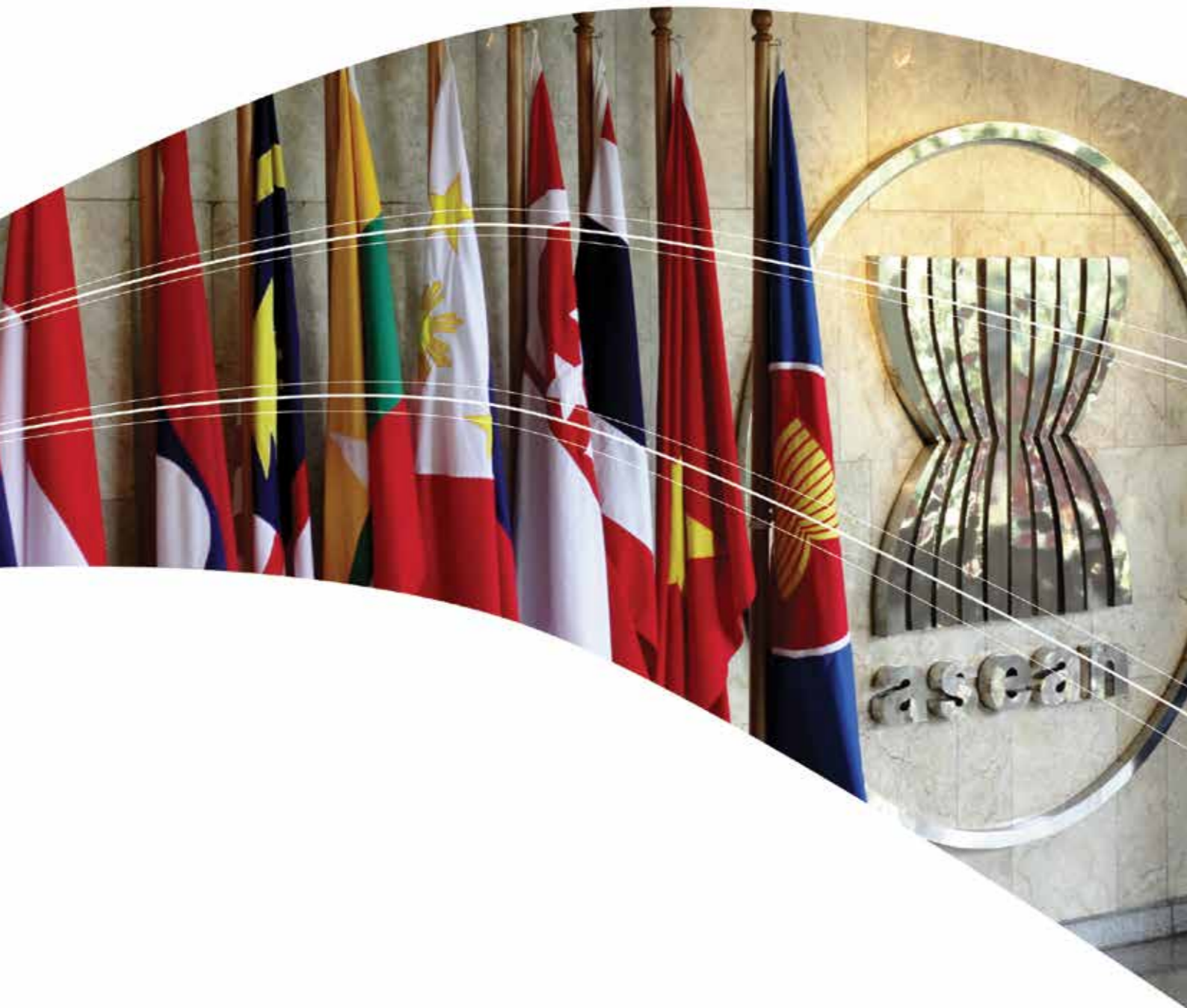
ABIF	ASEAN Banking Integration Framework
ACD	ASEAN Cosmetics Directive
ACIA	ASEAN Comprehensive Investment Agreement
ACTI	ASEAN Connectivity through Trade and Investment
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AEO	Authorized Economic Operator
AEM	ASEAN Economic Ministers
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Agreement
AHCRS	ASEAN Harmonized Cosmetic Regulatory Scheme
AHTN	ASEAN Harmonized Tariff Nomenclature
AMDD	ASEAN Medical Devices Directive
AMS	ASEAN Member States
ARISE	ASEAN Regional Integration Support from the EU
ASAM	ASEAN Single Aviation Market
ASEAN	Association of Southeast Asian Nations
ASW	ASEAN Single Window
ATFWP	ASEAN Trade Facilitation Work Program
ATIGA	ASEAN Trade in Goods Agreement
ATISA	ASEAN Trade in Services Agreement
ATR	ASEAN Trade Repository
BAC	Business Advisory Council
CCS	Coordinating Committee on Services
CLMV	Cambodia, Lao Peoples' Democratic Republic, Myanmar, and Viet Nam
EEE	Electrical and Electronic Equipment (used in conjunction with the ASEAN Harmonized EEE Regime)
ERA	Economic Reform Activity
EU	European Union
FTA	Free trade area or free trade agreement
GDP	Gross domestic product
GMP	Good manufacturing practices
GOM	Government of Myanmar
GRP	Good regulatory practices
HS	Harmonized System
IAI	Initiative for ASEAN Integration
ICT	Information and communications technologies
IP	Intellectual property
MFN	Most-favored nation
MNP	Movement of Natural Persons Agreement
MRA	Mutual recognition arrangement
NSW	National Single Window
NTR	National Trade Repository
PPP	Public-private partnership
RCEP	Regional Comprehensive Economic Partnership
SAFE	Standards to Secure and Facilitate Global Trade
SME	Small- and medium-sized enterprises
TCBoost	USAID World Trade Capacity Building Project
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization

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## I. INTRODUCTION

The Association of Southeast Asian Nations (ASEAN) was formed in 1967 by five Southeast Asian nations as a grouping of anti-communist countries promoting peaceful cooperation during the cold war. While the initial focus of ASEAN was on political and security issues, economic issues became more prominent by the 1990s. Brunei Darussalam joined ASEAN in 1984. Four additional countries—Cambodia, Laos, Myanmar, and Viet Nam (CLMV)—joined ASEAN between 1995 and 1999. Myanmar has been a member of ASEAN since 1997.

Countries that become a member of ASEAN are required to sign on to existing core agreements and then participate in the further development of the region. A core economic agreement at the time that Myanmar joined ASEAN was the ASEAN Free Trade Agreement, which had been signed in 1992. This agreement committed ASEAN Member States (AMS) to reducing tariffs to near zero on nearly all goods by 2010. As will be discussed in the first section below, Myanmar had to commit to implementing free trade with its ASEAN partners but was given some additional time to accomplish this.

The Asian Financial Crisis of 1997-1998 caused ASEAN to become even more focused on regional integration, particularly in the area of economics. Over the next few years, the concept of the ASEAN Community was

developed and blueprints were prepared for the ASEAN Political-Security Community, the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community.<sup>1</sup> Those blueprints were designed to lead to the completion of the ASEAN Community by 2015. Many of those commitments were met and the ASEAN Community was christened on December 31, 2015.

Looking forward, ASEAN has adopted a new set of blueprints and collected them in a document entitled “ASEAN 2025: Forging Ahead Together.” The ASEAN Economic Community Blueprint 2025 contains further commitments on the part of all ASEAN Member States for deepening economic cooperation in the region. This paper examines implications of the ongoing commitments from the original AEC blueprint and the new commitments in the AEC Blueprint 2025 for Myanmar.

The rest of this paper is organized around the five pillars of the AEC Blueprint 2025. Note that while the paper covers all five pillars, it does not attempt to cover all of topics covered under each pillar. The focus is on topics of particular importance to Myanmar.

Section 2 covers the pillar on a global ASEAN with a focus on the tariff commitments both under ASEAN Free Trade Agreement (AFTA), now the ASEAN Trade

<sup>1</sup> The blueprints are collected, along with the Initiative for ASEAN Integration (IAI) Strategic Framework and IAI Work Plan 2, in the *Roadmap for an ASEAN Community* (ASEAN 2009).

in Goods Agreement (ATIGA), as well as the ASEAN Plus One free trade agreements (FTAs) and the Regional Comprehensive Economic Partnership (RCEP) Agreement negotiations. It shows that Myanmar has already committed to a relatively liberal trade regime to the benefit of consumers and industry, particularly in this era of global value chains.

Section 3 focuses on commitments to form a highly integrated and cohesive economic region. This includes programs such as Myanmar's National Single Window (NSW) and its connection to the ASEAN Single Window (ASW), the National Trade Repository (NTR) and its connection to the ASEAN Trade Repository

(ATR), services trade liberalization, standards, certificates of origin, and Authorized Economic Operators (AEOs), among others.

Section 4 focuses on commitments toward a competitive, innovative, and dynamic ASEAN. These include commitments for competition law, consumer protection, and intellectual property rights. Section 5 focuses on enhanced connectivity and sectoral cooperation, including e-commerce, energy, and transportation. Section 6 focuses on a resilient, inclusive, people-oriented, and people-centered ASEAN, including development of small- and medium-sized enterprises (SMEs). The final section provides conclusions.

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## 2.A GLOBAL ASEAN: FREE TRADE AGREEMENTS

Myanmar has entered into six ASEAN-related free trade agreements. The core agreement is the ASEAN Trade in Goods Agreement (ATIGA) that incorporates the ASEAN Free Trade Area (AFTA) commitments from the 1990s. It covers trade with the other nine ASEAN Member States. In addition, Myanmar has participated in ASEAN's five "Plus One" agreements with China, Japan, Korea, India, and Australia/New Zealand.

These agreements impose significant restrictions on Myanmar's ability to adjust tariff rates, as the 15 FTA countries accounted for 94.5 percent of all imports from 2012-2014.<sup>2</sup> As shown below, tariff rates on the vast bulk of tariff lines are already set to zero in these agreements, with nearly all rates, other than those for alcohol or motor vehicles, at or below 5 percent.

This section does not address services commitments as they are discussed in the following section.

### MYANMAR'S MFN TARIFF STRUCTURE

Myanmar's most-favored nation (MFN) tariff rates, i.e., those tariff rates applied to countries without free trade agreements, range from 0 percent to 40 percent. As noted above, they apply to slightly more than 5 percent of overall trade, assuming that importers claim preferential tariff rates for imports from FTA countries.<sup>3</sup>

The detailed structure of Myanmar's MFN tariff rates is covered in the Economic Reform and Growth Dynamics study on trade and tariffs.<sup>4</sup> Myanmar's unweighted average tariff is 5.5 percent, relatively low for a lesser developed country and quite low for ASEAN (Table 1).

---

**Myanmar's unweighted average tariff is 5.5 percent, relatively low for a lesser developed country and quite low for ASEAN.**

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<sup>2</sup> This almost certainly overstates the degree to which the FTAs could be used to justify preferential rates for imports to Myanmar. Many of the goods shipped from Singapore or other ASEAN Member States may not meet rules of origin requirements for preferential treatment. This would be particularly the case if the goods are simply transhipped in those countries.

<sup>3</sup> Importers do not always file for preferential rates under FTAs when importing eligible goods. The effort to obtain the necessary documentation of origin is sometimes excessive or costlier than simply paying the difference between the preferential duty and the MFN rate. Information on the extent to which Myanmar importers forego preferential duties for these reasons is scarce.

