

Policy note

Myanmar export promotion note

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Introduction

This note focuses on the direct export promotion activities (EPAs), which are distinct from general subsidization of production and investment. The objective of EPAs is to ameliorate information problems and hence, help exporters understand and find markets for their products. The services offered by EPAs can be divided into four broad categories (Lederman et al 2010):

1. country image building (advertising, promotional events, but also advocacy);
2. export support services (exporter training, technical assistance, capacity building, including regulatory compliance, information on trade finance, logistics, customs, packaging, pricing);
3. marketing (trade fairs, exporter and importer missions, follow-up services offered by representatives abroad);
4. market research and publications (general, sector, and firm level information, such as market surveys, on-line information on export markets, publications encouraging firms to export, importer and exporter contact databases)

According to Lederman et al 2010, the largest share of EPA budgets is generally spent on marketing and market research and publications. In this note, we first present a brief survey¹ of the existing evidence on the effectiveness of the export promotion programs, followed by a summary of various export promoting activities undertaken by various countries. We conclude by comparing Myanmar's EPAs with other countries and analyzing what can be done in the future.

Empirical Evidence

Most papers find that export promotion activities help reduce the fixed cost of entry into the export markets (Broocks and Van Biesebroeck 2017; Munch and Schaur 2018), help small firms enter new products and destination and survive in the export markets during cyclical downturns (Volpe Martincus and Carbello 2008, 2010a; Van Biesebroeck et al. 2016). Evidence on aggregate effects by the type of promotion, however, is ambiguous (Van Biesebroeck et al. 2016). See below for a detailed survey of the evidence.

Average Effects

First, most studies document that being provided with export promotion service, including helping connect domestic firms and foreign buyers and organizing trade fairs, helps more domestic firms enter exports. For example, Munch and Schaur (2018) evaluate export promotion services in Denmark. They find that 1) export support services increase the probability of firms being exporters in the year they receive such services by an average 3.9 pp; and 2) the probability increases by 5.9 pp two years after receiving such services. Broocks and Van Biesebroeck (2017) analyze the effects of export support services on Belgian firms' exports to countries outside the EU. They find that export support services increase the probability of exporting by an average of 8.5 pp. Cruz (2014) measures the impact of the Brazilian government's export support agency. They estimated that supported firms have a probability of export market entry almost 2.5 times higher than the average firm and the impact is larger for micro and small firms.

¹ See <https://voxeu.org/article/effectiveness-export-promotion-measures> and Van Biesebroeck et al. (2016), as well for detailed surveys.

In addition to the extensive margin, EPAs can also help increase export value and sales. Munch and Schaur (2018) find that medium-sized firms see an increase in export value of about 12 and 16 pp in two and three years and firms experience positive employment effects. Overall, they conclude that the effect of export promotion on the intensive margin (i.e. the expansion of export sales) is limited. Some other papers do report positive effect at the intensive margin for exporters in developed countries (Van Biesebroeck et al. (2015) for Canada and Mion and Muuls (2015) for the U.K).

Heterogenous Effects by Firm Characteristics

1. **Firm Size:** Most studies show that export promotion measures have a particularly strong positive effect on small firms (Munch and Schaur 2018; Broocks and van Biesebroeck 2017, Volpe Martincus and Carballo 2010b, Volpe Martincus et al. 2012, Cruz 2014), whereas some other studies find a particularly positive effect on medium-sized firms (Olarreaga et al. 2015, Kim et al. 2016)
2. **Product Type:** There is evidence that export promotion is particularly effective on firms exporting complex and differentiated products (Volpe Martincus and Carballo 2010a; Volpe Martincus and Carballo, 2010b)
3. **Firm Age:** Export promotion measures have a greater impact on firms entering the export market for the first time or attempting to expand into new markets, rather than those that are already established as regular exporters (Munch and Schaur 2018, Volpe Martincus and Carballo 2008, 2010a, 2010c Volpe Martincus et al. 2011)

