

WORLD TRADE ORGANIZATION

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Committee on Customs Valuation

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COMMUNICATION FROM MYANMAR CONCERNING ANNEX III, PARAGRAPH 1, OF THE AGREEMENT ON IMPLEMENTATION OF ARTICLE VII OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE 1994

Addendum

The following communication, dated 7 January 2000, has been received from the Government of the Union of Myanmar.

Further to the prior request made by Foreign Economic Relations Department in September 1999 on this matter, the Ministry of Commerce, the National Enquiry Point for the WTO would like to request another five years delay on application of the Customs Valuation Agreement. In this regard, we have furnished the following economic conditions for your sympathetic consideration.

Balance-of-payments position

The external position of Myanmar started to deteriorate in 1995/96 and has worsened further in recent years, partly due to the regional crisis. Exports stagnated between 1995/96 and 1997/98, and then rose slightly in 1998/99 while imports have been rising rapidly since the liberalization measures of 1988, resulting in an expanding deficit in trade balance. The stagnation of exports was mainly due to the shortfall in rice exports owing to the adverse weather in 1997, and delayed revenues from oil and gas exports by a drop-off in energy demand from Thailand in the wake of the regional crisis.

Despite improvements in services and transfers accounts, a strong surge in imports worsened the trade balance while foreign direct investment (FDI) and official capital inflows were not forthcoming as expected. These factors led to a renewed deterioration of the external position.

FDI position

The monetary crisis that affected the economic situation in the ASEAN region has been the major cause for the decline of FDI into Myanmar as the ASEAN countries are the leading investors.

The FDI declined from over US\$1 billion in 1997-98 to only US\$47 million up to the end of November 1999.

Reserves position

Foreign exchange reserves have remained in short supply in recent years. Official gross reserves measured in terms of imports has been declining since 1995/96. From a level covering five months of imports in 1991/92, gross reserves fell to about 1.7 months of imports in 1997/98, although they recovered marginally to about 1.9 months of imports level in 1998/99, basically due to capital inflows of \$350 million (mostly suppliers' credits) from within Asia.

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Exchange rate

The kyat depreciated sharply on the parallel market in 1996/97 and 1997/98. The currency crisis in Thailand contributed to the rapid depreciation of the kyat in the second half of 1997. Partly owing to the currency turmoil in Thailand, which is a major trading partner of Myanmar, in particular with regard to border trade, the kyat depreciated by 50 per cent against the US dollar during May 1997 to October 1998, after the Thai baht was floated.

Accordingly, some administrative measures, including tighter import controls and foreign exchange restrictions, were adopted to reduce the demand for foreign exchange. These measures helped the market exchange rate to stabilize and permitted some rebuilding of reserves.

Tariff positions

Customs duties declined from 8.6 billion kyats in 1997-98 to 3.4 billion kyats up to December 1999, making the Government's revenue decline substantially. Lowering the range of customs duty from 0 per cent-500 per cent to 0 per cent-40 per cent, elimination of export duty, and reduction of duties under the ASEAN CEPT product list and Tariff Reduction Plan are some of the factors affecting the Government's revenue.

We therefore would like to request for your kind consideration to grant another five years extension of the delay period under the provisions of Annex III, paragraph 1 of the Agreement on Implementation of Article VII of the GATT 1994.