<sup>4</sup> Vu et al. (2016, *forthcoming*).

**TABLE 1: AVERAGE UNWEIGHTED TARIFF RATES IN ASEAN, 2013**

Member State	Tariff Rate	Member State	Tariff Rate
Cambodia	10.9%	Philippines	6.2%
Thailand	9.8%	Myanmar	5.5%
Viet Nam	9.5%	Brunei	2.5%
Indonesia	7.0%	Singapore	0.2%
Malaysia	6.5%	Lao PDR	NA

Source: World Trade Organization, World Tariff Profiles 2013.

The table below provides some insight into the dispersion of MFN tariff rates in Myanmar.

**TABLE 2: NUMBER OF TARIFF LINES AT EACH MFN TARIFF RATE**

Tariff Rate	Lines	Tariff Rate	Lines
40%	58	4%	101
30%	112	3%	813
20%	333	2%	219
15%	1151	1.5%	1219
10%	624	1%	2920
7.5%	625	0.5%	123
5%	877	0.1%	2
		0%	380

Source: Author's calculations.

As noted above, the highest applied tariff rate is 40 percent, which applies to a very limited group of motor vehicles with engines larger than 2000 ccs. This rate also applies to a small number of tariff lines covering alcoholic beverages. Thirty percent rates apply to motor vehicles with smaller engines, alcoholic beverages, tobacco products, certain gems, and other components of jewelry.

Over half of all tariff lines are taxed at 2 percent or less, which may have a revenue impact but will not have any significant impact on trade. Another 25 percent of tariff lines are between

3 percent and 7.5 percent, again relatively modest rates from a trade perspective but ones that may have some implications for trade policy. There is significant scope to simplify Myanmar's MFN tariff rate structure, discussed in a forthcoming discussion paper by Vu et al.

These data suggest that Myanmar's MFN tariff rates are quite low generally, with certain tariff spikes in well-understood areas. As a result, the impact of Myanmar's ASEAN-related FTAs will be focused on those tariff spikes and general efforts at tariff simplification.

### TARIFF RATES UNDER THE ASEAN FREE TRADE AGREEMENT

Myanmar entered ASEAN in 1997 and as part of that process signed on to the ASEAN Free Trade Agreement (AFTA).<sup>5</sup> The broad objective of AFTA was to eliminate nearly all tariffs among ASEAN Member States. Certain sensitive items would be left untouched, but the vast bulk of tariffs were to fall to 0 to 5 percent. The agreement, signed by the six early ASEAN Member States, called for full implementation of tariff reductions by those nations by 2010. The newer ASEAN Member States, including Myanmar, were given to 2015 (with some flexibility to 2018) to reach this level. As of 2015, the original ASEAN-6 had lowered tariffs to zero

on 99.2 percent of tariff lines and the CLMV countries had lowered tariffs to zero on 90.9 percent of tariff lines. This agreement covers 16.7 percent of Myanmar's 2012-2014 imports and 30.6 percent of Myanmar's 2012-2014 exports.

As shown in Table 3 below, 92.6 percent of Myanmar's AFTA tariff lines are at 0 percent and no AFTA tariff is currently higher than 10 percent. The lines at 10 percent are nearly all weapons that almost certainly have significant non-tariff barriers applied to them. Various light manufactured goods bear 5 percent tariffs. Motor vehicles and alcohol from ASEAN Member States are imported with 0 percent tariffs.

As of 2015, the original ASEAN-6 had lowered tariffs to zero on 99.2 percent of tariff lines and the CLMV countries had lowered tariffs to zero on 90.9 percent of tariff lines.

**TABLE 3: NUMBER OF TARIFF LINES AT EACH AFTA TARIFF RATE**

Tariff Rate	Lines	Tariff Rate	Lines
40%	0	2%	11
30%	0	1.7%	1
20%	0	1.5%	95
15%	0	1.1%	1
10%	26	1%	188
7.5%	1	0.8%	2
5%	249	0.75%	7
4%	1	0.5%	19
3.3%	1	0.33%	1
3%	96	0.3%	1
2.5%	9	0.1%	2
		0%	8847

Source: Author's calculations.

<sup>5</sup> AFTA was incorporated into the ASEAN Trade in Goods Agreement in 2009 with little change in the tariff provisions.



The unweighted average AFTA tariff rate is 0.23 percent, effectively the same rate as Singapore's average MFN rate. These rates provide very little room for Myanmar to use tariffs for either trade policy or revenue purposes.

#### TARIFF SCHEDULES UNDER ASEAN PLUS ONE FTAS

ASEAN has free trade agreements with six of its dialogue partners through five agreements. The agreements generally cover goods, services, and investment. This chapter will focus on tariff reduction schedules included in the various agreements. All tables assume that the tariff schedules included in the existing agreements were followed.

##### *Tariff Rates for China*

ASEAN signed a free trade agreement with China in 2002. This was the first of ASEAN's "plus one" FTA agreements. It was also highly significant for most ASEAN Member States as China is ASEAN's largest trading partner. This is particularly true for Myanmar, 41 percent of whose imports were sourced from

China and 46 percent of whose exports went to China (2012 to 2014).

The ASEAN-China FTA phases in Myanmar's tariff reductions from 2009 to 2020. By 2015, Myanmar was committed to reduce tariffs on products with MFN rates of 30 percent or 40 percent to a maximum of 20 percent and had committed to increasing the number of lines with zero tariffs to nearly 9000. Thus motor vehicles from China bear at most 20 percent duties under these commitments, as do alcoholic beverages. Tariffs on a few candy items are also 20 percent. The 15 percent tariff applies to a wide range of lumber products as well as a small number of miscellaneous manufactured goods.

The unweighted average preferential tariff for Chinese goods was scheduled to fall from the MFN rate of approximately 5.5 percent to 1.45 percent. The broad structure of tariffs in 2015 under the ASEAN-China agreement are set out in Table 4 below.

**TABLE 4: NUMBER OF TARIFF LINES AT EACH ASEAN-CHINA TARIFF RATE IN 2015**

Tariff Rate	Lines	Tariff Rate	Lines
40%	0	4%	11
30%	0	3%	370
20%	350	2%	6
15%	298	1.5%	125
10%	26	1%	145
7.5%	17	0.5%	5
5%	360	0.1%	0
		0%	8736

Source: Author's calculations.

---

**Myanmar is committed to reducing its bilateral tariffs for China further by 2020, with the next significant reduction coming in 2018.**

---

Myanmar is committed to reducing its bilateral tariffs for China further by 2020, with the next significant reduction coming in 2018. In that year about one-third of the tariff lines that are 5 percent or lower will be dropped to zero and the unweighted average tariff will fall slightly to 1.34 percent.

The next major reduction in tariffs comes in 2020. That year, all tariffs above 5 percent are reduced to no more than 5 percent. With these tariff reductions the unweighted average preferential tariff for China will fall to 0.54 percent. The final committed tariff structure is set out in Table 5.

**TABLE 5: NUMBER OF TARIFF LINES AT EACH ASEAN-CHINA TARIFF RATE IN 2020**

Tariff Rate	Lines	Tariff Rate	Lines
40%	0	4%	0
30%	0	3%	355
20%	0	2%	0
15%	0	1.5%	104
10%	0	1%	42
7.5%	0	0.5%	2
5%	865	0.1%	0
		0%	9081

Source: Author's calculations.

##### *Tariff Rates for Japan*

ASEAN signed a free trade agreement with Japan in 2008, which accounts for 6.5 percent of Myanmar's imports and 5.4 percent of Myanmar's exports from 2012 through 2014. Pursuant to this agreement, Myanmar has committed to reducing its tariffs progressively through 2026. The actual reductions are fairly modest to date with the most recent tariff reductions implemented in 2014. Data limitations preclude developing tables that comprehensively summarize the reductions. Qualitatively, there are only limited reductions in tariff rates through 2014. The vast majority of tariff lines with rates in excess of 20 percent were excluded from the agreement, and goods bearing a tariff rate of

20 percent were only reduced to 15 percent in 2014. They will be reduced further to 10 percent in 2019. Commodities with tariff rates below that were not reduced in 2014, and only commodities with 15 percent tariffs and 7.5 percent tariffs today will be reduced in 2017 to 10 percent and 5 percent respectively. Only the 380 commodities carrying 0 percent tariffs under the MFN tariff rates are at 0 percent from 2014 to 2021 when more significant reductions will be implemented. The main impact of this agreement is to set a ceiling on any increases in existing tariff rates.

##### *Tariff Rates for Republic of Korea*

ASEAN signed a free trade agreement with the Republic of Korea in 2004, which accounts for 5.2 percent of

Myanmar's imports and 3.3 percent of Myanmar's exports from 2012 through 2014. Scheduled tariff reductions began in 2007 and end in 2018, though the vast bulk of reductions are scheduled to be complete by 2017.

Under the Korea agreement, Myanmar has identified 593 tariff lines as highly sensitive and thus

not subject to any tariff reductions. These include a range of high tariff items, with a focus on motor vehicles and alcoholic beverages, but also include lower tariff items such as cosmetics, foodstuffs, and some light manufactured goods. Thus, key 30-40 percent tariffs on imports from Korea will remain in place at the end of the phase-in of tariff reductions.

**Key 30-40 percent tariffs on imports from Korea will remain in place at the end of the phase-in of tariff reductions.**

**TABLE 6: NUMBER OF TARIFF LINES AT EACH ASEAN-KOREA TARIFF RATE IN 2015**

Tariff Rate	Lines	Tariff Rate	Lines
40%	53	4%	95
30%	68	3%	662
20%	20	2%	178
15%	89	1.5%	1069
10%	111	1%	2649
7.5%	45	0.5%	121
5%	2772	0.1%	2
		0%	315

Source: Author's calculations.

From 2007 to 2015, the average unweighted tariff rate under this agreement was scheduled to fall to 3.48 percent from a 5.52 percent base rate. The bulk of items with tariffs at 10 percent or above are highly sensitive products. Products bearing 40 percent tariffs are nearly all motor vehicles and alcoholic beverages. Products bearing 30 percent are motor vehicles, alcoholic beverages, and tobacco products. Tariffs of 20 percent apply to cosmetics, shampoos,

and a few miscellaneous goods. Table 6 above summarizes the scheduled tariff distribution by the end of 2015.

The next significant tariff reduction is scheduled for 2017 when the vast bulk of items at 5 percent or below are reduced to zero, with further minor changes in 2018. Table 7 sets out the distribution of tariff lines under this agreement by the end of 2018.

**TABLE 7: NUMBER OF TARIFF LINES AT EACH ASEAN-KOREA TARIFF RATE IN 2018**

Tariff Rate	Lines	Tariff Rate	Lines
40%	53	4%	21
30%	68	3%	199
20%	20	2%	26
15%	89	1.5%	236
10%	111	1%	266
7.5%	45	0.5%	7
5%	251	0.1%	0
		0%	6857

Source: Author's calculations.

With these changes, the unweighted average tariff rate under the Korea agreement will fall to 1.22 percent. This somewhat higher rate reflects the retention of a number of items at tariff rates of 7.5 percent or above.

