EUROPEAN CHAMBER OF COMMERCE IN MYANMAR

EuroCham serves as the voice of European business in Myanmar. Its main mission is to significantly increase the presence of European companies in the country and to facilitate market access particularly for European SMEs – by advocating for member interests with the government and organisations in Myanmar, the ASEAN region and the EU.

With a strong, growing network of partners, EuroCham offers on-the-ground assistance for European businesses interested in commercial endeavours in Myanmar, whether in the form of advocacy, business services, research or networking.

This report serves as a guide for European small-to-medium sized enterprises interested in investing in Myanmar; it starts with a brief overview of the country and current investment institutions, followed by analyses of select sectors that offer great potential for growth and returns on investments.

Please contact us for further information and support.

Yangon, October 2018
The voice of European business in Myanmar

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<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Country overview</td>
<td>10</td>
</tr>
<tr>
<td>1.1</td>
<td>Current business situation</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>EU-Myanmar relations</td>
<td>13</td>
</tr>
<tr>
<td>2.1</td>
<td>Arms embargo</td>
<td>14</td>
</tr>
<tr>
<td>2.2</td>
<td>Suspension of defence co-operation, bilateral aid and visa ban</td>
<td>14</td>
</tr>
<tr>
<td>2.3</td>
<td>Export ban and freeze on the funds of sanctioned persons</td>
<td>14</td>
</tr>
<tr>
<td>2.4</td>
<td>Suspension and lifting of sanctions until 30 April 2019</td>
<td>14</td>
</tr>
<tr>
<td>2.5</td>
<td>Development support</td>
<td>15</td>
</tr>
<tr>
<td>2.6</td>
<td>EU-Myanmar Investment Protection Agreement negotiations</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Investment opportunities</td>
<td>16</td>
</tr>
<tr>
<td>3.1</td>
<td>Promising business opportunities and sectors</td>
<td>16</td>
</tr>
<tr>
<td>4</td>
<td>Financial sector</td>
<td>19</td>
</tr>
<tr>
<td>4.1</td>
<td>Foreign exchange and exchange control</td>
<td>19</td>
</tr>
<tr>
<td>4.2</td>
<td>Bottlenecks for foreign bank branches</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>Power</td>
<td>21</td>
</tr>
<tr>
<td>6</td>
<td>Manufacturing</td>
<td>23</td>
</tr>
<tr>
<td>7</td>
<td>Transport &amp; communication</td>
<td>25</td>
</tr>
<tr>
<td>8</td>
<td>Real estate</td>
<td>26</td>
</tr>
<tr>
<td>9</td>
<td>Special Economic Zones (SEZs)</td>
<td>27</td>
</tr>
<tr>
<td>9.1</td>
<td>Rules for investing in SEZ</td>
<td>29</td>
</tr>
<tr>
<td>9.2</td>
<td>Types of businesses prohibited to operate in SEZs</td>
<td>30</td>
</tr>
</tbody>
</table>
TABLES

Table 1  Compiled from various sources  11
Table 2  Timeline of EU-Myanmar relations  14
Table 3  Foreign banks granted license to operate in Myanmar  20
Table 4  Key changes to investment laws  32
Table 5  List of business activities not allowed to be carried out by foreign investors  33
Table 6  Corporate tax by type of company  37
Table 7  Personal income tax rates  38
Table 8  Withholding tax and its applications  38
Table 9  Timeline of Myanmar’s political development  44
Table 10  List of European embassies  54

FIGURES

Figure 1  GDP growth by sector  10
Figure 2  Map of Myanmar  12
Figure 3  Yearly permitted FDI inflow  17
Figure 4  Sector-wise FDI inflow  17
Figure 5  Share of permitted FDI by sector  18
Figure 6  Power resources balance scenario  22
Figure 7  Number of manufacturing FDI approvals  24
Figure 8  Map of Myanmar SEZs  28
Figure 9  Population census  47
Figure 10  GDP growth and forecasts from the World Bank  49
Figure 11  GDP growth and forecasts from IMF  50
### ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>BOT</td>
<td>Build-Operate-Transfer</td>
</tr>
<tr>
<td>DICA</td>
<td>Directorate of Investment and Company Administration</td>
</tr>
<tr>
<td>ECC</td>
<td>Environmental Compliance Certificate</td>
</tr>
<tr>
<td>ECD</td>
<td>Environmental Conservation Department</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>ESHA</td>
<td>European Small Hydropower Association</td>
</tr>
<tr>
<td>FIL</td>
<td>Foreign Investment Law</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
</tr>
<tr>
<td>IASH</td>
<td>International Association for Small Hydro</td>
</tr>
<tr>
<td>IEE</td>
<td>Initial Environment Examinations</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<tr>
<td>LNG</td>
<td>Liquefied Natural Gas</td>
</tr>
<tr>
<td>LPG</td>
<td>Liquefied Petroleum Gas</td>
</tr>
<tr>
<td>MIC</td>
<td>Myanmar Investment Commission</td>
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<tr>
<td>MIL</td>
<td>Myanmar Investment Law</td>
</tr>
<tr>
<td>MOEE</td>
<td>Ministry of Electricity and Energy</td>
</tr>
<tr>
<td>MONREC</td>
<td>Ministry of Natural Resources and Environmental Conservation</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>MPE</td>
<td>Myanmar Petrochemical Enterprise</td>
</tr>
<tr>
<td>MPPE</td>
<td>Myanmar Petroleum Products Enterprise</td>
</tr>
<tr>
<td>NEMC</td>
<td>National Energy Management Committee</td>
</tr>
<tr>
<td>OSH</td>
<td>Occupational Safety and Health</td>
</tr>
<tr>
<td>SHP</td>
<td>Small Hydropower Plants</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organisation</td>
</tr>
<tr>
<td>YESC</td>
<td>Yangon Electric Supply Corporation</td>
</tr>
</tbody>
</table>
Myanmar’s growth has been constrained by decades of political instability, government mismanagement, and isolation from the international community. However, since the government adopted a series of political, economic, and administrative reforms in 2011, the country’s growth has expanded rapidly. Successive governments have pursued market liberalisation, opening up a range of sectors to private business and foreign investment. The easing of sanctions spurred a rush of interest into the country as one of the last Asian frontier markets.

Myanmar has consistently been one of the fastest growing economies in the world over the last decade. According to the World Bank, the country’s GDP expanded by 6.4% in 2017–18, a figure which is projected to grow to 6.8% in 2018/19, 6.9% in 2019/20 and 7.1% in 2020–21\(^i\).

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**Figure 1: GDP growth by sector**
(Source: Myanmar Economic Monitor, World Bank, May 2018)\(^ii\)
Foreign direct investment (FDI) is projected to increase as the government drafts and enforces business-friendly measures. A new Myanmar Investment Law (MIL) was enacted in April 2017; the law combines aspects of the previous Foreign Investment Law of 2012 (FIL) and Myanmar Citizens’ Investment Law of 2013, and is aimed partly at providing more opportunities for foreign firms. Separately, a new Myanmar Companies Law was passed in 2017 and came into effect in August 2018, replacing in part the 1914 Myanmar Companies Act. The new law aims to strengthen the Myanmar economy by creating a set of clear, transparent, and consistent regulations with improved corporate governance and accountability.

The Myanmar Investment Law and associated Investment Policy of 2016 both stress the government’s interest in responsible business conduct, and ‘responsible and mutually beneficial foreign investment’. Given the still significant stakeholder and human rights risks for investors in Myanmar, including the impact of ethnic conflict and the crisis in Rakhine State, as well as the legacies of several decades of military rule, investors would also be wise to conduct effective responsible business due diligence, using guidance from bodies such as the OECD. Doing business responsibly will pay competitive dividends in terms of obtaining a strong social license to operate.

### 1.1 CURRENT BUSINESS SITUATION

With a total land area of 676,578 sq. km., Myanmar is the largest country in mainland Southeast Asia. It is located between two of the world’s most dynamic economies, China and India, and also shares borders with Bangladesh, Laos and Thailand. Myanmar’s coast line stretches from the Andaman Sea to the Bay of Bengal, which provides the country with the potential to be a regional trading and logistics hub. Given Myanmar’s vast areas of fertile land and rich reserves of natural resources (including hydrocarbons), the country’s main sources of foreign income are agricultural exports and natural gas.