Heterogenous Effects by EPAs

1. **Bundle:** Volpe Martincus and Carballo (2010d) analyse the effects of different forms of export promotion, for Colombia. They find that firms supported by all types of export promotion programs in a bundle show more pronounced growth in terms of the total value of exports and the number of export markets than those supported by individual programs. Van Biesebroeck et al. (2015) also find stronger effects for firms receiving multiple services simultaneously.
2. **Subsidy support:** Broocks and Van Biesebroeck (2017) classify services into "questions" in which firms make inquiries about matters requiring information analysis and so on; "actions", which refers to events and seminars; "subsidies" that assist firms in making business trips, participating in trade fairs, arranging meetings with distributors; and "communication". which includes those services that do not fall into any of the above. According to their findings, firms that receive "subsidy" support have a 4.6 to 8.4 pp higher probability of exporting than those that receive "question" and "communication" support.
3. **Matching Support:** Munch and Schaur (2018) classify support services used by firms into two types – "partner search and matchmaking" and "intelligence and analysis". According to their findings, small firms' probability of exporting increases by 9.4 percentage points two years after receiving the former type of support services, and by 6.7 percentage points in the case of the latter.
4. **International diplomacy:** The aggregate evidence on the impact of International diplomacy, i.e. trade missions or diplomatic offices, is ambiguous. Rose (2007) and Cassey (2014) find positive effects on national or U.S. states' bilateral exports, but comparable effects for Canadian trade missions in Head and Ries (2010) disappear once they control for country-pair fixed effects.
5. **Budget:** Cross country evidence on raising the budget of a country's export promotion agency, is also ambiguous. Lederman et al. (2010) find a positive effect on aggregate exports exploiting cross-country variation on a panel of 103 countries, while Bernard and Jensen (2004) find no link between the budgets of trade promotion offices of U.S. states and the likelihood that firms in a state enter the export market.
6. **Structure of EPAs:** Exports increase with the share of the EPA executive board seats that are held by the private sector. A single strong EPA rather than the proliferation of small agencies within countries is also positively correlated with exports.

Comparison and Recommendations

Contemporary Examples of EPAs

Across countries, the focus and content of EPAs share many similarities but also differ slightly. From Table 1, it shows that the broad categories covered by different countries are similar but what has been done exactly can differ significantly. For example, most countries list participating in trade fair as one of the elements of their EPAs. However, some countries mainly participate in trade fairs organized abroad, while some countries also organize these events frequently themselves.

Summary of Myanmar's EPAs

Myanmar government has recently established the Myanmar Export Promotion Department (Myantrade) in 2016 with the objectives to promote exporting, support SMEs to succeed in the international market and to become focal for trade information. Indeed, several export promotion programs have been undertaken by Myantrade to achieve those objectives. The details are discussed below.

1. **Trade Fairs:** Myantrade usually organizes trade fairs domestically or participate in trade fairs abroad. Figure 3a shows the number of trade fairs organized domestically by Myantrade since 2011 and the number of trade fairs abroad that Myantrade had participated in. The domestic trade fairs are mostly organized for local producers across states and regions where the local producers and SMEs businessmen can display their products and seek a potential buyer. Myanmar participation in trade fairs abroad is considerably low compared to its neighbor countries like Thailand and Malaysia. China is the top destination for the Myanmar trade fair abroad, followed by Hong Kong and Thailand respectively in both 2018 and 2019 (Figures 3b). Interestingly, one of the main products that the government of Myanmar showed at international trade fairs was gem and pearl products which shared the second largest portion in both 2018 and 2019 (figure 3c).
2. **Information related programs:** Myanmar has launched several websites such as myantrade.gov.mm, myanmartradeportal.gov.mm, and myanmartradenet.com.mm for displaying trade-related information. However, some part of the website needs a regular update, for example, the exporter directory was not fully updated as of mid-2020.
3. **Education and training related program:** MoC usually organizes seminars and trade talks along with domestic trade fairs to promote the export and import knowledge among SME businesses and/or local producers. Local exporters, who are well experienced in exporting, usually share their knowledge and experience at such seminars and trade talks.
4. **Deregulation program:** MoC removed the license requirement for 9943 tariff lines out of 11167 tariff lines at their HS 10 digit as of July 2020. The export delicensing focused on vegetable products, foodstuffs, wood products, and textile products (these products were also listed in the National Export Strategy). Also, the MoC initiated an electronic base system to issues export licenses using Myanmar Tradenet website earlier this year. The e-application process will help the local exporter to save time and cost in performing the export activities.

Recommendations

Myanmar Export Promotion Department and MoC seem to have covered most services provided in other countries. What can be improved may be on how to implement and achieve each goal.

1. Encourage direct participation by firms

Currently, the direct participation of businesses in trade fairs and missions abroad is limited. After Myanmar MoC receives an official invitation from the trade fairs organizers, MoC or residing embassy officers usually display the

sample export products. Though organizers also invite local business associations and their members to participate in the shows, the government-sponsored programs for trade fairs abroad are still rare for Myanmar businessmen, who participate at their own cost.