#### **Tariff Rates for India**

ASEAN signed the agreement on trade in goods with India in 2009, which accounts for 3 percent of Myanmar's imports and nearly 10 percent of Myanmar's exports from 2012-2014. The India agreement differs from the other agreements in having a large exclusion list. Myanmar excluded 1813 tariff lines from the reductions in the agreement. These lines include nearly all of the high tariff (30-40 percent) motor vehicle and alcoholic beverage lines. As a result, the high end of the tariff distribution is not as affected as in the China and AFTA agreements. The excluded items also include over 1,000 tariff lines with tariffs of 0-5 percent. Another complication in the tariff reduction schedule that is unique to the India agreement is

that there are often changes of one percent from year to year. Thus a commodity with a tariff rate of 20 percent in one year could have its tariff reduced to 19 percent in the following year and to 18 percent the year after. This makes for a much more complicated set of tariff rates under this agreement.

Table 8 on the following page summarizes the Indian FTA tariffs that were to have gone into effect in 2015. The reductions result in an unweighted average tariff rate of 4.85 percent, a much more modest tariff reduction than scheduled in the China agreement though larger than in the Australia/New Zealand agreement. With autos and alcoholic beverages excluded from the tariff reductions, the main tariff reductions came in the tariff lines bearing 10-20 percent tariff rates. These covered over 2,300 tariff lines over a wide spectrum of products but included a large number garments and manufactured goods. However, only a few items have tariffs of zero.

**TABLE 8: NUMBER OF TARIFF LINES AT EACH ASEAN-INDIA TARIFF RATE IN 2015**

Tariff Rate	Lines	Tariff Rate	Lines
40%	150	7.5%	927
30%	202	6%	138
21%	15	5%	1207
20%	34	4%	675
15%	172	3%	1050
14%	297	2%	234
12%	491	1.5%	1464
11%	45	1%	3234
10%	154	0.5%	143
9%	0	0.1%	2
8%	69	0%	404

Source: Author's calculations.

Table 9 sets out the distribution of tariffs in 2020. By this point the only remaining high tariff items are the excluded list commodities, and the over 60 percent of tariff lines are now zero. The unweighted average tariff rate falls to 2.66 percent

Additional tariff reductions are scheduled between 2021 and 2024 that reduce the unweighted average tariff

to 2.17 percent. This is much higher than under the China agreement, due to the exclusion of a wide range of high tariff items, and significantly higher than average tariff under the Australia/New Zealand agreement. This reflects the limited ambition that is exhibited broadly throughout the ASEAN-India agreement. The final distribution of tariffs is set out in Table 10.

**TABLE 9: NUMBER OF TARIFF LINES AT EACH ASEAN-INDIA TARIFF RATE IN 2020**

Tariff Rate	Lines	Tariff Rate	Lines
40%	150	7.5%	439
30%	202	6%	0
21%	0	5%	592
20%	33	4%	48
15%	108	3%	316
14%	0	2%	38
12%	0	1.5%	423
11%	0	1%	1063
10%	131	0.5%	22
9%	1	0.1%	0
8%	584	0%	6957

Source: Author's calculations.

**TABLE 10: NUMBER OF TARIFF LINES AT EACH ASEAN-INDIA TARIFF RATE IN 2024**

Tariff Rate	Lines	Tariff Rate	Lines
40%	150	7.5%	140
30%	202	6%	0
21%	0	5%	837
20%	33	4%	48
15%	108	3%	294
14%	0	2%	34
12%	0	1.5%	423
11%	0	1%	985
10%	116	0.5%	22
9%	0	0.1%	0
8%	0	0%	7715

Source: Author's calculations.

**The ASEAN-Australia/New Zealand FTA was the last ASEAN Plus One FTA and is generally viewed as the most modern and effective.**

**Tariff Rates for Australia/New Zealand**

ASEAN signed a free trade agreement with Australia and New Zealand in 2009. These two countries account for less than 1 percent of Myanmar's exports and imports. The ASEAN-Australia/New Zealand FTA was the last ASEAN Plus One FTA and is generally viewed as the most modern and effective. Scheduled tariff reductions under this agreement run through 2025 and decline more slowly than under the China agreement.

While modest tariff reductions were scheduled prior to 2015, such as a large number of garments that had tariffs of 20 percent and saw reductions to 15 percent in 2011, the larger change occurred this past year. In 2015, the bulk of wood product, textile, and garment lines, along with some light manufactures, that had tariffs of 15 percent were reduced to 10 percent or 8 percent. The unweighted preferential tariff for goods from Australia and New Zealand fell slightly to 5.3 percent (from 6.16 percent at the beginning<sup>5</sup>). Table 11 displays the distribution of scheduled tariffs on Australian and New Zealand imports in 2015.

<sup>5</sup>This is higher than the MFN unweighted average because this FTA includes more tariff lines at higher rates.

**TABLE 11: NUMBER OF TARIFF LINES AT EACH ASEAN-AUSTRALIA/NEW ZEALAND TARIFF RATE IN 2015**

Tariff Rate	Lines	Tariff Rate	Lines
40%	150	4%	121
30%	218	3%	971
20%	99	2%	223
15%	377	1.5%	1466
10%	1503	1%	3216
8%	349	0.5%	144
7.5%	764	0.1%	2
5%	1026	0%	405

Source: Author's calculations.

The next change in the tariff structure for these FTA partners is scheduled for 2017 when tariffs on over 2,000 lines with tariffs currently between 7.5 percent and 10 percent will be reduced to 5 percent. This covers a wide range of manufactured goods as well as garments and textiles. Then in 2018, 70 tariff lines for motor vehicles and one tariff line for alcoholic beverages will be reduced from 40 percent to 30 percent.

In 2020 a more significant set of tariff reductions are scheduled. Nearly 7,400 lines with tariffs currently at 5 percent or lower will be reduced to 0 percent. At the same time 178 lines that have tariffs of 30 percent (primarily on autos and jewelry) will be reduced to 20 percent. This will have a significant impact on the unweighted average tariff which will fall to 2.64 percent. Table 12 sets out the distribution of tariffs in 2020.

**TABLE 12: NUMBER OF TARIFF LINES AT EACH ASEAN-AUSTRALIA/NEW ZEALAND TARIFF RATE IN 2020**

Tariff Rate	Lines	Tariff Rate	Lines
40%	79	4%	9
30%	111	3%	160
20%	271	2%	4
15%	377	1.5%	217
10%	151	1%	129
8%	0	0.5%	10
7.5%	141	0.1%	0
5%	1576	0%	7799

Source: Author's calculations.

Additional tariff reductions are scheduled between 2021 and 2024 that will reduce the unweighted

average tariff to 1.18 percent. The final distribution of tariffs is set out in Table 13.

**TABLE 13: NUMBER OF TARIFF LINES AT EACH ASEAN-AUSTRALIA/NEW ZEALAND TARIFF RATE IN 2024**

Tariff Rate	Lines	Tariff Rate	Lines
40%	79	4%	7
30%	111	3%	105
20%	0	2%	4
15%	10	1.5%	71
10%	60	1%	70
8%	0	0.5%	4
7.5%	4	0.1%	0
5%	1040	0%	9469

Source: Author's calculations.

Tariffs on some motor vehicles, predominantly larger vehicles, and some alcoholic beverages remain at 40 percent; tariffs on medium sized vehicles, tobacco products, and some alcoholic beverages remain at 30 percent; a small number of light manufactured goods are covered by 15 percent tariffs; and some manufactured goods and fish are at 10 percent. By 2024, 9,469 tariff lines will be at 0 percent.

#### **ADDITIONAL FTAS: RCEP AND BEYOND**

ASEAN is currently in the process of negotiating the Regional Comprehensive Economic Partnership (RCEP) Agreement that would bring together ATIGA and the five ASEAN Plus One FTAs into a single agreement. The goal of RCEP is to create a comprehensive agreement that would simplify the underlying rules for traders while leading to even further trade reforms. A core objective is to adopt a common set of rules of origin

for all parties that would allow for accumulation of value-added across all member countries to make the preferences in the agreement more easily utilized in the modern value chain environment. Another objective is to expand the agreement's coverage to newer trade issues such as labor and the environment.

RCEP negotiations have been slow to start because there is no coherent vision within ASEAN as to the detailed goals of the agreement. In particular, beyond simplifying and combining the rules of origin, there has been little agreement on key issues like the level of ambition to be expected in tariff offers. Recent press reports have indicated that tariff reductions in the early years of the agreements may not be much better than those already committed to under the Plus One FTAs. India's ambition is reportedly limited. Little is publically known about Myanmar's proposed tariff reductions under RCEP. However, as noted above,

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**The goal of RCEP is to create a comprehensive agreement that would simplify the underlying rules for traders while also leading to even further trade reforms.**

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given the relatively comprehensive set of offers already on the table, it will be a challenge for Myanmar to offer significantly more than it already has provided.

ASEAN is currently in negotiations with Hong Kong to develop a sixth Plus One FTA. Those negotiations are expected to be completed in 2016. Given the modest level of trade between Hong Kong and Myanmar, the impact of this agreement will be limited.

Of greater importance would be the prospective ASEAN-EU FTA. Negotiations for such an agreement began in 2006 but were paused in 2009 when the European Union (EU) decided to pursue separate agreements with each ASEAN country. It now has bilateral agreements with Singapore and Viet Nam. However, there is some interest in renewing the ASEAN-EU negotiations, but any agreement in this area would likely take a number of years.

There is generally no expectation that there will be an ASEAN-U.S. FTA. The United States Trade Representative's Office has expressed on a number of occasions that it does not believe that ASEAN is ready to enter into as high quality an agreement as the United States would require. Instead, the United States is generally seeking to encourage certain ASEAN Member States to join the Trans-Pacific Partnership once it has been ratified and enters into effect.

**Action Items:**

- If not completed, implement Myanmar's commitments under the various ASEAN Plus One FTAs by adopting preferential tariff schedules for all agreements.
- Develop a consistent tariff rate policy to be pursued across all FTAs.
- Build the capacity of Myanmar negotiators to actively participate in the RCEP negotiations and other new Plus One negotiations.

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## 3.A HIGHLY INTEGRATED AND COHESIVE ECONOMY

The core of the ASEAN Economic Community Blueprint 2015 is its call for the creation of a single market and production base. This includes the tariff reduction commitments discussed in the previous section along with a number of commitments to trade facilitation, services trade liberalization, investment rule liberalization, and easier movement of skilled labor.

The AEC Blueprint 2025 calls for completion of those commitments and expands upon the accomplishments under the earlier blueprint. This section covers some of the key provisions related to what is now referred to as the commitment to a highly integrated and cohesive economy.

### ASEAN SINGLE WINDOW

Implementation of the ASEAN Single Window (ASW) began before the adoption of the AEC Blueprint 2015. In December 2005, the ASEAN Economic Ministers (AEM) signed the Agreement to Establish the ASEAN Single Window. This agreement called for all ASEAN Member States to develop National Single Windows (NSWs) by 2008 for the ASEAN-6 and by 2012 for the CLMV countries. The purpose of

the NSWs is to allow the electronic submission and processing of trade documents to streamline imports and exports. The NSWs will then be linked by the ASW, which would allow the exchange of trade information among ASEAN Member States to facilitate trade clearance. In December 2006, the ASEAN Finance Ministers signed the Protocol to Establish and Implement the ASEAN Single Window. This agreement set out the basic guidelines for the development of the NSWs and the ASW.