<table>
<thead>
<tr>
<th>Official name</th>
<th>Republic of the Union of Myanmar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>676,578 sq. km.</td>
</tr>
<tr>
<td>Population</td>
<td>51.4 million (as of 2014 census)</td>
</tr>
<tr>
<td>Administrative areas</td>
<td>Seven regions, seven states, national capital</td>
</tr>
<tr>
<td>Capital</td>
<td>Nay Pyi Taw</td>
</tr>
<tr>
<td>GDP</td>
<td>USD69.3 billion (2017)</td>
</tr>
<tr>
<td>Currency</td>
<td>MMK (kyat)</td>
</tr>
<tr>
<td>Approved FDI</td>
<td>USD5.7 billion (2017–18 FY)</td>
</tr>
<tr>
<td>Top export items</td>
<td>Natural gas, garments, agricultural produce</td>
</tr>
</tbody>
</table>

*Table 1: Compiled from various sources  
(Source: World Bank, 2014 Census, DICA)*
Figure 2: Map of Myanmar
The European Union (EU) has been a key player in pushing Myanmar towards democratisation. The EU enacted restrictive measures against Myanmar’s military regime and only eased sanctions once the Myanmar government commenced democratic reform processes. The EU has since been committed to supporting Myanmar’s sustainable development and economic reform and growth, including through increased trade with the EU, and European investment. Support has also been provided to Myanmar’s peace process, political reforms and democratisation. Underpinning the EU’s engagement and support are international human rights standards. Concerning investment and trade, these include the 2011 UN Guiding Principles on Business and Human Rights, which define the responsibilities of business to respect human rights, as well as to provide remedy where violations occur as a result of their operations.

- **1990**
  - Arms embargo imposed.

- **1991**
  - Suspension of defense co-operation.
  - Suspension of all bilateral aid other than humanitarian assistance.
  - Introduced a visa ban against members of the military regime, members of the government, senior military and security officers and their family members.
  - Suspended high-level governmental visits to Myanmar.

- **1996**
  - Widened visa ban against government officials.

- **1997**
  - Imposed export ban on any equipment that might be used for internal repression or terrorism.
  - List of persons affected by visa ban published.
  - Imposed a freeze on funds held abroad by persons named in visa ban list.

- **2012**
  - Suspended sanctions against the government except for the arms embargo sanction.
Lifted all sanctions except for the arms embargo sanction. Reinstated Myanmar into the Everything but Arms initiative of the Generalised Scheme of Preferences (GSP). Opened a fully-fledged delegation to carry out the EU-Myanmar Task Force.


EIB and Myanmar sign a Framework Agreement.

EU takes part in Election Observation Mission.

A monitoring mission from the EU on human rights and labour rights issues visited Myanmar in late October.

**Table 2: Timeline of EU-Myanmar relations**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Lifted all sanctions except for the arms embargo sanction. Reinstated Myanmar into the Everything but Arms initiative of the Generalised Scheme of Preferences (GSP). Opened a fully-fledged delegation to carry out the EU-Myanmar Task Force.</td>
</tr>
<tr>
<td>2015</td>
<td>EIB and Myanmar sign a Framework Agreement. EU takes part in Election Observation Mission.</td>
</tr>
<tr>
<td>2018</td>
<td>A monitoring mission from the EU on human rights and labour rights issues visited Myanmar in late October.</td>
</tr>
</tbody>
</table>

### 2.1 ARMS EMBARGO

In response to human rights violations carried out in Myanmar and lack of progress towards democratisation, the EU imposed an arms embargo against Myanmar in 1990, which remains in place.

### 2.2 SUSPENSION OF DEFENCE CO-OPERATION, BILATERAL AID AND VISA BAN

In 1991, in response to the military regime’s lack of progress in addressing human rights violations, the EU suspended defence co-operation, halted bilateral aid, and imposed a visa ban on military and government officials and related personnel. High-level government visits from the EU to Myanmar were prohibited. The visa ban was extended in 1996 to include additional individuals linked to the Myanmar government; the EU Common Position on Myanmar was adopted this same year, confirming previously imposed sanctions.

### 2.3 EXPORT BAN AND FREEZE ON THE FUNDS OF SANCTIONED PERSONS

In 1997, the EU banned exports of all equipment that might be used for internal repression or terrorist activities. The EU also imposed restrictions on funds held abroad by persons under sanctions. In response to Myanmar’s violations of international conventions on
forced labour, the EU suspended trade preferences with Myanmar, effectively eliminated the Generalised Scheme of Preferences (GSP) with Myanmar, which allows developing countries to pay lower import tariffs on exports to the EU.

2.4 SUSPENSION AND LIFTING OF SANCTIONS UNTIL 30 APRIL 2019

After the Myanmar government enacted various democratic and liberal reforms, the EU suspended most sanctions against Myanmar; however, the arms embargo remained in place. In recognition of further positive reforms, the EU lifted most financial and trade sanctions in 2013. The arms embargo is extended annually and presently remains in force until 30 April 2019.

2.5 DEVELOPMENT SUPPORT

As Myanmar continued to make progress towards democratisation, the EU provided the government with political and economic development support. This included:

- Reinstating Myanmar into the GSP (except for arms), allowing duty-free and quota-free access for the country’s export products to European nations;
- Creating a fully-fledged delegation to resume bilateral relations with Myanmar;
- Implementing an EU-Myanmar Task Force to strengthen Myanmar’s democratisation process;
- Establishing an EU-Myanmar human rights dialogue;
- Participating in ceasefire agreement talks with armed ethnic groups; and deploying an election observation mission during general elections;
- Priority areas for bilateral assistance include: rural development, education, peace-building, and governance strengthening.

2.6 EU-MYANMAR INVESTMENT PROTECTION AGREEMENT NEGOTIATIONS

The EU and Myanmar have been negotiating a bilateral Investment Protection Agreement since 2013. The purpose of the agreement is to:

- Provide a stable and secure environment for both Myanmar and EU investors;
- Protect investors against discrimination;
- Ensure investors are treated fairly and equitably;
- Ensure investments will not be taken away without fair compensation.

However, following ongoing events in Northern Rakhine State since August 2017, the EU suspended IPA negotiations on 14 September 2017.
3. PROMISING BUSINESS OPPORTUNITIES AND SECTORS

Key sectors for foreign investment include oil and gas, infrastructure, real estate and hotels and tourism. Approved foreign direct investment skyrocketed from about USD1.4 billion in 2012–13 to just under USD5.8 billion in 2017–18.

Foreign businesses and joint ventures are now allowed to carry out businesses in the retail and wholesale sector. Ministry of Commerce Directive 25/2018 of 9th May 2018, authorised 100% foreign-owned companies as well as joint ventures between international and domestic investors to carry out retail and wholesale businesses.

The directive contains a minimum capital requirement of USD5 million for foreign-owned wholesalers and USD3 million for foreign retailers, excluding the value of land rental. Joint-venture wholesale traders – in which the local partner must have at least a 20% share – require a minimum of USD2 million in capital, while joint-venture retailers must have at least $700,000.

According to Central Bank Directive No. 3 dated 8th Nov 2018, the government has allowed all branches of foreign banks to provide financing and other banking services to local businesses, setting them on more equal footing with the local banks. Further clarifications with regard to technical matters are expected.
The following chart breaks down FDI by sector. The four largest sectors are: oil & gas, power, manufacturing, and transport & communication; they account for almost 82% of the total FDI inflow. Several key communications and oil and gas projects contributed to the large approval totals in 2014–15 and 2015–16.
FDI BY SECTOR (1988–2018), USD MILLIONS

Figure 5: Share of permitted FDI by sector
(Source: DICA)
4. FINANCIAL SECTOR

Myanmar’s banking sector has lagged behind international standards, largely as a result of sanctions that prohibited international banks from engaging in Myanmar. Due to protracted economic sanctions, the Central Bank of Myanmar (CBM) and Myanmar’s financial institutions were isolated from global financial markets. However, the government and the CBM have recently taken steps to develop and implement reforms to improve financial services, such as enacting the Financial Institutions Law 2016. Four new foreign bank branch licenses were issued in 2016 (a total of 13 foreign banks now have licenses to operate in-country). Furthermore, steps have been taken to develop capital markets, with the launch of Yangon Stock Exchange in 2016. Five companies are now listed.

4.1 FOREIGN EXCHANGE AND EXCHANGE CONTROL


The FEML defines foreign exchange as “foreign currency and all deposits, credits and balances in any foreign country or payable in any foreign currency, and any documents or instruments expressed or drawn in Myanmar currency but payable in any foreign currency.”

The Central Bank of Myanmar 2013 law defines foreign exchange as:

- Foreign currency in cash;
- Payment instruments payable in foreign currency cash or payable abroad;
- Deposits in intergovernmental financial institutions, central banks, treasuries and commercial banks abroad;
- Instruments used for the international transfer of funds; and
- Foreign currency accounts opened and maintained in domestic banks.

Under FEML, the CBM monitors and records funds that enter the country as foreign investment; foreign investors must declare their funds with documentary evidence or risk being prohibited from repatriating funds abroad. Further, investors must obtain permission from the Foreign Exchange Management Board regarding all foreign exchange
activities, including borrowing and repaying the principal and interest of foreign exchange from abroad, payments to persons abroad, and opening accounts in foreign banks and remitting profits.

There are a few options to transfer funds in and out of the country.