The lack of firms' direct participation might limit the effectiveness of such trade fairs. Much and Schaur 2018, for example, find evidence that the activities which are directly focused towards improving matchmaking between firms are more effective in promoting export behavior than the indirect provision of information and intelligence. Moreover, the firms which end up participating in the trade fairs at their own cost are likely to be bigger firms. This further reduces the effectiveness of the program as research shows that the big firms are least likely to benefit from export promotion.

2. Creating a modern and effective trade portal.

2.1. Help firms connect with buyers

During the pandemic, participation in trade fairs could be limited as international travel has taken a hit. In such a scenario, the government could achieve improved matchmaking among small businesses by *upgrading* its export promotion website to include a B2B platform where the exchange of information between buyers and sellers is facilitated.

The purpose of the platform is to allow small businesses to trade, network and communicate with other businesses in an environment where participation in in-person trade fairs is both restricted and costly. The website could include links to buyers and sellers' own websites, and possibly a chat portal where different buyers and sellers could meet, share quotes, and possibly also make transactions and payments.

2.2. Track effects by Firm Characteristics.

Not only would such a portal improve matchmaking between firms, it could also give access to crucial information that could help the government target its export promotion activities better. The government could optimize resources better by analysing the information collected on the website.

Each business before using the B2B platform would be required to give some basic information regarding their size, number of employees, product details etc. while registering. They could also be asked to fill a survey eliciting information on whether they found a match via the portal. This, for example, could help inform which firms are more likely to benefit from export promotion.

2.3. Track the effectiveness of various programs.

The website could act as one place for firms where they get information on laws in various markets (customs, labor laws, taxation etc.), some user-friendly trade statistics on each market (industry reports, news, business environment, market opportunities etc.), a directory of potential buyers and sellers with links to their websites, a portal for documentation help and a matching portal.

Each of these elements capture a different kind of promotion activity – information, market research, marketing, export support and matching support respectively. This could provide the opportunity to study the effectiveness of various kinds of programs – the government could track user traffic and time spent on each forum to offer better and customized export solutions in the long run.

2.4. Examples from other countries

Similar websites have been built and widely used in other countries. For example, in Taiwan, there is a government

supported website, called, TaiwanTrade (Figure 1). On the website, foreign buyers can easily find products and firms accordingly. There are also websites built by private companies, such as, IndiaMart.com in India (Figure 2), 1688.com built by Alibaba in China, and exportportal.com for multiple countries. The government could build its B2B portal from scratch, but there are also a few B2B marketplace softwares available that would let the government build the portal in a fast and cost effective way.² One of benefits of building similar websites supported by the government is higher credibility, which is vital for online international trading in presence of contracting frictions.

² These are SaaS tools with drag-and-drop features that one can use to set up your B2B marketplace in less than a day. Some examples include kreezalid.com, and uppler.com.