As of the end of 2015, six ASEAN Member States—Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam—had operational NSWs and Brunei's NSW was in final testing. Laos is in the process of developing its NSW through a contract with a private operator. The software to implement the ASW has been developed and is currently being tested by five countries, Indonesia, Malaysia, Singapore, Thailand, and Viet Nam. The system became operational at the end of February 2016, though legal issues may require that the key document being exchanged, the certificate of origin, still be transferred in hard copy through the middle of 2016.<sup>7</sup> In future years

<sup>7</sup>The Protocol for the Legal Framework for the Implementation of the ASEAN Single Window and the Operational Certification Procedures for the certificate of origin will not be fully ratified until later in 2016. Countries are requiring that these two documents be completed before using the electronic data without a hard copy.

the ASW will be expanded in terms of both countries—Brunei and the Philippines are likely to join in 2016—and documents—export data will likely be the next set of information exchanged, though not until 2017.

Myanmar has participated in the ASEAN efforts to implement the ASEAN Single Window and has signed on to all of the relevant agreements. What it has not done is develop its NSW. This effort is contingent upon the completion of the ongoing effort to implement electronic customs procedures.<sup>8</sup> But an NSW is more than just a digital system for customs. It should also include digital and simultaneous submission of all border procedures for importing and exporting goods. Thus the effort to build the NSW involves all line agencies with border responsibilities.

Given that the electronic system for customs is moving forward, it is an opportune time for the government of Myanmar (GOM) to begin outreach to the various other government agencies involved in border clearance and to begin to identify all relevant licenses and permissions that should be included in the NSW. This would include determining whether those licenses and permissions can be obtained online and what steps need to be taken to automate those systems in anticipation of their integration into the NSW. This is a major effort that has generally taken many years in countries that have implemented NSWs, though generally NSWs are developed in a phased approach focusing first on customs, ports, quarantine agencies, and core import licensing.

There is also a need to develop the appropriate legal structure for the implementation of the NSW. The U.S.-ASEAN Connectivity through Trade and Investment (ACTI) regional program has prepared an initial legal gap analysis that provides guidance on what should be done to create a legal structure to implement the Myanmar NSW (Luddy 2014). The study made the following key recommendations:

- Draft and adopt an enabling law that will firmly establish the Myanmar NSW in national law.
- In the enabling law, authorize the access to and sharing of information and data in electronic form between government organizations and the Myanmar NSW and in cross-border transactions (required to participate in the ASW.)
- Address, either directly in the Myanmar NSW law or through regulations developed at the governmental organizations level, the legal issues in the following areas for the operation of the Myanmar NSW:
  - o Data protection, privacy, and information security;
  - o Establish identification, authentication and authorization processes;
  - o Dispute Resolution Processes;
  - o Regulations for the use of electronic documents;
  - o The use of electronic and/or digital signatures;
  - o Electronic archiving of data and information;

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**Myanmar has participated in the ASEAN efforts to implement the ASEAN Single Window and has signed on to all of the relevant agreements. What it has not done is develop its NSW.**

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- o Intellectual property rights and database ownership;
- o Legal agreements for private sector access to the MNSW.
- The Legal and Regulatory Working Group on the Myanmar NSW should focus on these issues and others as determined by the NSW Steering Committee.
- Implement a further National Workshop(s).
- Implement capacity building for both public sector officials and private sector entities involved in the Myanmar NSW.

These recommendations should be further fleshed out and then implemented.

**Action Items:**

- Expand on initial efforts to reach out to line agencies to enable the rapid implementation of the NSW.
- Develop a national strategy for the development of the NSW.
- Amend laws as necessary for the implementation of the NSW/ ASW as described in the NSW legal gap analysis.
- Engage in an active program of outreach to the private sector on the design and implementation of the NSW.

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**The ASEAN Finance Ministers later agreed that the better approach would be for each ASEAN Member State to develop its own National Trade Repository that could then be linked to the ATR.**

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**ASEAN TRADE REPOSITORY**

It is often very difficult to obtain current and clear information on the rules and regulations that apply to import and export of specific goods. One can usually find tariff rates somewhere on the Internet, and various agencies that require licenses for specific types of goods will often have websites setting out their requirements. However, unless

you know what you are looking for it is often difficult to find this kind of information for a specific commodity. This lack of transparency in trade rules is a barrier to trade facilitation globally and in the Southeast Asia region in particular.

In the past, ASEAN had sought to partially address this issue by developing the ASEAN Non-Tariff Measures Database. This database was originally established in 2004 and received inputs from most members, but there was very little updating of the data.

In 2009, as part of the ASEAN Trade in Goods Agreement (ATIGA), ASEAN decided to address this issue. That agreement calls for the establishment of the ASEAN Trade Repository (ATR). ATIGA states that:

The ASEAN Trade Repository shall contain trade related information such as (i) tariff nomenclature; (ii) MFN tariffs, preferential tariffs offered under this Agreement and other Agreements of ASEAN with its Dialogue Partners; (iii) Rules of Origin; (iv) non-tariff measures; (v) national trade and customs laws and rules; (vi) procedures and documentary requirements; (vii) administrative rulings; (viii) best practices in trade facilitation applied by each Member State; and (ix) list of authorized traders of Member States.

While the ATIGA initially called for Member States to provide this information to the ASEAN Secretariat to upload into the ATR, the ASEAN Finance Ministers later agreed that the better approach would be for each ASEAN Member State to develop its own National Trade Repository that could then be linked to the ATR.

<sup>8</sup> Introduction of the Myanmar Automated Cargo Clearance System is currently underway in the Customs Department, expected to be completed in late 2016.

A number of ASEAN Member States have developed NTRs and the ASEAN Regional Integration Support from the EU (ARISE) project has worked with the ASEAN Secretariat to develop the ASEAN Trade Repository portal. As part of the latter effort, an agreement was reached on how the information in the NTRs would be categorized and made accessible so that it can be accessed through the ATR. Myanmar participated in the process by which this agreement was reached and has been provided with training in the implementation of this agreement.

The U.S.-ACTI-Economic Reform Activity (ERA) began working in early 2014 with the Ministry of Commerce to develop the National Trade Portal Myanmar. Software for the portal was obtained from the Laos government and GOM officials were trained in its use. U.S.-ACTI-ERA hired programmers to update and modify the Laotian software and has provided the ministry with computers to use to host the trade portal and support its development. U.S.-ACTI-ERA also provided support for the collection of information to be included in the trade portal. However, this effort was more complicated than expected, and Myanmar was not ready to participate in the launch of the ATR in November 2015. Myanmar's trade portal was officially launched in May 2016.<sup>9</sup> Significant further work will be required to fully populate the National Trade Portal Myanmar and keep it updated.

**Action Items:**

- Complete populating the Myanmar Trade Portal.

- Classify non-tariff measures in the portal in a manner consistent with the requirements of the ASEAN Trade Repository and enable linkages to that regional repository.
- Update regularly the information in the National Trade Portal Myanmar.
- Engage in outreach to other government agencies and the trading community on the use of the portal.

**OTHER TRADE FACILITATION MEASURES FOR GOODS**

While the development of the Myanmar National Single Window and the National Trade Portal are key trade facilitation measures for Myanmar, ASEAN has a much broader program of trade facilitation for goods. This section sets out a number of key issues in this area.

***ASEAN Harmonized Tariff Nomenclature***

To facilitate global trade, the World Customs Organization (WCO) produces the Harmonized System (HS) of international product nomenclature. The HS system provides a global standard for the classification of traded goods, the tariffs applied to them, and trade statistics. The first version of the Harmonized System was adopted in 1988. Since then it has been amended five times; the newest amendment is due to be implemented on January 1, 2017.

The HS system is built around 96 chapters at the two-digit level, for example, Chapter 01 covers live

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**Significant further work will be required to fully populate the National Trade Portal Myanmar and keep it updated.**

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animals. These are divided into hundreds of four-digit headings and slightly over 5,000 lines describing commodities at the six-digit level.<sup>10</sup> Countries are allowed to implement further detailed definitions beyond the six-digit level, but descriptions of goods at the six-digit level are consistent around the world. So while there is consistency at the six-digit level, most national tariff systems have 8,000-11,000 tariff lines at the eight or ten-digit level that are generally inconsistent with those used in other countries. This complicates trade.

In an effort to further facilitate trade in the Southeast Asia region, ASEAN agreed to adopt a consistent set of tariff lines at the eight-digit level. The agreed system is known as the ASEAN Harmonized Tariff Nomenclature or AHTN. The first AHTN was adopted by ASEAN in 2003 to implement the HS 2002. Subsequently, the AHTN has been modified twice to be consistent with the HS 2007 and 2012 revisions.

Over the past two years ASEAN has been preparing new revisions to the AHTN to make it consistent with the 2017 version of the Harmonized System of product nomenclature.<sup>11</sup> All WCO members—Myanmar joined in 1991—are required to implement the new HS system by January 1, 2017. Once the final revisions to the AHTN are completed, Myanmar will need to apply these to the Myanmar tariff code. Drafts are already available

to Myanmar so the work can begin any time. This exercise will be done by the Customs Department and should include fairly extensive public outreach to ensure that the new tariff classifications are well understood by traders.

**Action Items:**

- Amend the Myanmar tariff system to be consistent with AHTN 2017 before January 1, 2017.
- Engage in public outreach to traders to explain the changes in the tariff code.

***Self-Certification of Origin***

The objective of AFTA is to promote intra-ASEAN trade by reducing or eliminating import duties for goods that are produced in ASEAN Member States. AFTA specifies that only goods that meet the requisite rules of origin can qualify for preferential tariff treatment in the importing Member State.<sup>12</sup> If goods fail to meet the rules of origin, such goods will not be accorded preferential tariff concession under AFTA. Currently, origin is certified in the exporting country through a national process that requires the exporter to present documentary evidence of origin to a certifying authority, often but not always a government agency, for the issuance of a physical or electronic certificate. This is often a cumbersome and time-consuming process. Other agreements, such as the North American Free Trade Agreement, permit exporters to self-certify origin.

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**Once the final revisions to the AHTN are completed, Myanmar will need to apply these to the Myanmar tariff code. Drafts are already available to Myanmar so the work can begin any time.**

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<sup>10</sup> For example HS01, Live animals, includes 4-digit categories such as HS0102, Live bovine animals, which is further disaggregated into categories such as HS0102.21.00.10, Male, purebred, breeding, dairy animals, and HS0102.21.00.20, Female, purebred, breeding, dairy animals.

<sup>11</sup> USAID has provided support for the 2007, 2012, and 2017 AHTN revision efforts at the regional level.

<sup>12</sup> For technical information on rules of origin, see the WTO, [https://www.wto.org/english/tratop\\_e/roi\\_e/roi\\_info\\_e.htm](https://www.wto.org/english/tratop_e/roi_e/roi_info_e.htm). Rules of origin are addressed in ATIGA, Chapter 3.



In order to reduce the cost of trading goods within the region, ASEAN launched an initiative to allow exporters to self-certify the origin of goods instead of having to rely on government-appointed agencies to issue certificates of origin. This initiative was launched in 2010 and was expected to be fully implemented in 2015.

However, since this was an untried approach in the region, it was agreed that countries would be allowed to test the process before fully committing to its implementation. As such, the AEM agreed to implement a pilot project on self-certification of origin among interested member countries. The first pilot project became operational on November 1, 2010 with Brunei, Malaysia, and Singapore as participating countries. Thailand joined this group in 2011. In 2012, the AEM also approved another pilot project to be implemented by Lao Peoples' Democratic Republic (PDR), Indonesia, and the Philippines.