- The 29 domestic banks, including four state-owned and 25 private banks, have linked with correspondent banks abroad for international remittances. Most of the correspondent banks are in Asia and Europe. In cases where a correspondent bank is not present in a given country, remittances are carried out through a third party intermediary bank.
- International remittances can be conducted through international money transfer networks, such as Western Union, Money Gram and Xpress Money, and increasingly through fintech solutions.
- Several local banks offer trade financing services of LC (letter of credit) issuance; they include CB Bank, KBZ Bank, AYA Bank and YOMA Bank.

### 4.2 BOTTLENECKS FOR FOREIGN BANK BRANCHES

Although the CBM has granted licenses to 13 foreign banks to operate in the country, foreign bank services are limited to wholesale banking services for foreign companies and local and international financial institutions. Retail banking and lending in local currency are prohibited.

The 13 foreign banks with licenses to operate in Myanmar are:

<table>
<thead>
<tr>
<th>No.</th>
<th>Banks</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd</td>
</tr>
<tr>
<td>2</td>
<td>Oversea Chinese Banking Corporation Ltd</td>
</tr>
<tr>
<td>3</td>
<td>Sumitomo Mitsui Banking Corporation</td>
</tr>
<tr>
<td>4</td>
<td>United Overseas Bank Ltd</td>
</tr>
<tr>
<td>5</td>
<td>Bangkok Bank Public Company Ltd Industrial</td>
</tr>
<tr>
<td>6</td>
<td>Commercial Bank of China</td>
</tr>
<tr>
<td>7</td>
<td>Malayan Banking Berhad (May Bank)</td>
</tr>
<tr>
<td>8</td>
<td>Mizuho Bank Ltd</td>
</tr>
<tr>
<td>9</td>
<td>Australia and New Zealand Banking Group Ltd</td>
</tr>
<tr>
<td>10</td>
<td>The Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV)</td>
</tr>
<tr>
<td>11</td>
<td>Shinhan Bank</td>
</tr>
<tr>
<td>12</td>
<td>E. Sun Commercial Bank Limited</td>
</tr>
<tr>
<td>13</td>
<td>State Bank of India</td>
</tr>
</tbody>
</table>

*Table 3: Foreign banks granted licenses to operate in Myanmar*  
(Source: DICA)

The following section provides a brief analysis of sectors that have received significant FDI inflow and continue to have strong potential for growth.
About 41% of Myanmar’s total population have access to grid electricity, a rapid increase on roughly 33% only five years ago. Myanmar’s power sector supply chain - from generation to transmission to distribution - requires significant investment and development. Currently, Myanmar has around 5,000MW of installed capacity across 83 plants, though operating capacity is closer to 3,200MW.

Myanmar’s current energy masterplan aims to achieve complete national electrification by 2030 and indicates that coal-fired, gas and solar power plants will be significant sources of power generation, along with hydropower. The government plans to establish 62 new power plants, while existing power plants will be upgraded to increase production capacity. As a result, there is great potential for the investment in energy generation, transmission and distribution needed to meet increasing energy demand.

Although the power sector in Myanmar has traditionally been dominated by state-owned enterprises, several foreign investors have formed joint ventures (JVs) with the government, and Power Purchase Agreements have been signed.
Figure 6: Power resources balance scenario
(Source: Section 5.5, Final Report for the Myanmar National Electricity Master Plan)
6. MANUFACTURING

Myanmar has considerable potential for manufacturing. The consumer goods sector is one of Myanmar’s fastest-growing business areas, due to the country’s strong economy, increasing purchasing power, and relatively young population compared with neighbouring China, Thailand, India, Lao PDR, and Bangladesh. Myanmar’s proximity to these countries places it within reach of almost 40% of the world’s population, underlining its potential to become a regional trading hub\textsuperscript{xvii}.

The government’s national plan for economic growth includes prioritising export growth, which has led the government to invest heavily in infrastructure developments, including roads, hospitals, and power stations. This has subsequently begun to attract foreign investors.

In an effort to advance industrialisation, the government has created laws and regulations to encourage business investment for both local and foreign investors. SEZs in particular offer incentives for manufacturing businesses to operate in these areas. Myanmar also aims to become a logistics hub connecting the East and the West through the development of deep-sea ports at all SEZ sites. Myanmar’s large labour force and low wages are also significant attractive features for foreign firms in the manufacturing sector.

The combination of a large domestic market, the possibility for exports, a strong location and improved incentives has led to a number of international companies to establish manufacturing units in Myanmar, including Unilever, Carlsberg, Heineken, Coca Cola, Pepsi, Nissan and Hyundai, and garment brands, including European ones, have encouraged suppliers from China and elsewhere to establish manufacturing in Myanmar.

The foreign interest in Myanmar’s manufacturing sector is readily apparent in data on the number of approved Foreign Direct Investments by the Myanmar Investment Commission. A total of 59.8% of all approved FDI (by number of investments, not value) were in manufacturing, most of them in apparel.
Figure 7: Number of manufacturing FDI approvals
(Source: DICA)
7. TRANSPORT AND COMMUNICATION

Transportation and communications remain challenges in Myanmar. The country recently regressed in the World Bank's Logistics Performance Index, moving from 145 in 2014 to 113 in 2016, before dropping to 139 in 2018. Recognising the need for a better transportation system to take advantage of improved trade connectivity, the government has started developing new transportation infrastructure, including plans for a new international airport. The government has also started upgrading existing facilities, including airports and the rail network.

Many more projects are expected to fill current gaps in the transportation system, thereby providing foreign investors with the opportunity to engage in infrastructure development and/or upgrading existing facilities or service provision.

Transportation infrastructure is only slowly opening up to foreign companies. Previously, the sector was dominated by government and local private companies, but gradually more foreign companies are finding opportunities. A consortium including Singapore's Yongnam and Changi Airports International and JGC (Japan) has been selected as the preferred bidder for an ambitious new airport project, though negotiations have been challenging. Some foreign companies such as China Road and Bridge have become more active in road construction, while ports have attracted the likes of Hutchinson Ports, which runs Myanmar International Terminals Thilawa. One of the most keenly watched opportunities is for the Yangon elevated expressway, which is to be the country's first modern PPP road project. Over 50 local and foreign firms expressed interest in the expressway earlier this year, with 10 shortlisted.

There are also investment opportunities in the telecoms sector. The telecom sector accounted for 31% of FDI in the first months of fiscal year 2014–15, which amounted to about USD3.32 billion, like foreign firms Ooredoo and Telenor. Massive growth has followed, with the third and fourth operator licenses going to Japan's KDDI Sumitomo and Vietnam's Viettel respectively, both in joint venture with Myanmar partners. The national mobile network coverage is also expected to grow from 12% in 2014 to 70% in 2017 and 95% by 2020, according to GSMA intelligence. Rapid growth in connectivity has opened opportunities across the board, from infrastructure and cabling, to e-commerce and fintech.
Rapid urbanisation and increasing affluence of potential buyers is creating opportunities across the spectrum of real estate businesses. A wide range of developers have sought opportunities from luxury condominiums to affordable housing, as well as commercial and industrial projects. A recent building boom created opportunities in areas such as building materials and contracting.

As of 2018, the Myanmar property market has slowed down from highs experienced from 2012–14, as the market absorbs the supply now being built. Nonetheless, opportunities persist in areas such as moderately priced offices, affordable housing and compelling retail and hospitality offerings.

Portions of several major projects have recently been completed:

- Phase one of Shwe Taung Group’s Junction City project in downtown Yangon is opened, including a retail, office and hotel component.
- High-end residential project Golden City opened its first phase in 2016, with phase two currently nearly finished.
- Downtown office building and shopping mall Sule Square was completed in late 2016.

Other major projects are moving forward, with prominent examples including:

- Yoma Strategic Holding’s landmark downtown property development called “Yoma Central” in downtown Yangon.
- Marga Landmark is building “The Central” at a prominent location in Yankin township.

Real estate businesspeople are keen to see rules changes in a Condominium Law take effect. The law has already been passed by parliament, though it is not yet in effect. When it is, it will allow foreigners to own condo units, as well as improving the mortgage market and strengthening ownership rules for condominiums.

Another recent trend has been toward the so-called “New Cities”, essentially planned city expansions. The most prominent is in Yangon, with the Yangon New City to be built to the southwest of the current city core. A key part of the New City is providing jobs, meaning there will likely be a large industrial component as well. Yangon is not the only city with a “New City” planned, with others including Mandalay planning similar (if smaller) projects.
Special Economic Zones (SEZs) were established to encourage industrialisation, increase trade and investment, and to create job opportunities for locals. Taxation policy and trade laws are different in SEZs; laws that regulate economic activity in the rest of the country do not apply in these areas, such as the MIL.

Currently there are three main SEZs in Myanmar. One, at Thilawa near Yangon, is partly operational, while two more are largely still on the drawing board.