Figure 1: TaiwanTrade.com

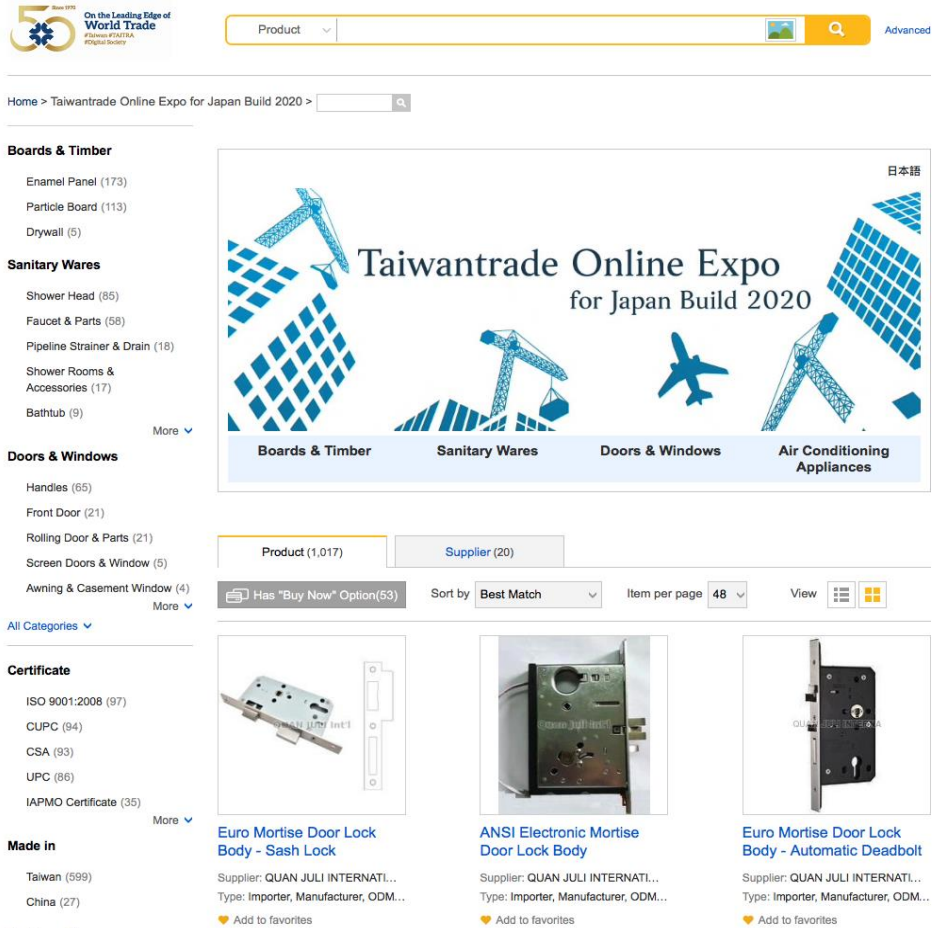
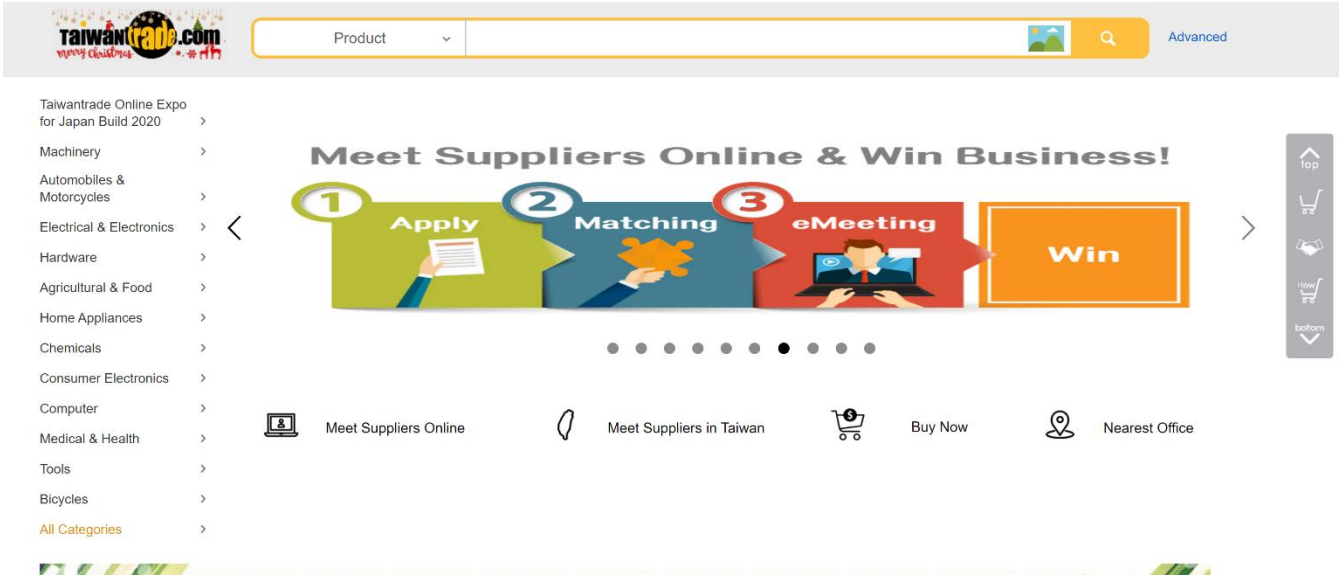
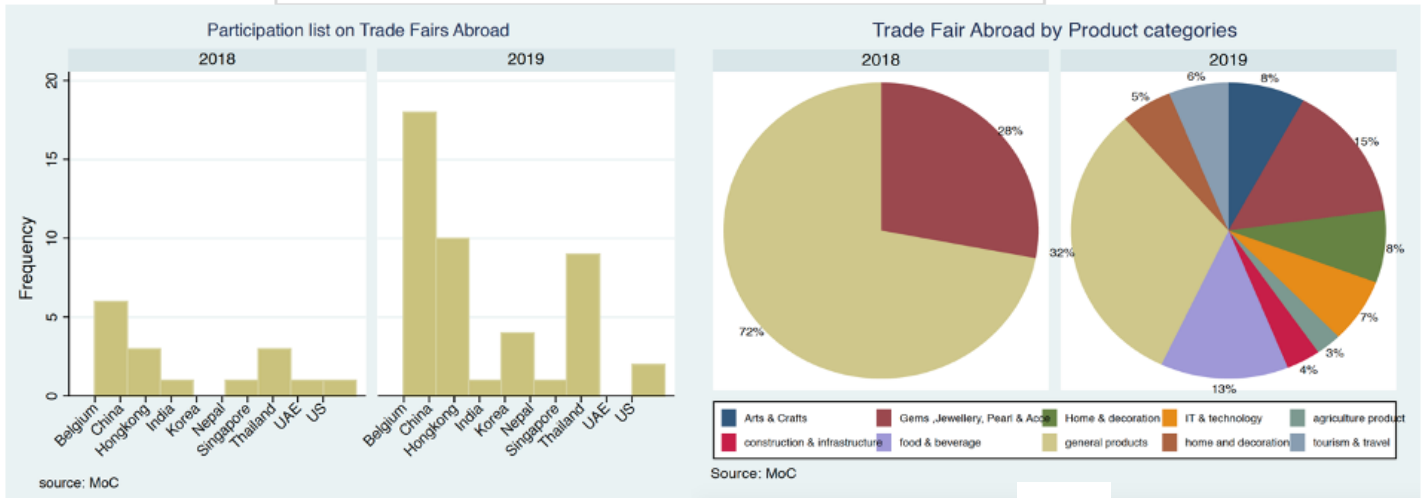
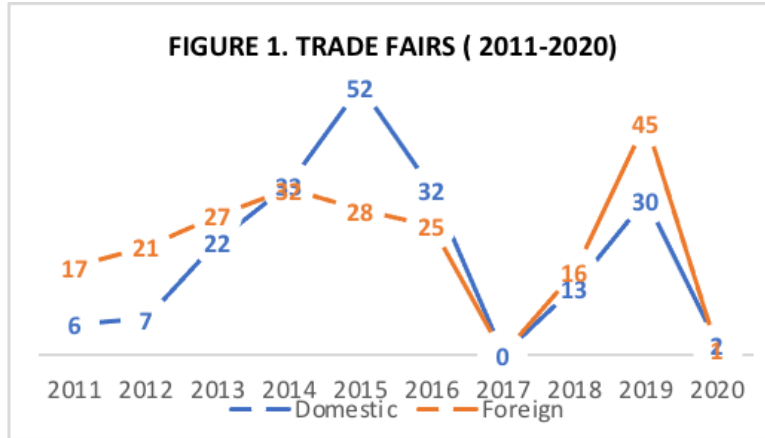