The two pilot projects differ significantly. Under Pilot 1, self-certification is open to all exporters irrespective whether they are traders or manufacturers. The self-certification of origin under Pilot 2 project, however, is limited only to manufacturers. The goal then was to implement an ASEAN-wide self-certification system of origin by 2015. Myanmar has decided to join Pilot 1. However, to date Myanmar is the only country that has not completed the internal procedures it needs to participate in the pilot project.

In view of the challenges faced by the ASEAN Member States, the AEM in August 2015, while welcoming the progress in operationalizing the Self-Certification Pilot Projects decided to

postpone the full implementation of the scheme to 2016.

#### **Action Items:**

- Complete Myanmar's internal procedures to implement self-certification of origin and participate in Pilot 1 project.
- Conduct an outreach program for the benefit of the public and private sector to explain rules of origin and the role that self-certification can play in implementing preferential trade agreements.

#### **Authorized Economic Operators**

The Authorized Economic Operator (AEO) Program is an international tool designed to strengthen Customs-Business partnerships, by treating supply chain security as a shared responsibility between customs authorities and players in global trade. It is globally recognized as part of the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade (more commonly known as the WCO SAFE Framework of 2005). Players in global trade are tagged internationally as AEOs. These AEOs could include manufacturers, importers, exporters, brokers, carriers, consolidators, ports, airports, terminal operators, integrated operators, warehouses, and distributors. Under a rewards-based system, the program also aims to encourage AEOs to comply with minimum standards for supply chain security. In essence, the AEO Program ensures protection for the importing country by placing the burden of responsibility on the exporting country.

The World Trade Organization's (WTO) Agreement on Trade Facilitation also calls on countries

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**To date Myanmar is the only country that has not completed the internal procedures it needs to participate in the pilot project.**

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**The Asian Development Bank (ADB) is supporting the Myanmar Customs Department in developing its AEO scheme.**

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to establish authorized operators programs that are very similar to AEOs. Basically, authorized operators are traders that have a good record with customs, strong internal controls, a strong financial record, and strong supply chain security. Such traders are to be given preferential treatment in border transactions.

ATIGA Article 59 calls for the establishment of an AEO program in ASEAN to promote informed compliance and efficiency of customs control. ATIGA also called for ASEAN Member States to work towards mutual recognition of AEOs. The AEO program is also included in the ASEAN Trade Facilitation Work Program (ATFWP) 2009-2015, which is attached to the ATIGA, calling for the adoption of uniform and transparent criteria in granting the status of Authorized Traders/ Authorized Economic Operators to promote trade facilitation. As of January 2009, the customs administrations for Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam had implemented their own national schemes of Authorized Traders/ Authorized Economic Operators on the basis of the WCO Framework of Standards, the Revised Kyoto Convention<sup>13</sup>, and international best practices.

The Asian Development Bank (ADB) is supporting the Myanmar Customs Department in developing its AEO scheme. In July 2015, the ADB organized a 3-day workshop for Myanmar customs officials to develop the scheme, which will allow trade operators with a good record of customs compliance and a solid commercial records management

system to receive a range of trade facilitation benefits, including quicker customs processing. The workshop was the first part of a comprehensive assistance program to develop a voluntary accredited trader scheme that will provide a range of trade facilitation benefits for compliant traders. Through the workshop, customs officials identified accreditation criteria and appropriate trade facilitation measures for AEOs in Myanmar, identified the most appropriate customs management structure for the AEO scheme, and developed a work plan to pave the way for a detailed AEO implementation plan.

The EU ARISE program at the ASEAN Secretariat is also promoting AEO development in the region. Myanmar should take advantage of the support that the EU is offering in this area through this project.

#### **Action Item:**

- Establish an AEO program with support from the ADB, EU and other donors as appropriate.

#### **Standards**

ASEAN has an extensive program in place to both harmonize standards regionally and expand mutual recognitions of standards and conformity testing. Key agreements have been reached covering cosmetics (2003), electrical and electronic equipment (2005), and medical devices (2014). Agreements have also been reached on food safety and are being considered on good manufacturing practices for traditional medicines and health supplements. Myanmar is committed to implementing ASEAN standards

<sup>13</sup>The International Convention on the Simplification and Harmonization of Customs Procedures, known as the Kyoto Convention, went into effect in 1974. The Revised Kyoto Convention entered into force in 2006 and provides a modern set of rules to promote trade facilitation in customs procedures.

agreements, thus creating a built-in agenda on regulatory reform in these sectors. The sections that follow address some of the implementation issues for these agreements.

### **Standards Development and Conformity Assessment**

The AEC Blueprint 2025 includes commitments to improve and upgrade systems for standards development and conformity assessment throughout the region. Specifically, it calls for:

- Programs to upgrade the technical capacity and physical infrastructure for effective and efficient conformity assessment regimes;
- Effective measures for transparency and communication on country-specific requirements;
- Embedding good regulatory practices in the preparation, adoption, and implementation of standards and conformance rules, regulations, and procedures; and
- Strengthening public-private partnership in designing, monitoring, reviewing, and updating standards and conformance regimes.

While it is unlikely that ASEAN will adopt specific commitments in these areas, these principles fit well with the ongoing efforts in the Ministry of Science and Technology to improve Myanmar's standards regime.

### **ASEAN Medical Devices Directive**

Over the past six years, the ASEAN Medical Devices Product Working

Group, now the ASEAN Medical Devices Committee, has developed the ASEAN Medical Devices Directive (AMDD).<sup>14</sup> This document sets out a common approach to the regulation of medical devices. This common approach is based on international best practices as set out by the Global Harmonization Task Force. So far, no country has fully implemented the AMDD.

In order to implement the AMDD, Myanmar will need to adopt a regulatory program for medical devices that implements the AMDD's risk management approach to registration and its classification system. Myanmar will also need to adopt the agreed Essential Principles of Safety and Performance of Medical Devices, as well as the ASEAN Common Submission Dossier Template, the ASEAN Post Marketing Alerts System Requirements, and Components/ Elements of a Product Owner's or Physical Manufacturer's Declaration of Conformity.

The Myanmar Food and Drug Administration has begun developing a law to implement the AMDD. Completing this law and developing the necessary regulatory capacity will be a multiyear effort.

#### **Action Items:**

- Ratify the AMDD.
- Prepare draft legislation and regulations to implement the AMDD.
- Train Food and Drug Administration staff in the implementation of the AMDD's rules.

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**Myanmar is committed to implementing ASEAN standards agreements, thus creating a built-in agenda on regulatory reform.**

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- Support outreach to the private sector regarding the implementation of the registration requirements.

### **ASEAN Cosmetics Directive**

The ASEAN Harmonized Cosmetic Regulatory Scheme (AHCRS) was signed in 2003 and was to go into effect on 1 January 2008.<sup>15</sup> Under this common scheme countries are ultimately required to implement the ASEAN Cosmetic Directive (ACD) which eliminates pre-market product registration and substitutes a post-market surveillance model for cosmetics. Until countries adopted the ACD approach, they were to implement the ASEAN Cosmetic Product Registration Requirements and recognize registration in other countries. Countries had to comply with the ASEAN Technical Documents on Cosmetic Product Registration Requirements, the ASEAN Cosmetic Labeling Requirements, the ASEAN Cosmetic Claims Guidelines, and the ASEAN Cosmetics Good Manufacturing Practices (GMP), as well as annexes of prohibited and restricted ingredients.

As of July of 2015, Myanmar had not implemented either the ACD or the ASEAN Cosmetic Product Registration Requirements.<sup>16</sup> Thus Myanmar, likely through its Food and Drug Administration, should draft new laws and regulations in this area. It would also then be necessary to create the necessary government body to handle post-market surveillance.<sup>17</sup>

<sup>15</sup> The AHCRS and related documents can be found at [http://www.asean.org/?static\\_post=agreement-on-the-asean-harmonized-cosmetic-regulatory-scheme-phnom-penh-2-september-2003](http://www.asean.org/?static_post=agreement-on-the-asean-harmonized-cosmetic-regulatory-scheme-phnom-penh-2-september-2003).

<sup>16</sup> Baker & McKenzie, Wong & Leow (2015).

<sup>17</sup> As defined by the U.S. Food and Drug Administration, "post-market surveillance" refers to the monitoring of the safety and effectiveness of medical devices once they are on the market.

<sup>18</sup> The ASEAN Harmonized Electrical and Electronic Equipment Regulatory Regime can be found at: [http://www.asean.org/?static\\_post=agreement-on-the-asean-harmonized-electrical-and-electronic-equipment-eee-regulatory-regime-kuala-lumpur-9-december-2005-2](http://www.asean.org/?static_post=agreement-on-the-asean-harmonized-electrical-and-electronic-equipment-eee-regulatory-regime-kuala-lumpur-9-december-2005-2).

Although this would be a major effort on the part of the GOM, probably taking years to implement fully, it would be beneficial to consumers and ultimately producers.

#### **Action Items:**

- Prepare draft legislation and regulations to implement the ASEAN Cosmetics Directive.
- Train Food and Drug Administration staff in the implementation of the ACD, particularly post-market surveillance.
- Engage in outreach to the private sector regarding the implementation of the ACD.

### **ASEAN Harmonized Electrical and Electronic Equipment Regime**

In 2005, ASEAN adopted the ASEAN Harmonized Electrical and Electronic Equipment (EEE) Regime.<sup>18</sup> Until it adopted a new law on electrical equipment safety in 2014, Myanmar did not have any regulatory regime for these products. The new law does provide an opportunity for Myanmar to begin to establish the regulations and institutions needed to implement the Harmonized EEE Regime.

In March of 2015, the EU ARISE project organized a workshop to help Myanmar authorities to better understand the opportunities that the new law creates, best practices in the region, and the Harmonized EEE

Regime. EU ARISE has committed to continue to support development of Myanmar's electrical equipment safety law.

**Action Item:**

- Develop the regulations and institutions necessary to participate in the Harmonized EEE Regime. EU support is likely available for this effort.

**Prepared Food Products**

Myanmar is in the process of developing a new law on food safety. This law will incorporate international best practices, but will also have to incorporate a range of principles and guidelines that have been adopted by ASEAN.

Over the past several years, ASEAN's Product Working Group on Prepared Foodstuffs has been developing standards for the prepared food industry in the region. These include:

- ASEAN Guidelines on Harmonization of Standards; and
- ASEAN Common Food Control Requirements comprising:
  - o ASEAN Guidelines for Food Import Control Systems
  - o ASEAN Guidelines for the Design, Operation, Assessment, and Accreditation of Food Import and Export Inspection and Certification
  - o ASEAN Principles and Guidelines for National Food Control Systems
  - o ASEAN Principles for Food Import and Export Inspection and Certification
  - o ASEAN General Principles and Requirements of Food Hygiene.

Furthermore, the ASEAN Food Safety Policy has been finalized and is awaiting final endorsement by the ASEAN Ministers of Agriculture and Forestry, Ministers of Health, and Economic Ministers.

**Action Item:**

- Ensure that the ongoing drafting of the new food safety law takes into account the various ASEAN guidelines and principles relating to food products.