**THILAWA SEZ**

- 250 sq. km. project developed by a Myanmar-Japan consortium (comprised of Japanese entities Mitsubishi, Maurbeni, Sumitomo, Japan International Cooperation Agency (JICA) together owning 49% and the Myanmar government and private sector owning 51%)
- Near port area, includes industrial and estate area zones
- Located 23 km southeast of Yangon city center along the Yangon river

**KYAUK PHYU SEZ**

- 120 sq. km. project to be developed consortium led by CITIC, a state-owned Chinese conglomerate
- Deep sea port, industrial and estate area zones
- Located along the coast line of Bay of Bengal, close to both Bangladesh and India
- Strategically located near USD2.5 billion Myanmar-China Oil and Gas Pipeline
- Implementation scheduled in three phases; discussions currently ongoing with Myanmar government over Myanmar’s stake in the project.

**DAWEI DEEP SEA PORT AND SEZ**

- 196 sq. km. project developed initially by Myanmar and Thailand, with notable involvement from Italian Thai-Development company (ITD); Japanese government has expressed interest
- Planned to include deep sea port, industrial zone, power plants and residential area, though will start with a smaller first phase
- Located at the southern tip of the country touching the Andaman Sea. 350 km from Bangkok
- After delays, high-level committee and task force were created in March 2017 to recommence the project.
Figure 8: Map of Myanmar SEZs
9.1 RULES FOR INVESTING IN SEZ

Investors in SEZs are governed directly by the Special Economic Zone Law. As a result, investment permits are only granted by the management committees of the respective SEZs. For instance, there is a one-stop service centre located inside Thilawa Special Economic Zone that processes all required licenses and permits on behalf of relevant government ministries or departments. Investors who wish to import goods must register his/her list of materials to be imported with the SEZ management committee.

Privileges of SEZ:

- A free zone investor will be exempted from corporate tax for 7 years starting from commercial operation.
- A non-free zone investor (i.e. promotion zone investor), will be exempted from corporate tax for 5 years starting from commercial operation.
- 50% income tax relief on revenue from products sold overseas for the next five years (years 5–10)
- 50% income tax relief on reinvestment obtained from export sales for the following five years
- Exemption on customs duty for certain goods (e.g. machinery and vehicles) for five years. A 50% exemption applies for the next five years.
- Carry forward loss for five years from the year the loss is sustained.

Investors can either invest in free zones or promotion zones. An investor who exports at least 75% of production by value is regarded as a free-zone investor and is eligible for tax exemptions for 7 years. Companies, such as logistics entities that support export-oriented manufacturers, also fall under the category of free-zone investor. Manufacturing companies that focus on domestic supply are considered promotion-zone investors and are eligible for 5 years of tax exemption.

The following describes the application process to open a business presence in Thilawa SEZ.

- Reserve land with Developer, Myanmar Japan Thilawa Development Co., Ltd
- Apply for investment approval to the Regulator, Thilawa SEZ Management Committee with necessary documents including the location of the land in the SEZ, location of the factory, water supply plan, electricity supply plan, building/factory construction plan, plan for installation of machinery and equipment and environmental management plan
- Incorporate company at One-stop Service Centre of the Thilawa SEZ (company incorporation shall only be done after the investment has been approved. Incorporation is a 1 day process.)
- Undergo additional processes for remaining permits such as application of Environmental Conservation and Protection Plan, building permit, fire safety certificate, etc.
9.2 TYPES OF BUSINESSES PROHIBITED TO OPERATE IN SEZS

According to the SEZ law, the following business activities are prohibited from operating in SEZs.

- Production, processing of munitions including arms, weapons, explosives for military use, etc., and services rendering for military-related purposes
- Production, processing or services hazardous to the environment and ecology
- Recycling industries providing waste management services to industries outside Myanmar
- Production, processing of psychoactive substances and narcotic substances
- Importation or production, processing of poisonous chemicals, agriculture pesticide, insecticide and other goods by using chemical substances, prohibited by international regulations or by the World Health Organisation, that affect the public health and environment
- Businesses utilising industrial waste imported from abroad
- Production, processing of prohibited substances which may destroy the ozone layer
- Production, processing and sale of goods made of asbestos
- Production, processing of polluted substances hazardous to the human health and environment.
10. OWNERSHIP OF BUSINESSES

10.1 GENERAL LEGAL / INVESTMENT STRUCTURE INFORMATION

10.1.1 Myanmar Investment Law

The new Myanmar Investment Law (MIL) was signed in October 2016 and has been effective since April 1, 2017; the MIL replaces the Foreign Investment Law (FIL) 2012 and the Citizens Investment Law 2013. The new investment law was created to attract both foreign and local investors by simplifying the application process and offering tax breaks, incentives, rights and protections for businesses.

<table>
<thead>
<tr>
<th>Key changes</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of foreign Investment</td>
<td>Foreign investors are permitted to own 100% of businesses which are not on restricted or prohibited lists.</td>
</tr>
<tr>
<td>Investment screening</td>
<td>An investor may submit an investment screening application to the Myanmar Investment Commission (MIC) for nonbidding guidance on whether a proposal investment:</td>
</tr>
<tr>
<td></td>
<td>• Requires an MIC permit application;</td>
</tr>
<tr>
<td></td>
<td>• Requires Pyidaungsu Hluttaw (Union Parliament) approval prior to permit issuance;</td>
</tr>
<tr>
<td></td>
<td>• Is prohibited or restricted under the MIL and related notifications;</td>
</tr>
<tr>
<td></td>
<td>• Is in a promoted sector under the MIL and related notifications.</td>
</tr>
<tr>
<td>Devolvement of authority for endorsement application</td>
<td>Application for investments less than USD5 million in non-strategic and non-restricted sectors will be handled at the state / regional level, with close involvement of the state / regional DICA officials.</td>
</tr>
<tr>
<td>Removal of blanket incentives</td>
<td>Business may be granted tax exemptions if investments are in promoted sectors – the duration of tax exemption is contingent upon the areas in which business set up operations.</td>
</tr>
<tr>
<td></td>
<td>• Less developed regions (Zone 1) granted 7 years of tax exemption;</td>
</tr>
<tr>
<td></td>
<td>• Moderately developed regions (Zone 2) granted 5 years of tax exemption;</td>
</tr>
<tr>
<td></td>
<td>• Adequately developed regions (Zone 3) granted 3 years of tax exemption.</td>
</tr>
</tbody>
</table>
Long-term land lease possible beyond MIC permit

Foreign investors that invest under Foreign Investment Law (FIL) scheme can lease land from the government for 50 years and then extend it for another 20 years with two 10-year extensions.

Compensation for expropriation

Expropriation of investments is allowed under the following conditions:

(a) necessary for the public interest;
(b) carried out in a non-discriminatory manner;
(c) carried out in accordance due to process of law;
(d) on payment of prompt, fair and adequate compensation.

Grievance mechanism

MIC will establish and manage a grievance mechanism to inquire and resolve issues before escalation to legal disputes, and to prevent the occurrence of disputes.

| Table 4: Key changes to investment laws |

According to the Myanmar Investment Law 2017, foreign investors can carry out businesses by the following means:

- As a 100% foreign-owned entity;
- By way of a joint venture with foreign, local, and government entities
- By way of a mutually-agreed upon contract
- By way of other investment forms, including build-operate-transfer (BOT) and build-transfer-operate (BTO) systems.

10.2 MYANMAR INVESTMENT COMMISSION (MIC)

The Myanmar Investment Commission (MIC) consists of representatives and experts from government ministries, departments, and other non-governmental bodies. They are responsible for approving investment proposals and issuing notifications regarding sector-specific developments.

The MIC’s mandate is to act “as Myanmar’s investment promotion agency; facilitate investment; provide investment policy advice; review incentives; encourage responsible business; and facilitate investment grievance mechanism.” The Directorate of Investment and Company Administration (DICA) serves as the secretariat of the MIC.

Foreign companies that register for an MIC investment permit are eligible for tax exemptions and the right to lease land for 50 years with the option to extend their lease for 10 years two times. Foreign companies that do not require an MIC investment permit only need to apply for a permit to trade from DICA and a registration certificate from CRO.

On 30 March 2017, the Ministry of Planning and Finance published Notification No. 35/2017, the final version of the Myanmar Investment Rules (MIR) issued under MIL2016. The MIR and other Notifications issued thereafter provide clarifications and information pursuant to MIL2016. They include...
• No. 10/2017 on the Designation of Development Zone
• No. 11/2017 on the investment capital amount limit for the issuance of endorsement order
• No. 13/2017 on the Classification of Promoted Sectors
• No. 15/2017 on the list of Restricted Investment Activities,
10.4 MYANMAR COMPANIES LAW

The new Myanmar Companies Law was approved by President U Htin Kyaw on 6 December 2017, later entering into force in August 2018. The new Law replaces an older version dating from 1914. The act will improve corporate governance by allowing:

- More flexible capital structures and changes to capital share
- Ability for foreign investors to purchase shares in the Yangon Stock Exchange
- Eliminate the requirement for foreign firms to obtain a permit to trade from DICA
- Possibility to incorporate a one-person company with a unique director.