Figure 2: Indiamart.com

The screenshot displays the Indiamart.com website interface. At the top, there is a navigation bar with the Indiamart logo, a location dropdown set to 'All India', a search bar with the placeholder 'Enter product / service to search', and a 'Get Best Price' button. On the right side of the navigation bar, there are links for 'Covid-19 Supplies', 'Sell', 'Help', 'Messages', and 'Sign In'. Below the navigation bar is a large banner image of a warehouse. Underneath the banner is a horizontal menu with icons and labels for various product categories: 'Drugs & Pharma', 'Hospital & Diagnostics', 'Food & Agriculture', 'Industrial Machinery', 'Industrial Supplies', and 'Electronics & Electrical', followed by a 'View All Categories' link. The main content area is divided into two sections. On the left, a section titled 'We connect Buyers & Sellers' states that IndiaMART is India's largest online B2B marketplace and lists three benefits: 'Trusted Platform', 'Safe & Secure', and 'Quick Assistance'. On the right, a 'TELL US WHAT YOU NEED' form is presented. This form includes four key benefits: 'CONVENIENCE OF BUYING', 'COMPETITIVE QUOTES', 'PAYMENT PROTECTION', and '5.98 CRORE + BUYERS'. The form contains input fields for 'Enter Product / Service name', 'Enter your email', and 'Enter your name', along with a 'Submit Requirement' button. Below the main content area, there is a horizontal banner for 'CORONA COVID-19 Prevention & Care Supplies', featuring two product categories: 'Mask, Sanitizer & Other Hygiene Supplies' and 'Hospital Consumables & Diagnostics'.

Figure 3

(a)



(b)

(c)

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