**Pharmaceuticals**

ASEAN has an ambitious effort to simplify the registration of new pharmaceutical products across the region. This has led to the adoption of the ASEAN Common Technical Dossier which simplifies approval of new drugs in the region by setting out common standards for the information that must be submitted for approval. This is combined with the ASEAN Common Technical Requirements, which set out common standards for quality, safety, and efficacy. The Myanmar Food and Drug Administration has implemented the Common Technical Dossier.

The Pharmaceutical Product Working Group of the ASEAN Coordinating Committee on Standards and Quality has also adopted the ASEAN Mutual Recognition Arrangement (MRA) on GMP Inspection for Manufacturers of Medicinal Products. Currently inspection services in Indonesia, Malaysia, Singapore, and Thailand are recognized under this MRA. Myanmar should consider what steps it must take to get its inspection service to the level of quality to be accepted under the MRA. This would likely be a multiyear effort requiring significant external technical assistance, but it would support the

ability of Myanmar firms to export pharmaceuticals to other ASEAN countries while protecting citizens from problems with domestically produced drugs.

The Pharmaceutical Product Working Group is also actively pursuing a number of other agreements. Myanmar should be an active participant in these discussions.

**Traditional Medicines and Health Supplements**

ASEAN is in the process of developing good manufacturing practices guidelines for traditional medicines and health supplements. Once they are adopted, Myanmar will need to engage in extensive outreach to its traditional medicines and health supplement companies, many of which are likely SMEs, to ensure compliance with the guidelines. As the guidelines are not yet complete, the immediate action would be for Myanmar to both actively participate in the Traditional Medicines and Health Supplements Product Working Group of the ASEAN Coordinating Committee on Standards and Quality activities, and encourage active participation by the private sector through the regional advocacy groups to ensure that the GMP guidelines are implementable in Myanmar.

**Action Item:**

- Actively participate in the Traditional Medicines and Health Supplements Product Working Group's ongoing efforts to develop the good manufacturing practices guidelines and be prepared to implement them once they are adopted.
- Transpose the Guidelines into Myanmar's traditional medicines

and health supplements regulations.

- Implement outreach activities to the private sector, particularly SMEs, regarding the development and implementation of the good manufacturing practices guidelines.

**SERVICES**

Services are a vital component of all economies, including those in ASEAN. While developing countries generally have smaller services sectors than developed economies, service sector growth is a critical component of overall GDP growth for both groups of countries. Services are important not only in their own right, but also as vital inputs into the production of goods and other services. Thus, services have very substantial effects on an economy's efficiency. Empirical evidence increasingly shows that services trade and associated foreign investment liberalization, along with related deregulatory and, where appropriate, regulatory practices, are essential to improving an economy's productivity and competitiveness. As such, trade and related reforms to services must be an essential ingredient of each ASEAN economy's microeconomic reform agenda. Without this, the AEC's success will be severely limited.

For these reasons, the free flow of services is a key component of the AEC. However, compared with liberalization of trade in goods, the progress made in liberalizing trade in services has not been impressive. As will be discussed below, there have been nine rounds of services commitments made under the ASEAN Framework Agreement on Services and one more will be completed shortly. However, in many instances the commitments simply

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**Trade and related reforms to services must be an essential ingredient of each ASEAN economy's microeconomic reform agenda.**

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restated existing trade barriers; where the commitments do include reforms, implementation around the region has been limited. There is also an unfinished agenda of services trade reforms in the ASEAN Plus One FTAs. These unfinished agendas should be completed.

ASEAN has compiled an inventory of barriers to trade in services (similar to the ASEAN non-tariff measures database) to enhance transparency and identify limitations that need to be removed to achieve effective services liberalization. The inventory has been uploaded online for traders' reference.

But ASEAN is not just focused on completing its past agenda. In view of the high importance of services liberalization for ASEAN integration and ASEAN's competitiveness, ASEAN is committed to further deepening reforms in trade in services through a new ASEAN Trade in Services Agreement and the RCEP. These activities will be discussed below.

#### ***ASEAN Framework Agreement on Services***

Recognizing the importance of intra-ASEAN integration in the services sector, the AEM signed the ASEAN Framework Agreement on Services (AFAS) in 1995. Under AFAS, Member States have engaged in successive rounds of negotiations to liberalize trade in services resulting in nine packages of commitments.<sup>19</sup> These include a wide range of services sectors, such as business and professional services, construction, distribution, education, environmental services,

healthcare, maritime transport, telecommunications, and tourism. In addition to these AFAS packages, there have also been five packages of financial services commitments signed by ASEAN Finance Ministers and seven packages for air transport services signed by ASEAN Transport Ministers.

It is beyond the scope of this paper to examine the extent of Myanmar's commitments and whether they have been implemented, but the GOM should conduct such an assessment as part of its preparations for the ASEAN Trade in Services Agreement negotiations.

#### **Action Items:**

- Review existing commitments under AFAS to ensure that all are implemented and to establish a baseline for subsequent negotiations.
- If not already complete, prepare and submit Myanmar's tenth package of commitments under AFAS.

#### ***ASEAN Trade in Services Agreement***

ASEAN is now looking towards the continuation of services liberalization beyond 2015. To this end, a new trade in services agreement, structured along the lines of the ASEAN Trade in Goods Agreement and the ASEAN Comprehensive Investment Agreement, may be necessary. In fact, the Coordinating Committee on Services (CCS) has conducted two rounds of negotiations to draft the new ASEAN Trade in Services Agreement (ATISA) to replace AFAS. The ATISA is expected to be concluded by the end of 2016.

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### **ASEAN is committed to further deepening reforms in trade in services through a new ASEAN Trade in Services Agreement and the RCEP.**

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A study undertaken by the USAID ASEAN economic integration support program (ACTI), presented to the CCS in 2015, recommends incorporating the following items, among others, into the new agreement in order to build upon and improve the foundation of the AFAS model, which builds off of the WTO General Agreement on Trade in Services:

- ASEAN should set ambitious targets for liberalization; and while the make-up of ASEAN may necessitate different levels of commitment for countries at different levels of development, this should be limited, clear, and transparent.
- While ASEAN has not favored backloading commitments, i.e., only committing to actions in the far future, it should ascertain whether phase-in commitments can be used in appropriate circumstances to further integrate and expand market access opportunities.
- ASEAN should also ensure that the ATISA contains an MFN clause guaranteeing that AMS receive the most-favored-treatment, even if an individual AMS negotiates a separate FTA with another country or countries.
- Market access should be substantial, and the ATISA should ensure that commitments go beyond the existing regulatory standard. In other words, AMS should not be allowed to do less than applied regulations. While this could be subject to some exceptions, they should be clear, transparent, and limited.
- Ideally, commitments will be subject to continuous expansion

and also cover future services, subject to certain exceptions as scheduled.

- The ATISA should also feature strongly worded clauses on transparency. It should also make a genuine attempt to strengthen regulatory coherence and MRAs in order to improve the efficiency of services and opportunities for traders.
- The ATISA should have clearly stated and carefully designed rules of origin.
- ASEAN may consider having the ATISA cover government procurement of services.
- ASEAN may want to consider using emergency safeguards in the ATISA, but it should be careful in doing so.
- To achieve the objectives set out in the AEC Blueprint 2025 and countless other documents, ASEAN must move beyond the traditional positive list approach to scheduling commitments. i.e. only making commitments in specifically mentioned sectors. A negative list approach, i.e. where liberalization commitments are made in all sectors unless specific exceptions are listed, can lead to greater liberalization.
- Regardless of scheduling approach, the ATISA must ensure that information regarding reservations to commitments is available to governments and traders; transparency and predictability in itself can lead to greater efficiencies and economic growth.
- If the negative list approach is not adopted, ASEAN may wish to consider using one of the hybrid formats being developed,

<sup>19</sup>The first eight packages can be found at: [http://www.asean.org/?static\\_post=member-countries-horizontal-commitments-schedules-of-specific-commitments-and-the-list-of-most-favoured-nation-exemptions](http://www.asean.org/?static_post=member-countries-horizontal-commitments-schedules-of-specific-commitments-and-the-list-of-most-favoured-nation-exemptions).

or developing its own format for scheduling. Adopting a non-binding transparency list is the smallest step beyond the positive list, but even it can have benefits.

It is imperative that the ATISA be a forward looking and modern agreement that meets the needs of all members and contributes positively to economic growth and integration. This is the key to the success of the agreement and should be at the core of the negotiations. The ultimate objective of the ATISA should be to place its members in a preferred position compared to external parties to all other agreements negotiated by individual member states. This will require a certain level of political will and commitment as well as adjustments to the domestic regulatory framework of all ASEAN members, but this is necessary to fulfill the promise of the AEC Blueprint 2025 and contribute to the economic growth and success of a fully functional and integrated economic community.

#### Action Items:

- Myanmar services negotiators should be trained in the new ideas and areas proposed to be incorporated into ATISA.
- Assess whether Myanmar's services commitments under AFAS have been implemented and take action to implement any remaining commitments.

#### ASEAN Plus One FTAs

The various ASEAN Plus One FTAs have different degrees of ambition on trade in services. Only the FTA with Australia and New Zealand included services in its original FTA. There is still no services agreement with Japan. China (2007), Korea (2007),

and India (2014) signed subsequent agreements on services trade liberalization with ASEAN. In each of those cases, as well as the Australia/New Zealand agreement, ASEAN Member States submitted first packages of commitments along with the agreements. Myanmar's packages can be found at the following URLs:

Australia/New Zealand: <http://www.asean.org/wp-content/uploads/2012/05/22283.zip>

China: 1st Package: <http://www.asean.org/storage/images/archive/documents/acfta/TIS/SC1.zip>

China: 2nd Package: <http://www.asean.org/storage/images/archive/documents/acfta/TIS/SC2.zip>

Korea: <http://www.asean.org/storage/images/archive/22557-AKTIS-Annex-Myanmar.pdf>

The India document is not yet publicly available.

It is beyond the scope of this paper to analyze these commitments. However, ensuring that they are all consistent with each other and with the commitments under AFAS will be important as Myanmar negotiates its participation in the RCEP and ATISA.

Looking forward, the major platform for negotiations of Plus One FTAs will be the RCEP negotiations. Those have been ongoing for three years and are now scheduled to be completed in 2016. Services are part of the RCEP negotiations and a chapter on services will be included in the agreement. The final outline of that chapter and the level of commitments that will be offered are still under negotiation.

#### Action Item:

- Complete a comprehensive review of existing services commitments

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**The ultimate objective of the ATISA should be to place its members in a preferred position compared to external parties to all other agreements negotiated by individual member states.**

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to prepare for the RCEP and ATISA negotiations.

#### MOVEMENT OF SKILLED LABOR

Consistent with AEC Blueprint section on Movement of Skilled Labor, ASEAN agreed to establish a Movement of Natural Persons (MNP) agreement to facilitate movement of natural persons engaged in trade in goods, services, and investments. The ASEAN MNP Agreement was signed by the ASEAN Economic Ministers in November 2012.<sup>20</sup> Myanmar has made commitments under this agreement.<sup>21</sup> The commitments provide a roadmap for the entry of individuals in a wide range of professions.<sup>22</sup>

ASEAN has also established MRAs for selected professions:

- Engineering
- Nursing services
- Architecture
- Land surveying
- Accountancy services
- Dental practitioners
- Medical practitioners

Discussions are ongoing to expand this list of MRAs, particularly in tourism.