Importantly, foreign investors will be able to hold up to 35% of ownership interest in a Myanmar company; if foreign stakes constitute more than 35%, the company is considered a foreign company. This will enable foreign investors to invest in companies in sectors that are currently closed to foreign investors, as well as invest in companies listed on the Yangon Stock Exchange.\textsuperscript{xxxii}
11. MAIN REGULATIONS APPLYING TO ALL BUSINESSES

11.1 IP LAWS

Although drafts of Myanmar’s IP laws have been ready since 2014, they have yet to be adopted. Draft bills regarding trademark, copyright, patents and industrial design were presented to the relevant legislation committee on 24 July 2017, before being passed by the Upper House of Parliament on 15 February 2018. The copyright legislation has progressed to the final stage of the parliamentary process, though it is unclear if it will move forward ahead of the other three bills. Myanmar has signed the TRIPS agreement under WTO and is obligated to implement IP legislation by 2021.

In the meantime, investors’ IP may be protected under certain existing domestic laws. For instance, companies may register a Declaration of Ownership of a trademark, which is accepted as evidence of ownership of a mark. Further, the Competition Law 2015 outlaws unfair competition, including disclosure of business secrets, such as protected business information and business procedures without the owner’s consent.

11.2 EMPLOYMENT REGULATIONS

The Ministry of Labour, Immigration and Population is the main regulator and inspector of employment conditions. It is comprised of the Department of Labour, Social Security Board, Central Inland Freight Handling Committee, Factories and General Labour Laws Inspection Department and Department of Labour Relations.

An overarching labour legislation or employment code presently does not exist in Myanmar; however, there are various labour laws that protect minimum standards for employment in Myanmar, including working hours, overtime, social security, leave, the minimum wage, skills development, child labour, discrimination, labour disputes and Workplace Coordination Committees and freedom of association. A 2017 guide, produced with the EU support, is available from the ILO.

Employment Contract:

The Notification 140/2017 of the Employment Skill Development law from the Ministry of Labour, Immigration, and Population states that an employment contract must be signed within 30 days of employment. The employment contract must offer minimum levels of protection as stated by the law. Employment agreements for the appointment of staff must be in accordance with local laws regarding minimum wages, leaves and holiday entitlements, overtime fees, damages, workers’ compensation, social welfare packages,
insurance and occupational terms and conditions as contained in the employment agreement. Provisions which do not meet these minimum requirements are considered void.

After drafting and signing the contract with employees, employers must then send a copy of the contract to the township or district labour office for approval. The penalty for violating or failing to sign an employment contract is up to six months’ imprisonment, a fine, or both.

A standard contract was published by the Ministry in August following development in a tripartite process to be use. Some amendments to this are permitted if approved by the Township Labour Office.

**Minimum wages and working hours:**

In April 2018 the minimum wage was increased to MMK4,800 (about USD3.20) per dayxxxvi (although this does not apply to small enterprises with less than 15 employees).

For blue collar employers, working hours are limited to eight hours per day, 44 hours per week, and six days per week. Adult workers in shops and offices are not required to work more than 8 hours per day or 48 hours per week.

The labour law further states that any person working in excess of legal maximum hours must be paid double their normal wage. For blue collar workers, overtime may not exceed 12 hours per week; for employees in offices and businesses, overtime may not exceed 16 hours per week.

**Leave:**

According to the Leave and Holidays Act 1951, employees are entitled to six days of casual leave, 10 days of annual leave (after their first 12 continuous months of work), 30 days of medical leave (after six months of work), and an average of 15 public holidays per year with pay. Both casual leave and medical leave are granted as needed. Employers may require employees to present a medical certificate for medical leave.

**Social Security:**

Employers with five or more employees must participate in the Social Security Scheme. In accordance with the Social Security Law 2012, monthly contributions made by the employer and employee are 3% and 2% of salary respectively. The Social Security Scheme comprises of: the Health and Social Care Insurance System, Family Assistance Insurance System, Invalidity Benefit, Superannuation Pension Benefit, Survivors’ Benefit Insurance System, Unemployment Benefit Insurance System and other Social Security System.

**Occupational Safety and Health:**

Myanmar has a poor safety culture, and investors will need to train employees and establish effective monitoring and enforcement to ensure OSH practices meet international standards.

An OSH Law covering all sectors is awaiting adoption by Parliament as of end 2018, in the meantime, safety regulation is predominantly to be found in the Factories Act (see ILO Labour Law Guide).
11.3 **TAXATION**

11.3.1 **Corporate taxation**

Resident companies are formed under the Myanmar CA and are taxed on a worldwide basis, including income from sources outside of Myanmar. A non-resident company is any company incorporated outside of Myanmar and is taxed only on income earned from sources within Myanmar. Representative offices and foreign branches are regarded as non-resident companies.

<table>
<thead>
<tr>
<th>Type of company</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident company (under CA)</td>
<td>25%</td>
</tr>
<tr>
<td>Companies under MIL</td>
<td>25%</td>
</tr>
<tr>
<td>Foreign companies under special permission in state-sponsored projects, enterprise, etc</td>
<td>25%</td>
</tr>
<tr>
<td>Non-resident companies</td>
<td>25%</td>
</tr>
<tr>
<td>Capital gains for resident companies</td>
<td>10%</td>
</tr>
<tr>
<td>Capital gains for non-resident companies</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Table 6: Corporate tax by type of company*

Parliament passes an annual Union Taxation Law. The latest, for 2018, became effective on 1 April 2018. The most talked-about change in the 2018 Union Taxation Law was changing the financial year-end for 2019–20 to 30 September, from the previous date of 31 March. This also resulted in a mini-financial year in 2018, from 1 April to 30 September.

Other noteworthy changes in the law were around changing the Specific Goods Tax so foreign and locally manufactured goods are at the same level, as well as extending some commercial tax exemptions, such as for jet fuel and plane tickets in the domestic market, pure gold, and some agricultural products.xxviii Also notable is there had been a discussion over undisclosed sources of income in the draft law, though some controversial provisions were later taken out.
11.3.2 Personal income tax

Personal income is taxed as follows (as long as income passes the threshold set out in the Union Taxation Law).

<table>
<thead>
<tr>
<th>From (MMK)</th>
<th>To (MMK)</th>
<th>Income tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2,000,000</td>
<td>0%</td>
</tr>
<tr>
<td>2,000,001</td>
<td>5,000,000</td>
<td>5%</td>
</tr>
<tr>
<td>5,000,001</td>
<td>10,000,000</td>
<td>10%</td>
</tr>
<tr>
<td>10,000,001</td>
<td>20,000,000</td>
<td>15%</td>
</tr>
<tr>
<td>20,000,001</td>
<td>30,000,000</td>
<td>20%</td>
</tr>
<tr>
<td>30,000,001 and above</td>
<td>-</td>
<td>25%</td>
</tr>
</tbody>
</table>

*Table 7: Personal income tax rates*

As amended by Notification 51-2017 beginning 1 April 2017, income tax must be withheld upon making the following payments at the relevant rates:

<table>
<thead>
<tr>
<th>Types of payment</th>
<th>Rate if paid to a resident</th>
<th>Rate if paid to a non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Interest</td>
<td>N/A</td>
<td>15%</td>
</tr>
<tr>
<td>Royalties</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Payment by State organisations, State enterprise, development Committees, cooperative societies, foreign companies, foreign enterprises and organisations, local companies and under an existing law for purchase of goods, work performed or supply of services and hiring within the country under a tender, contract, quotation or other modes.</td>
<td>2%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

*Table 8: Withholding tax and its applications*
11.4 ENVIRONMENTAL LAW AND REGULATIONS

Environmental Conservation Law (No. 9/2012) applies to both domestic and foreign investors. This 2012 Law, which led to the creation of Myanmar’s first Environment Ministry, now called the Ministry of Natural Resources and Environmental Conservation (MONREC), established a system of Environmental Impact Assessment (EIA) for the first time, overseen by the Environmental Conservation Department (ECD).

The 2015 EIA Procedure clarifies that ‘environmental impact’ includes social impacts. These in turn include involuntary resettlement and those relating to indigenous peoples. Article 2(h) defines ‘adverse impact’ as “any adverse environmental, social, socio-economic, health, cultural, occupational safety or health, and community health and safety effect suffered or borne by any entity, natural person, ecosystem, or natural resource, including, but not limited to, the environment, flora and fauna, where such effect is attributable in any degree or extent to, or arises in any manner from, any action or omission on the part of the Project Proponent, or from the design, development, construction, implementation, maintenance, operation, or decommissioning of the Project or any activities related thereto”. The Procedure also requires cumulative impacts to be addressed.

Depending on the nature, size, scope and location of an investment (some parameters for this are included in Annex 1 of the Procedure), there may be a need to undertake a full EIA using a qualified consultant registered with ECD; or, in the case of a lower impact activity, an Initial Environmental Examination (IEE) (An IEE lacks the initial Scoping Phase of the EIA but is otherwise similar). In either case, an Environmental Management Plan (EMP) should be established to mitigate impacts. This should be approved by MoNREC and will become a contractual commitment by the Project Proponent (company). This leads to the issuance of an Environmental Compliance Certificate (ECC) by ECD, which then monitors the Project for compliance. Effective public participation/consultation, also essential for responsible business due diligence and for building a ‘social licence to operate’ is a legal requirement at a number of stages in the process, including publication of relevant documents and establishment of ‘operational grievance mechanisms’. Draft Myanmar Guidelines are available on public participation.

As of 2018, there were significant delays in EIA approvals by ECD. Few ECCs had been issued. Furthermore, the quality of many submitted EIAs meets neither Myanmar or international standards. Investors should exercise care with the choice of consultant, particularly those offering bargain fees, familiarise themselves with the legal requirements, monitor consultant performance closely.

Prior to the adoption of the 2015 EIA procedure, and the 2016 Myanmar Investment Law (MIL) and 2017 Rules, there was some confusion on the part of government and investors on whether an EIA was a requirement of the Myanmar Investment Commission who would issue approvals. This confusion was resolved with the adoption of the MIL which make clear that the two approvals processes are separate and that MIC Permits are issued conditional on environmental and other approvals being received from the relevant Ministries.

According to Article 36 of the MIL and the Rules, projects that require an EIA will also require an MIC Permit because they inter alia have a large potential impact on the environment and the local community. There is therefore a value in submitting relevant investments
early on to both the Directorate of Investment and Companies Administration (DICA), and ECD for screening as to whether an EIA, and therefore an MIC Permit, will be required. Even for small investments may require an EIA if they are in an environmentally or socially sensitive area including one affected by conflict.

In addition to EIA requirements, there is a developing corpus of law under the Environmental Conservation Law relating to environmental standards for all investments, regardless of size, including the 2015 National Environmental Quality Guidelines, focused on emissions which are largely based on the IFC Environmental Health and Safety Guidelines. There are other environmental laws relating to pesticides, hazardous chemicals, biodiversity and water conservation etc.

**Land laws**

Land has constantly been identified by responsible investors - as their biggest human rights risk, and one which reduces their willingness to invest in Myanmar due to uncertainty around land ownership and unquantified liabilities due to land acquisition legacies.

Overall, the legal and policy framework regarding land remains fragmented, internally inconsistent, and incomplete. Three central pieces of legislation governing land of particular concern to investors with a significant land footprint or in rural areas are the 2012 Vacant, Fallow and Virgin Land Management Law, amended in 2018; and the 2012 Farmland Law, and, the 1894 Land Acquisition Act. The latter two are also under amendment in Parliament and all three are controversial with land users.

A central issue remains widespread insecurity of tenure, partly due to the inefficient and complex land registration system. This is further complicated by the fact that the cadastral (land mapping) system is out of date, meaning that land classifications and mappings used by different ministries may overlap, conflict, and not represent current land use patterns. Land tenure remains insecure for most smallholder farmers because of: “i) a complex and long registration process resulting in low land registration rates;  ii) rigid land classifications that do not reflect the reality of existing land use; iii) lack of recognition of customary land use rights; iv) weak protection of registered land use rights; v) inefficient land administration; and vi) active promotion of large-scale land allocations without adequate safeguards. Further guidance for businesses on this issue is included in Briefing Papers from Myanmar Centre for Responsible Business.

**Other regulatory requirements concerning responsible investment**

The 2016 Myanmar Investment Law and 2017 Rules include a requirement (Rule 45) for MIC to publish the Proposal Summary within 10 days of receiving the Proposal and before it is considered by MIC. There is also a requirement on investors (Rules 196/199) for holders of an MIC Permit to publish an annual report including details of how it has invested responsibly and sustainably. Other regulations which relate to responsible investment including law on Protection of the Rights of Ethnic Nationalities, Conservation of Biodiversity and Protected Areas, and Cultural Heritage.
12. CHALLENGES AND OUTLOOK

12.1 OUTLOOK

Since Myanmar underwent significant economic, social and political reforms in 2011, investment conditions for businesses have become increasingly favourable, thereby attracting increased private investment initiatives that have contributed to the country's significant growth.

Most projections show Myanmar's GDP expanding by about 7% per year over the medium term. However, this depends on sustained private and public sector investment in infrastructure, in addition to progress and implementation of necessary structural reforms and the development of needed services.

The following sections summarise important positive and negative factors that potential foreign investors should consider before establishing businesses in Myanmar.

Infrastructure improvements gradually taking place

Myanmar's infrastructure development is a top priority for the NLD. To this end, the government, along with the World Bank and the UN, have developed a national electrification plan to achieve full electrification by 2030. Further, the government has mandated a number of projects to rehabilitate Myanmar's transportation infrastructure, which would ease transportation of goods and services provided and/or needed by businesses.

Overall, the outlook for infrastructure growth is positive, largely due to the government's demonstrated commitment to developing the infrastructure sector. For instance, mobile and internet coverage has increased across the country, SEZ construction is underway, new airports and upgrades in existing facilities are being carried out, the country's first elevated expressway is being planned, and efforts to improve transport connections with the international community are being implemented. The government still requires significant financing to achieve its ambitious infrastructure goals; with support from the government, investments in the infrastructure sector can be promising for foreign partners.

Liberalisation of previously closed sectors

Since 2011, sectors that were previously closed to private participation have opened to both local and foreign private investors. Examples include: the Ministry of Electricity and Energy allowing the private sector to invest in downstream oil & gas activities; the development of the telecoms sector, which was previously dominated by state-owned
enterprises; allowing private players in the insurance industry, which was previously monopolised by the state-owned Myanma Insurance; and granting licences to foreign microfinance institutions to serve the local market.

**Mass market and strategic location**

With a population of 53 million people, Myanmar has a strong potential workforce to aid in developing fruitful investment opportunities. As a result of its strategic location as a member of ASEAN and neighbour to China and India, Myanmar is a regional gateway to international markets and could serve as a regional logistics hub.

**Low labour costs**

With a prescribed minimum wage of MMK4,800 (approximately USD3) per day, Myanmar offers investors a large pool of labour at relatively low cost. For this reason, many multinational companies (MNCs) have established their manufacturing footprints in the country, either in local market distribution or foreign market exports.

### 12.2 CHALLENGES

As in every market, challenges exist; the following are some major obstacles investors should anticipate before entering the country.

**Infrastructure needs**

Infrastructure needs remain a major obstacle for foreign investors in setting up their business presence in Myanmar and in expanding their established businesses. Certain fundamental infrastructure elements, such as a steady and reliable electricity supply and good road infrastructure, have yet to be developed. With frequent power cuts and an inefficient power supply, businesses resort to other alternative sources of electricity, such as generators. Although major cities are well-connected, some parts of the network are in need of rehabilitation. Without a reliable nationwide network, companies are often constrained by high distribution costs associated with inefficiencies in transporting goods.

**Laws prioritising local businesses**

In order to protect local businesses, the MIL restricts foreign participation in certain sectors. For example, foreign banks have been granted licences to operate in the Myanmar’s financial market but are limited to only providing wholesale services for foreign companies and local and international financial institutions.

**Talent shortage**

Despite a large working-age population, skilled labour is in short supply. To fill this gap, some foreign companies hire expatriates and repatriates who meet their needs.

**Legislation still in progress**

Laws that regulate business operations in the country are not fully functional yet: many laws are outdated and some important laws have yet to be enacted. However, progress is being made, as is evidenced by the recent MIL, the Companies Law, and the drafting of the IP Law.
Since independence, Myanmar has undergone numerous waves of political and social change. The following table highlights major events in Myanmar's political evolution.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>Independence followed by increasing communist and ethnic insurgencies</td>
</tr>
<tr>
<td>1962</td>
<td>Coup d'Etat paving the Burmese way to socialism</td>
</tr>
<tr>
<td>1988</td>
<td>Widespread anti-government demonstrations result in military takeover</td>
</tr>
<tr>
<td>1989</td>
<td>Negotiations with ethnic rebels; Tens of thousands of Karen and other ethnic people fled to neighbouring Thailand due to escalated conflicts between the Tadmadaw and Karen National Union (KNU)</td>
</tr>
<tr>
<td>1990</td>
<td>General election won overwhelmingly by Aung San Suu Kyi's NLD party, but results are not honoured by the military.</td>
</tr>
<tr>
<td>2003</td>
<td>Military announced 7-step roadmap to 'disciplined democracy'</td>
</tr>
<tr>
<td>2005</td>
<td>Shift of government to Nay Pyi Taw</td>
</tr>
<tr>
<td>2007</td>
<td>Saffron revolution, an anti-government protest movement by monks and others, results in a further military clampdown</td>
</tr>
<tr>
<td>2008</td>
<td>Cyclone Nargis; Referendum on new constitution</td>
</tr>
<tr>
<td>2010</td>
<td>General elections</td>
</tr>
<tr>
<td>2011</td>
<td>Civilian government; 100,000 of Kachin people were displaced due to the resumption of hostilities between the Tadmadaw and the Kachin Independence Army (KIA).</td>
</tr>
<tr>
<td>2012</td>
<td>By-election</td>
</tr>
</tbody>
</table>
Independence

Myanmar was under the colonial rule of the British for 124 years (1824–1948) and was occupied by Japan (1942–45). The country gained independence on 4 January 1948.