#### Action Items:

- Develop programs to help Myanmar citizens take advantage of the existing MRAs.

<sup>20</sup>This agreement can be found at: <http://www.asean.org/wp-content/uploads/images/2013/economic/ASEAN%20MNP%20Agreement.pdf>.

<sup>21</sup>These that can be found at: [http://www.asean.org/wp-content/uploads/images/2013/economic/asean\\_mnp\\_agreement/ASEAN%20MNP%20Schedule%20-%20Myanmar.pdf](http://www.asean.org/wp-content/uploads/images/2013/economic/asean_mnp_agreement/ASEAN%20MNP%20Schedule%20-%20Myanmar.pdf).

<sup>22</sup>These agreements can be found at <http://www.asean.org/asean-economic-community/sectoral-bodies-under-the-purview-of-aem/services/agreements-declarations/>.

<sup>23</sup><http://agreement.asean.org/media/download/20140119035519.pdf>.

- Examine existing laws to determine if they are consistent with the MRAs and take the necessary steps to adjust laws and regulations as needed.

#### INVESTMENT

ASEAN is committed to enabling the free flow of investment in the region. The first broad agreement on investment was the ASEAN Agreement for the Promotion and Protection of Investments from 1986. This was supplemented by the ASEAN Investment Guarantee Agreement in 1987. These agreements were expanded upon by the Framework Agreement on the ASEAN Investment Area, signed in 1998 in the aftermath of the Asian Financial Crisis. This agreement called for national treatment of all regionally-based foreign direct investment other than in those sectors identified on country Temporary Exclusion Lists and Sensitive Lists.

In 2009, these agreements were superseded by the ASEAN Comprehensive Investment Agreement (ACIA).<sup>23</sup> Beyond the protection offered to regional investors through ACIA, ASEAN's Plus One FTAs generally have included investment provisions that create separate investment agreements for investors from the FTA countries. This section briefly discusses Myanmar's commitments to ASEAN and its FTA partners on investment.

### ***ASEAN Comprehensive Investment Agreement***

Under the ASEAN Comprehensive Investment Agreement (ACIA), each ASEAN Member State is committed to offering national treatment to regional investors in all sectors not included in a country's list of excluded sectors, its reservation list. Myanmar placed limits on investment in a range of sectors under this agreement including preparation of alcoholic beverages, manufacture of cigarettes, manufacture of soft drinks, manufacture of pharmaceuticals, mining, oil and gas production and refining, and newspaper publishing, among others.<sup>24</sup>

ACIA also includes provisions for the resolution of disputes with investors. The dispute resolution system allows investors to initiate arbitration, after consultations, for any losses that arise from the violation of any of the rights created under ACIA. Looking forward, ACIA included a provision requiring an evaluation as to whether additional provisions should be included in the agreement relating to performance requirements. No decision has yet been made whether to modify the current reliance on the WTO performance requirement provisions. ACIA also requires ASEAN Member States to progressively reduce investment restrictions.<sup>25</sup> The AEC Blueprint 2025 does not expand the existing work program on investment.<sup>26</sup>

### ***ASEAN Plus One FTAs***

Similar to what it has done regarding services, ASEAN has entered into investment agreements under four of its five FTAs (the exception is the Japan agreement). These agreements primarily focus on the resolution of investment disputes and have independent dispute settlement provisions. A study by the US-ACTI program found that these dispute settlement provisions varied across agreements and could lead to forum shopping by investors (Desierto 2015). The report called for an effort by ASEAN to develop a consistent set of dispute settlement procedures to improve certainty for investors and to further protect the rights of ASEAN Member States.

#### **Action Item:**

- Review Myanmar's FTAs, including any bilateral FTAs and bilateral investment treaties, to determine the degree to which the terms are consistent and develop a roadmap for future FTA negotiations.

### **FINANCIAL INTEGRATION, INCLUSION, AND STABILITY**

ASEAN has a well-developed program to support financial integration. This effort was given special impetus by the Asian Financial Crisis but efforts at financial integration predate that event. The items below cover the three specific focus areas on financial markets under

the AEC 2025 Blueprint. In addition to those three areas, the new blueprint calls for continued capital account liberalization, improved regional payment systems, and greater capacity building, particularly for the lesser developed regions.

#### ***Financial Integration***

The AEC Blueprint 2025 does not introduce significant new initiatives in financial integration. Instead, it focuses on continued implementation of existing activities. These include further liberalization of trade in financial services through the ATISA initiative; expanded utilization of the ASEAN Banking Integration Framework (ABIF) (2015) to allow banks that meet the Framework's standards to be deemed Qualified ASEAN Banks<sup>27</sup> to operate regionally; and further implementation of the ASEAN Insurance Integration Framework, the ASEAN Capital Markets Infrastructure Blueprint, and the ASEAN bond market activity. While efforts in most of these areas have been ongoing for a number of years, progress has been limited outside of a few more developed countries. Significant effort will be required on the part of all AMS for regional financial integration to be achieved. Commitments from Indonesia will be particularly important since it has been reluctant to open its market to other countries.

#### ***Ad Hoc Committee on Financial Inclusion***

A new addition to ASEAN's agenda is financial inclusion. Over the past five years, Indonesia, Malaysia, and Myanmar have pressed ASEAN to

address the issue of financial literacy and financial inclusion, with a particular focus on SME finance. Until 2015, there was no dedicated forum for discussing these issues. However, in late 2015, the ASEAN Deputy Ministers of Finance and Deputy Governors of Central Banks agreed to create an ad hoc Committee on Financial Inclusion, and a section on financial inclusion was included in the AEC Blueprint 2025 (A.4.17. ii). The ad hoc committee has yet to finalize its work plan, but the blueprint highlights (1) measures to promote access to finance for micro-enterprises and SMEs; (2) financial access and literacy; (3) financial education and consumer protection; and (4) expansion of new distribution channels for financial instruments such as mobile technology and micro-insurance.

#### **Action Item:**

- Develop financial inclusion programs for Myanmar.

#### ***Financial Stability***

The AEC Blueprint 2025 calls for improved regional macroeconomic surveillance, enhanced cooperation on banking surveillance, and harmonization of production regulations with international best practices and regulatory standards. The goals in this area seems far more aspirational than real. While not mentioned in the blueprint, this area would also include the continued operation of the Chiang Mai Initiative Multilateralization Agreement that put into place currency swap commitments to be called upon in time of financial crisis.

<sup>24</sup> [http://www.asean.org/storage/images/2012/Economic/AIA/Agreement/Myanmar%20Rsv%20List%20%20\(rev%20-%20Final%2023%20Jan%202012\).pdf](http://www.asean.org/storage/images/2012/Economic/AIA/Agreement/Myanmar%20Rsv%20List%20%20(rev%20-%20Final%2023%20Jan%202012).pdf)

<sup>25</sup> [http://www.asean.org/storage/images/2013/economic/aia/ACIA%20Modality%20%20Public%20Version%20\(Final\).pdf](http://www.asean.org/storage/images/2013/economic/aia/ACIA%20Modality%20%20Public%20Version%20(Final).pdf)

<sup>26</sup> USAID's ACTI project has provided ASEAN's Coordinating Committee on Investment with a suggested forward-looking work plan to reduce restrictions on investment, but to date the Committee has not issued its own future work program.

<sup>27</sup> According to the ABIF, banks meeting certain criteria ("Qualified ASEAN Banks" or QABs) have (will have?) greater access to other ASEAN markets and more flexibility in operating there. See <http://www.asean.org/storage/images/2015/October/outreach-document/Edited%20ASEAN%20Banking%20Integration%20Framework-1.pdf>.



## 4.A COMPETITIVE, INNOVATIVE, AND DYNAMIC ASEAN

The AEC Blueprint 2025 includes a section entitled “Competitive, Innovative, and Dynamic ASEAN.” It builds upon the Competitive Economic Region section of the 2015 blueprint. The goal is to increase the competitiveness and productivity of ASEAN through specific policy interventions. The rest of this section covers the bulk of the proposed interventions.<sup>28</sup>

### COMPETITION POLICY

The AEC Blueprint 2025 calls on all ASEAN Member States to adopt and implement competition laws. Since Myanmar adopted its new competition law in 2015, the first step is complete, however, significant work to implement the new law lies ahead. This should include greater engagement with the private sector in implementing the new law. The blueprint calls for cooperation in competition enforcement through regular exchange of information among ASEAN Member States through Regional Cooperation Arrangements, as well as harmonization of competition laws and enforcement through the development of a regional competition strategy. As is the case with work in the area of investment, the blueprint also calls for ASEAN

to ensure consistency of competition provisions in regional FTAs.

#### Action Item:

- Strengthen the capacity to implement the new competition law.

### CONSUMER PROTECTION

Improved consumer protection, particularly for cross border transactions, will be critical to support the development of the ASEAN Economic Community. Thus the new blueprint builds upon the basic work on consumer protection that was begun under the AEC Blueprint 2015. The new blueprint identifies a number of aspirational goals in this area. Countries are to establish higher levels of consumer protection legislation, improve enforcement of consumer laws, empower consumers, strengthen product safety enforcement, and encourage impact assessment of consumer protection policies. More specifically, the blueprint calls for consumer protection measures in finance, e-commerce, air transport, energy, and telecommunications. It is likely that the AEC 2025 Strategic Action Plan will have more specific provisions relating to consumer protection in these areas.

<sup>28</sup> There are also sections on productivity-driven growth, innovation, research and development, and technology commercialization; taxation cooperation; and global megatrends and emerging trade-related issues.

## INTELLECTUAL PROPERTY RIGHTS

The AEC Blueprint 2025 recognizes the importance of intellectual property (IP) right protection in promoting innovation and growth. The objective is for national IP regimes to meet international standards by 2025. The blueprint calls for (1) more IP services in the areas of patents, trademarks, and industrial designs; (2) expanded collaboration among AMS to reduce IP office workloads; (3) accession of all AMS to the Patent Cooperation Treaty, Madrid Protocol, and the Hague Agreement Concerning the International Registration of Industrial Designs, while encouraging accession to the Singapore Treaty on the Law of Trademarks and other World Intellectual Property Organization-administered treaties; and (4) create training programs on trademarks, patents, and industrial design, with a focus on Cambodia, Lao PDR, and Myanmar regulators, through the virtual ASEAN IP Academy. The blueprint also focuses on the use of information and communications technologies systems to interconnect IP offices in the region and allow for common IP search and online filing systems. Also called for in the blueprint are engagement with the private sector on IPR issues and the delivery of regional IP services.

### Action Item:

- Finalize the proposed laws on intellectual property rights and actively promote their implementation.

## GOOD GOVERNANCE AND GOOD REGULATORY PRACTICES

The AEC Blueprint 2025 includes expanded provisions relating to good governance and good regulatory practices. While the provisions on good governance are mostly hortatory, the good regulatory practices (GRP) provisions are more specific and align with the work that USAID has been supporting in Myanmar on standards, but would expand to full-fledged regulatory reform efforts. Nevertheless, at this point the provisions are mostly aspirational. When ASEAN completes its strategic action plan in this area, more specific commitments may be defined.

## SUSTAINABLE DEVELOPMENT

This is a new action area in the 2025 blueprint. The relevant section recognizes the importance of sustainable practices in development and calls on ASEAN to support renewable energy development, promote low-carbon technologies, promote biofuel use, enhance connectivity and efficiency in energy use through the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline, more efficiently grow crops and reduce post-harvest losses, improve food safety, and improve forest management. While this is a new focus, all of the commitments are aspirational and unlikely to require the GOM to take specific actions to implement them in the near future.

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## 5. ENHANCED CONNECTIVITY AND SECTOR COOPERATION

Improved connectivity has been a strategic goal of ASEAN for many years. The 2025 blueprint specifically addresses the issue of connectivity through a new section that brings together the infrastructure activities that were included in the old blueprint as part of ASEAN economic integration.

### TRANSPORTATION

Transportation has been a longstanding priority of ASEAN that has led to significant integration. The implementation of the ASEAN Single Aviation Market (ASAM) is one of the major achievements in this area. Myanmar has already ratified all of the relevant agreements and is now committed to allowing significant access to its airspace to foreign carriers. Little more opening will be required by existing ASEAN agreements. However, Myanmar should review whether it can better take advantage of the opportunities presented by the ASAM.

Road transportation is another area of significant focus by ASEAN, particularly through the ASEAN Framework Agreement on the Facilitation of Goods in Transit<sup>29</sup> and the ASEAN Framework Agreement

on the Facilitation of Inter-State Transport.<sup>30</sup> These agreements, combined with the efforts to create transportation corridors through ASEAN both through the ADB-supported Greater Mekong Subregion programs and the Master Plan on ASEAN Connectivity, present significant opportunities for Myanmar to further integrate itself into regional and extra-regional transportation networks.

The AEC Blueprint 2025 also calls for the establishment of an ASEAN Single Shipping Market. This program has been under discussion for some time but is taking on an added importance in the new blueprint. Myanmar will need to work closely with the ASEAN Maritime Transport Working Group to help shape this effort and to identify the best role that it can play in the ASEAN Single Shipping Market.

### E-COMMERCE

There is a much stronger focus on e-commerce in the new blueprint than in the AEC Blueprint 2015. It calls for the development of an ASEAN Agreement on e-Commerce building upon the e-ASEAN

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**Myanmar should review whether it can better take advantage of the opportunities presented by the ASAM.**

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<sup>29</sup> [http://www.asean.org/?static\\_post=asean-framework-agreement-on-the-facilitation-of-goods-in-transit-2](http://www.asean.org/?static_post=asean-framework-agreement-on-the-facilitation-of-goods-in-transit-2)

<sup>30</sup> <http://www.asean.org/wp-content/uploads/images/archive/documents/Inter-State%20Transport%20Agreement.pdf>

Framework Agreement from 2000. The new agreement may include: (1) harmonized consumer rights; (2) a legal framework for online dispute resolution; (3) interoperability of e-identification and electronic signatures; and (5) a coherent framework for personal data protection.

**Action Item:**

- Prepare for the development of a regional e-commerce directive.

**INFORMATION AND COMMUNICATIONS TECHNOLOGY**

The AEC Blueprint 2025 identifies eight strategic areas of focus on information and communications technology (ICT): (1) economic transformation; (2) people integration and empowerment through ICT; (3) innovation; (4) ICT infrastructure development; (5) human capital development; (6) ICT in the Single Market; (7) new media and content industry; and (8) information security and assurance.

These areas of focus form the basis of the ASEAN ICT Masterplan 2020<sup>31</sup> which has been recently adopted by the ASEAN Telecommunications Ministers. The plan is comprehensive and paves the way for further development of ICT in the region. That said, the masterplan does not call for any specific actions by ASEAN Member States. It focuses more on sharing best practices and developing case studies for use by member states as well as the development of regional programs for capacity building. Myanmar should

be actively involved in developments in this area but will have few positive obligations.

**ENERGY**

The ASEAN Energy Ministers have adopted the ASEAN Plan of Action for Energy Cooperation 2016-2025<sup>32</sup> which sets out ambitious goals for energy cooperation, including the establishment of the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline, among other actions. Given the importance of energy issues to Myanmar, it should play an active role in the implementation of this action plan.

**HEALTHCARE**

The AEC Blueprint 2025 identifies healthcare as a key sector for the region. It calls for the harmonization of standards for healthcare products and services, expanding the ASEAN regulatory framework of traditional medicines and health supplements, and the development of new healthcare product directives, among other matters. These issues are primarily covered under the standards activities in the blueprint section on a highly integrated and cohesive economy discussed above.

**FOOD AND AGRICULTURE, TOURISM, AND MINERALS**

The AEC Blueprint 2025 also covers food and agriculture, tourism, and minerals. As in other areas, the blueprint in these areas is mostly aspirational and thus should impose few burdens on Myanmar. However, these are important areas for the country and thus the GOM should seek to take the maximum advantage of ASEAN's efforts.

<sup>31</sup> [http://www.asean.org/storage/images/2015/November/ICT/15b%20--%20AIM%202020\\_Publication\\_Final.pdf](http://www.asean.org/storage/images/2015/November/ICT/15b%20--%20AIM%202020_Publication_Final.pdf)

<sup>32</sup> <http://www.aseanenergy.org/wp-content/uploads/2015/12/HighRes-APAEC-online-version-final.pdf>

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## 6.A RESILIENT, INCLUSIVE, PEOPLE-ORIENTED, AND PEOPLE-CENTERED ASEAN

The AEC Blueprint 2025 expands upon the previous blueprint's focus on SME development while also adding a new focus on stakeholder engagement with companies and individuals. These provisions are discussed briefly below. This section also calls for the continuation of ASEAN's special support for Cambodia, Laos, Myanmar, and Viet Nam as well as stronger engagement with subregional bodies.

### MSME DEVELOPMENT

The focus on MSME development in the AEC Blueprint 2025 goes beyond the commitments in the 2015 blueprint. MSME issues are raised throughout the various pillars of the new blueprint, whereas the old plan's relevant commitments were more focused in its SMEs provisions.<sup>33</sup> As the ASEAN SME Working Group has completed its Strategic Action Plan for 2016-25,<sup>34</sup> the provisions of the new blueprint for MSMEs are a bit more specific than in other areas.

The new blueprint calls for actions in five areas to promote MSME development: (1) promote productivity, technology, and innovation through industry clusters and business-academia linkages; (2) improve access to finance by MSMEs through both banks and non-traditional financing, including a tie to the provision on financial inclusion in the AEC Blueprint 2025; (3) enhance market access through integration into regional and global supply chains; (4) improve the micro-enterprise and MSME policy environment, including streamlining of permits and registrations; and (5) promote entrepreneurship and human capital development, with a focus on women and youth. Myanmar, along with Brunei and the Philippines, is leading the entrepreneurship and human capital development activities under the Strategic Action Plan for 2016-2025. This includes the promotion of women's economic empowerment.

<sup>33</sup> While the old Blueprint focused on SMEs, the ASEC 2025 expands that focus to include micro-enterprises, thus the new focus on MSMEs.

<sup>34</sup> [http://www.miti.gov.my/miti/resources/ASEAN\\_Strategic\\_Action\\_Plan\\_for\\_SME\\_Development\\_2016-2025.pdf](http://www.miti.gov.my/miti/resources/ASEAN_Strategic_Action_Plan_for_SME_Development_2016-2025.pdf)

While the new strategic action plan presents a broad agenda for promoting MSME growth and development, there are few mandates for ASEAN Member States. Thus there are few actions that will be required of Myanmar in this area, but it provides a framework for Myanmar to promote MSME development activities internally. It also provides an opportunity for Myanmar to take a lead in areas of regional MSME development of its choosing.

**Action Item:**

- Identify the key issues related to entrepreneurship and human capital development that Myanmar would like to promote under the Strategic Action Plan for 2016-2025 and seek to take a lead in ASEAN in these areas.

**STRENGTHENING THE ROLE OF THE PRIVATE SECTOR**

This is a new area for ASEAN. Sprinkled throughout the new blueprint are more references to cooperation with the private sector than were in the previous blueprint. This is an important change for ASEAN if it is implemented. Currently, the private sector's main engagement with ASEAN is through the ASEAN Business Advisory Council (ASEAN BAC), but the BAC's primary focus seems to be on its annual business summit and its consultation with the ASEAN Leaders. While some ASEAN committees encourage private sector participation, such engagement is more the exception than the rule. The new blueprint calls for the development of a set of guidelines to maximize benefits from private

sector engagement; it also contains a commitment that all ASEAN bodies formalize private sector engagement. In addition, it calls for the ASEAN BAC to help monitor the implementation of the new blueprint and for greater engagement of individuals in the ASEAN policy process.

While this does not have significant implications for Myanmar policy, it is a major change in policy for ASEAN.

**PUBLIC-PRIVATE PARTNERSHIP**

The AEC Blueprint 2025 includes specific references to the use of public-private partnerships (PPP) in implementing ASEAN programs, particularly as part of the ASEAN Connectivity program. There is an emphasis on sharing best practices in public-private partnership and establishing a network of PPP agencies. This provides an opportunity for Myanmar to learn from other ASEAN Member States and expand its use of public private partnerships, particularly in infrastructure development.

**Action Item:**

- Identify a PPP focal point and seek to obtain as much assistance as possible from ASEAN Member States and Dialogue Partners<sup>35</sup> in expanding the use of PPP in development programs.

**NARROWING THE DEVELOPMENT GAP**

The new blueprint's efforts in this area primarily take the form of a continuation of ASEAN's Initiative for ASEAN Integration (IAI) and the IAI Workplan 2009-2015. This

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**Thus there are few actions that will be required of Myanmar in this area, but it provides a framework for Myanmar to promote MSME development activities internally.**

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work will provide an opportunity for Myanmar to seek additional assistance to help it catch up with the more developed ASEAN Member States through specific technical assistance and training programs. To make the best use of this opportunity, the Myanmar government should review its use of IAI support over the past six years and then both identify the key areas in which it needs the

most assistance from other ASEAN Member States and also ensure that its needs are well represented in the next IAI work plan.

**Action Item:**

- Review Myanmar's use of IAI support over the past six years and identify key areas for additional requests to be included in the next IAI work plan.

<sup>35</sup>The term "Dialogue Partner" is a designation of external relations status by ASEAN, referring to non-ASEAN countries with whom the region has special political or economic ties.



## 7. CONCLUSION

The ASEAN Economic Community Blueprint 2025 identifies a wide range of policy objectives for the region for the next 10 years. This paper has identified some of the key activities that should be addressed by Myanmar. While the list of proposed actions is extensive, they are spread across a range of government ministries and other bodies for implementation. What is missing is a central mechanism to monitor implementation of Myanmar's ASEAN obligations on a regular basis. This function will in part be performed by the monitoring and evaluation units at the ASEAN Secretariat. However, it is important for the GOM to establish its own monitoring and evaluation system for its ASEAN efforts. This function could be within the Ministry of

Foreign Affairs or it could be housed in the Office of the President, but regardless of where it is housed, there is a need to continuously monitor and report on implementation and to ensure that Myanmar is properly represented in all ASEAN forums.

Through the more than 15 years during which Myanmar has been a member of ASEAN, it and ASEAN have accomplished a lot. However, it is important for the next 10 years to be even more productive to help prepare Myanmar's economy to compete effectively in the region and the world. This will require concerted action by nearly all national bodies, which should be orchestrated centrally. By establishing an ASEAN monitoring unit, the GOM can help to enable all of its citizens to make the most of the ASEAN Community.

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