Coup d’état paving the Burmese way to socialism

Myanmar's post-independence period was characterised by political instability and insurgencies of various ethnic and communist armed groups, as well as US-supported Kuomintang. Myanmar's leadership vacuum was eventually filled by a 1962 coup d’état carried out by the Tatmadaw, Myanmar’s military. General Ne Win declared the adoption of “The Burmese Way to Socialism”. The country entered a new era with nationalised businesses and government-imposed price controls, among other state-driven economic policies. The agricultural sector suffered heavily from price controls, and the country rapidly lost its position as the world’s largest rice exporter.

The government implemented a closed-door economy by taxing exports and limiting amount of imports allowed into the country. Instead, foreign imports were substituted by domestic products. Imports were further reduced when the government stipulated that imports could only be bought with earnings from exports. This new law created chaos in the trading sector as export earnings could not finance Myanmar’s heavy reliance on imports, which partly explains the country’s underdeveloped industrial sector.

Widespread anti-government demonstrations

A nationwide uprising led by university students and others occurred in 1988 and was crushed by the military, which took back power from the Burmese Socialist Programme Party and installed the State Law and Order Restoration Council (SLORC), a military junta. Many protesters were killed during the uprising, and thousands more were imprisoned or exiled.

Table 9: Timeline of Myanmar’s political development

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 &amp; 2013</td>
<td>Suspension of sanctions</td>
</tr>
<tr>
<td>2014</td>
<td>ASEAN chairmanship</td>
</tr>
<tr>
<td>2015</td>
<td>General elections</td>
</tr>
<tr>
<td>2016</td>
<td>New government</td>
</tr>
<tr>
<td>2017</td>
<td>700,000 Rohingyas in Northern Rakhine fled to Bangladesh due to the Tamadaw’s military operations following the ARSA’s attacks.</td>
</tr>
<tr>
<td>2018</td>
<td>A monitoring mission from the EU on human rights and labour rights issues visited Myanmar in late October.</td>
</tr>
</tbody>
</table>

2012 & 2013 Suspension of sanctions

2014 ASEAN chairmanship

2015 General elections

2016 New government

2017 700,000 Rohingyas in Northern Rakhine fled to Bangladesh due to the Tamadaw’s military operations following the ARSA’s attacks.

2018 A monitoring mission from the EU on human rights and labour rights issues visited Myanmar in late October.
Negotiations with ethnic rebels

In 1989, the military government achieved the first of a series of ceasefire agreements with ethnic armed organisations, many of whom had been fighting for decades.

General elections

A multi-party general election was held in 1990 and the National League for Democracy (NLD) won a landslide victory. However, the results were not acknowledged by the ruling government, and military rule continued. In 1992, some elected MPs, outnumbered by delegates handpicked by the military, were convened to draft a new constitution.

Military announced 7-step roadmap to ‘disciplined democracy’

In 2003, the military regime presented a seven-step roadmap to ‘disciplined democracy’ which included adoption of a new constitution and new elections.

Shift of government to Nay Pyi Taw

The military regime constructed a new capital at a greenfield site 376 km from Yangon, the former capital. Administrative offices were moved to the new capital, Nay Pyi Taw, in 2005 but Yangon continues to be the commercial hub of the country.

Saffron Revolution

Soaring fuel prices led to public dissent and another uprising in 2007. The protests were led by thousands of Buddhist monks, giving the uprising its moniker, the Saffron Revolution. There were several fatalities as the police tried to break up the protests and many protesters, including monks, were subsequently jailed.

Cyclone Nargis and referendum for new constitution

In 2008, a strong cyclone hit the Ayeyarwaddy Region; approximately 130,000 people were killed and agricultural land was devastated. The government nonetheless went ahead with a referendum on a new constitution a few days after the cyclone hit the region. The new constitution introduced a new political system with a parliament directly elected, but nonetheless gave significant power and influence to the military in both the executive and legislative branches. It also effectively restricted Daw Aung San Suu Kyi, then still under house arrest, from becoming president – the constitution banned anyone with a spouse or offspring of foreign nationality from becoming president.

General elections

Following the enactment of the new constitution, a general election was held in November 2010 and the military-backed party, the Union Solidarity and Development Party (USDP), won the majority vote. Daw Aung San Suu Kyi’s party, the National League for Democracy, boycotted the election.

Daw Aung San Suu Kyi was freed from house arrest a week after the election.
Civilian government

In March 2011, former general U Thein Sein became President in the first civilian government under the new constitution.

By-elections

A by-election was held in 2012 to fill 44 vacant seats in the parliament. Daw Aung San Suu Kyi entered the election and her party, the NLD, won 43 of the 44 seats.

Suspension of sanctions

Reflecting active steps towards national reconciliation, much of the international community lifted or suspended many trade and economic sanctions against Myanmar other than arms embargo.

ASEAN chairmanship

For the first time since becoming a member of the ASEAN in 1997, Myanmar assumed the role of the ASEAN chairman in 2014.

General elections

A general election was held in November 2015. The NLD won a landslide victory and nominated two candidates for President.

New government

U Htin Kyaw was elected President of the new government. Daw Aung San Suu Kyi assumed multiple roles in the new cabinet as Foreign Minister, President’s Office Minister and the newly-created position of State Counsellor. The new government took office on 1 April 2016.

The resumption of the peace process is a high priority for the new government; the government has publicly declared that one of its most important goals is to sign and implement ceasefire agreements with all ethnic armed groups in the country.

U Htin Kyaw stepped down as President and was replaced by U Win Myint on 30 March 2018.
14.1 POPULATION

With a population estimated at 53 million in 2017, Myanmar is the 12th largest Asian country by population and 5th largest in ASEAN. The country’s gender ratio is 51.8% female (26.6 million) and 48.2% male (24.8 million), according to the 2014 census. The majority of the population is rural (70%).

Figure 9: Population census
14.2 AREA

Myanmar has one of the lowest population densities in Southeast Asia with **76 people per square kilometre**.

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14.3 GEOGRAPHY

- Myanmar borders Bangladesh, China, India, Laos and Thailand.
- Nay Pyi Taw has been the country's administrative capital since 2005 but the former capital, Yangon, remains the country's largest city and commercial centre.
- Mandalay is the commercial and logistics hub for Upper Myanmar, especially for border trade transactions with India and China.
- Of the 19 trade stations located along the borders, Muse and Chin Shwe Haw (along the Chinese border) and Myawaddy (along the Thai border) dominate cross-border economic activity.
- Special Economic Zones were introduced by the previous government and three are currently planned - Kyauk Phyu (in Rakhine State), Thilawa (near Yangon and partially operational) and Dawei (in the southern Tanintharyi Region).
- Two major road networks connect the two commercial hubs, Yangon and Mandalay. The newly constructed highway only allows passenger vehicles, while an older road is used primarily by trucks for the movement of goods. There is also a rail network connecting the two cities.
- International port terminals remain limited to Yangon (including two at Thilawa SEZ) but there are plans to develop deep-water ports at Kyauk Phyu SEZ and Dawei SEZ.

---

THE MOST POPULATED REGIONS ARE

YANGON  AYEYARWADDY  MANDALAY

**1ST**  **2ND**  **3RD**

which together account for **40% of the total population**
• There are three international airports, but only Yangon and Mandalay handle freight services. A new international airport is planned near Bago, just north of Yangon.

14.4 CURRENCY

Myanmar’s currency is the Myanmar Kyat (MMK). As of publication of this guide, one Euro was worth MMK1,765\(^{11}\). In 2018, the MMK has experienced significant depreciation and volatility, partly due to political instability and trade deficit.

Inflation has remained high over the past several years, though declined from 7% in 2016–17 to 5.5% in 2017–18\(^{12}\). In the short term, inflation is likely to be driven by money growth, and increases in food and fuel prices. The World Bank projected inflation at 4.9% in 2018–19, and 5.3% in 2019–20.

14.5 LITERACY RATE

Myanmar has an adult literacy rate of 93% as of 2013\(^{14}\), according to the UNESCO Institute for Statistics (UNICEF).

14.6 GDP

Myanmar had been perhaps the world’s fastest growing substantive economy until recently. Nonetheless, the World Bank forecasts medium-term GDP growth of about 7% annually\(^{15}\). Political and economic reforms have fostered economic development but growth is also being driven by increased consumer and investor confidence in the revitalisation of the economy.

![MYANMAR GDP GROWTH AND FORECAST (2013/14 TO 2020/21F) (WORLD BANK)](image)

**Figure 10: GDP growth and forecasts**
(Source: World Bank Myanmar Economic Monitor)
Figure 11: GDP growth and forecasts
(Source: IMF World Economic Outlook 2017)
15.1 GOVERNMENT OFFICES

There are 24 ministries in the current cabinet. Foreign investors must consult with the Ministry of Commerce, Ministry of Labour, Immigration and Population, and Ministry of Planning and Finance to set up businesses in Myanmar.

**MINISTRY OF LABOUR, IMMIGRATION AND POPULATION**
Office No. 51, 48 Nay Pyi Taw
(+95) 1 430 079, +95 1 431 010
www.mip.gov.mm, www.mol.gov.mm

**MINISTRY OF COMMERCE**
Office No. 3, Nay Pyi Taw
(+95) 1 408 002, (+95) 1 408 006
www.commerce.gov.mm

**MINISTRY OF PLANNING AND FINANCE**
Office No. 26, Nay Pyi Taw
(+95) 1 410 046, (+95) 1 410 186
www.mofr.gov.mm

**DIRECTORATE OF INVESTMENT AND COMPANY ADMINISTRATION (DICA)**
No. 1, Thitsar Road, Yankin Township, Yangon
(+95) 1 657 891
www.dica.gov.mm
15.2 MYANMAR BUSINESS ASSOCIATIONS

Non-governmental associations play an important role in building business networks and facilitating business operations. The Republic of the Union of Myanmar Federation of Chamber of Commerce and Industry (UMFCCI) is the most significant association and is a useful contact when starting a business in Myanmar. There are 47 affiliated associations comprised under UMFCCI.

UMFCCI
No. 29, Min Ye Kyaw Swar Street, Lanmadaw Township, Yangon
(+95) 1 231 434 449
www.umfcci.com.mm

15.3 EUROPEAN BUSINESS ASSOCIATIONS AND PARTNERS

BRITISH CHAMBER OF COMMERCE MYANMAR
No. 192, Bo Myat Htun Street, Pazundaung Township, Yangon
(+95) 1 925 3748
www.britishchambermyanmar.com

CHAMBER OF COMMERCE ITALIA-MYANMAR
No. 271–273, Bagayar Street, Sanchaung Township, Yangon.
(+95) 9 45058 2336
www.imybc.it

FRENCH MYANMAR CHAMBER OF COMMERCE AND INDUSTRY
No. 271/273 Bagayar Street, Sanchaung Township, Yangon
(+95) 1 523 700
www.ccifrance-myanmar.org

GERMAN MYANMAR BUSINESS CHAMBER
No. 84, Pan Hlaing Street, Sanchaung Township, Yangon
(+95) 9 450 629 364
www.gm-bc.com
15.4 EU AFFILIATES OF EUROCHAM MYANMAR CONSORTIUM

DELEGATION OF GERMAN INDUSTRY AND COMMERCE IN MYANMAR
No. 84, Pan Hlaing Street, Sanchaung Township, Yangon
(+95) 9 450 629 364
http://myanmar.ahk.de

ASSEMBLÉE DES CHAMBRES FRANÇAISES DE COMMERCE ET D’INDUSTRIE (CCI FRANCE)
46 Av. de la Grande Armée, 75017 Paris, France
(+33) 1 4069 3831
www.ccifrance.fr

CENTRO ESTERO PER L’INTERNAZIONALIZZAZIONE S.C.P.A.
Corso Regio Parco 27, 10152 Torino, Italy
(+39) 0 116 700 511
www.centroestero.org

FLANDERS’ CHAMBER OF COMMERCE AND INDUSTRY (VOKA)
Koningsstraat 154-158, 1000 Brussel, Belgium
(+32) 2 2298 111
www.voka.be

HUNGARIAN CHAMBER OF COMMERCE AND INDUSTRY
Szabadság Tér 7, 1054 Budapest, Hungary
(+36) 1 474 5141
www.mkik.hu

EUROCHAMBRES
Association of European Chambers of Commerce and Industry
No. 19 A/D, Avenue des Arts, B-1000 Brussels, Belgium
(+32) 2 2820 850
www.eurochambres.eu
15.5 OTHER EU-FUNDED PROJECTS

**SMEs FOR ENVIRONMENTAL ACCOUNTABILITY, RESPONSIBILITY AND TRANSPARENCY (SMART)**

11th Floor, UMFCCI Tower
No. 29, Min Ye Kyaw Swar Street, Lanmadaw Township, Yangon
(+95) 9 425 328 289
www.smartmyanmar.org

**SOUTH-EAST ASIA IPR SME HELPDESK**

(+84) 8 3825 8116
www.southeastasia-iprhelpdesk.eu

**TRADE DEVELOPMENT PROGRAMME**

Trade Development Myanmar, Office 1 - Ministry of Commerce,
Building No. 3, Nay Pyi Taw, Myanmar
(+95) 1 385 327
www.tdpmyanmar.com

**MYANMAR CENTRE FOR RESPONSIBLE BUSINESS**

Myanmar Centre for Responsible Business
6(A), Shin Saw Pu Road, Kayin Chan Ward
Ahlone Township, Yangon, Myanmar
(+95) 1 512 613
info@myanmar-responsiblebusiness.org

15.6 EU EMBASSIES IN MYANMAR

Many EU Embassies are not represented locally in Myanmar; some are instead based in neighbouring countries, such as Thailand or India.

**DELEGATION OF THE EUROPEAN UNION TO MYANMAR**

Hledan Centre - Corner of Pyay Road and Hledan Road
Kamayut Township, Yangon
(+95) 1 230 56 50
www.euinmyanmar.eu
<table>
<thead>
<tr>
<th>Country</th>
<th>Address</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>No. 109/ B/2, Than Lwin Rd, Bahan, Yangon</td>
<td><a href="http://www.mzv.cz/yangon">www.mzv.cz/yangon</a></td>
</tr>
<tr>
<td>Denmark</td>
<td>No. 3, Pyay Road, 6 Miles, Hlaing, Yangon</td>
<td><a href="http://www.myanmar.um.dk">www.myanmar.um.dk</a></td>
</tr>
<tr>
<td>Finland</td>
<td>No. 3, Pyay Road, 6 Miles, Hlaing, Yangon</td>
<td><a href="http://www.finland.or.th/">www.finland.or.th/</a></td>
</tr>
<tr>
<td>France</td>
<td>No. 102, Pyidaungsu Yeiktha Rd, Dagon, Yangon</td>
<td><a href="http://www.ambafrance-mm.org/">www.ambafrance-mm.org/</a></td>
</tr>
<tr>
<td>Germany</td>
<td>No. 9, Bogyoke Aung San Museum Rd, Bahan, Yangon</td>
<td><a href="http://www.rangun.diplo.de/">www.rangun.diplo.de/</a></td>
</tr>
<tr>
<td>Italy</td>
<td>No. 3, Inya Myaing Rd, Golden Valley, Bahan, Yangon</td>
<td><a href="http://www.ambyangon.esteri.it">www.ambyangon.esteri.it</a></td>
</tr>
<tr>
<td>The Netherlands</td>
<td>No. 43/c, Inya Myaing Road, Shwe Taung Kyar 2 Ward, Bahan, Yangon</td>
<td><a href="http://myanmar.nlembassy.org/">http://myanmar.nlembassy.org/</a></td>
</tr>
<tr>
<td>Spain</td>
<td>No. 607, 6th Floor, Hledan Centre, Kamayut, Yangon</td>
<td><a href="http://www.exteriores.gob.es">www.exteriores.gob.es</a></td>
</tr>
<tr>
<td>Sweden</td>
<td>No. 3, Pyay Road, 6 Miles, Hlaing, Yangon</td>
<td><a href="http://www.swedenabroad.com/en-GB/Embassies/Bangkok/About-us/Sweden-in-Myanmar-sys/">www.swedenabroad.com/en-GB/Embassies/Bangkok/About-us/Sweden-in-Myanmar-sys/</a></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>No. 80, Strand Rd, Kyauktada, Yangon</td>
<td><a href="http://www.gov.uk/government/world/organisations/british-embassy-rangoon">www.gov.uk/government/world/organisations/british-embassy-rangoon</a></td>
</tr>
</tbody>
</table>

*Table 10: List of European embassies*
REFERENCES


ii Ibid.

iii <http://trade.ec.europa.eu/doclib/press/index.cfm?id=946>


ix Ibid.

x Ibid.

xi List of Foreign Bank Branches, Central Bank of Myanmar, <http://www.cbm.gov.mm/content/1228>


xvi Final Report of the Project for Formulation of the National Electricity Master Plan in the Republic of the Union of Myanmar, December 2014


For a list of designated development zones, see Notification 10/2017.

Directorate of Investment and Company Administration (DICA), www.dica.gov.mm


Wage Indicator, https://wageindicator.org/main/salary/minimum-wage/myanmar


Ibid.


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Sanchaung Tsp, Yangon, Myanmar

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