

# COVID-19 European Industry Updates Paper

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## Introduction

The European chamber of commerce in Myanmar, EuroCham Myanmar, serves as the voice of European business in Myanmar. Its main mission is to significantly increase the presence of European investment in the country and to improve the business climate by advocating for European industry interests with the government and organisations in Myanmar, as well as the ASEAN region and the EU.

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

Key instruments in EuroCham's advocacy work are Advocacy Groups which serve as a platform for information-sharing and discussion. Their main objectives are: (i) to promote transparency, compliance and rule of law for the further development of Myanmar, (ii) to provide the Myanmar authorities with relevant industry international know-how in order to improve the overall business environment and (iii) to strengthen relationships with other governmental agencies and bodies.

The following assessments and recommendations have been shared by each Advocacy Group co-chair to U Aung Naing Oo, Ministry of Investment and Foreign Economic Relations Permanent Secretary and COVID-19 Economic Recovery Committee Secretary, during a live online discussion organised by EuroCham Myanmar on the 5th May 2020.

**This summary is meant to be working document for both COVID-19 Economic Recovery Committee Secretary and EuroCham Myanmar to collaborate further on policy and structural solutions to support European investment in Myanmar.**

## Agrobusiness Advocacy Group

Normally agriculture is a less cyclical sector than for example tourism or consultancy, “because people have to eat anyway”. However, this time the extraordinary situation and measures taken by the government, like the curfew, also have a big impact on the agrobusiness sector.

The first reaction of people when COVID-19 was found was buying long shelf-life goods like rice, beans and pulses, while buying less meat, dairy and other shorter shelf-life goods. Demand for the most consumed meat, poultry meat, dropped severely, as less people dared to go to wet markets. In Yangon, the number of live chicken traded went down by more than 2/3rd, while it is currently still only at 50% of the normal volume and prices are below cost price. Also, fish markets cannot open like normal, resulting in a price drop of 10-20% and a huge demand drop.

A very disturbing factor in the markets is the night curfew. Wholesale markets for live animals, fish, vegetables and fruit start up during nighttime, so that normal markets can be supplied by morning time. The supply of food to people will be in danger if the curfew will be continued, because in the end people have to go to wet markets (where social distancing is difficult), as a professional cold chain with chilled and frozen products is lacking.

The low prices have especially impact on the short-cycle sectors like poultry farming, while crop farmers made their harvest earlier and feel less impact now, except the uncertainty. We see that particularly smallholders are impacted and expect that 20-30% of the livestock farmers will drop out.

What to do now? Loans for small and medium farmers are good, but in practice it is difficult for banks to reach smallholders. Therefore it's important that vital sectors like the whole food industry can work normal as soon as possible, that there's no curfew like in the rest of the world, because that will be the only way to have the agrobusiness functioning normally, bringing prices back to normal and therefore saving the smallholders, which hopefully saves us from a domino effect when small farmers run out of cash, which could impact the whole agrobusiness industry.

## EuroCham Myanmar Anti-Illicit Trade Initiative

The EuroCham Myanmar Anti-Illicit Trade Initiative works to raise awareness of the volume of illicit trade across industries to both the government and the public while advocating solutions and best practices that can be implemented to improve enforcement. Myanmar continues to score low at the global index on illicit trade, losing approximately 6.4 billion every year, this is the equivalent of 5 times the social welfare budget. During COVID-19 the risk exists that illicit trade can increase, especially if too many restrictions are applied to legitimate businesses.

Our members are faced with challenges like unclear notifications, policy, announcements in a short period of time (e.g – factory inspection and alcohol ban in Mon State for 10 days). Regions and States also enact their own rules on selling and distribution timings. The Transnational Alliance to Combat Illicit Trade (TRACIT) recently warned governments that COVID-19 related prohibitions on alcoholic beverages drive markets for illicit alcohol, presenting dangerous risks to consumers, negatively impact social and economic issues such as poor health and job losses. During these times, legitimate businesses should also be encouraged with greater ease of operations, less burdensome requirements, and commercial freedoms to be able to promote and sell products (e.g. via e-commerce). We therefore request the Committee to

consider the impact on illicit trade when policy decisions are made during COVID-19.

### **Automotive Advocacy Group**

The Automotive sector is badly hit, and members are looking at the crisis from a long-term perspective.

In the short term, members are looking at impact of the supply chain. Showrooms around the world have been closed, at an earlier stage than perhaps Myanmar shut down. Closings in China, Europe could lead to a domino effect.

In the short term the biggest challenge is the physical operations at the Road and Transport Administration Department (RTAD). The members of the Automotive AG members suggest, for instance, that RTAD could accept the inspection documentation provided by the Customs for Completely-Built-Up (CBU) units and the Certificate of Assembly for Semi-Knocked-Down (SKD) units. This would reduce the number of cars and people queuing at RTAD office, allow officials to operate safely and speed up the entire process. The members of the Automotive AG can help and assist on finding solutions how this can be done more electronically as soon as possible which hopefully supports the business to recover a bit faster.

Another issue facing the automotive sector in the short term is the lack of clear indication throughout region about the reopening of showrooms. The decision to open up showrooms is under authority of the respective regional governments. Brands in Mandalay may reopen their showrooms, as the Mandalay Mayor has announced that business can operate on their premises again soon.

### **Construction and Infrastructure Advocacy Group**

For the Construction and Infrastructure members the main concern is the impossibility to find out whether construction sites have to be closed or not. We have understood that some sites are continuously working since the outbreak of the pandemic, whereas some others have been forced to close down.

In order to prevent the outbreak from spreading, the construction members suggests the introduction and implementation of safety procedures (i.e. working lower pace, Personal Protective Equipment ("PPE"), hygienic measures, reducing quantity of work) to allow the resumption of activity.

We observe the process to test chemical at the National Laboratory is more complex and takes extra time compared to previous times. The process should be simplified and take shorter during the COVID-19 so that we can speed up customs process to import raw materials for factories to maintain operation.

Looking forward, our members would like to request more information on how this crisis affects the allocation of government budget in the near future and how does it affect other-infrastructure projects and budgets. Additionally, of big importance for European construction companies is to know when Myanmar borders will be open again. Embassies have asked nationals to go back to their country, but foreign workers are essential for companies.

## Consumer Goods Advocacy Group

### Fast Moving Consumer Goods

EuroCham Myanmar Consumer's Goods Advocacy Group is a relatively new AG and we are seeking to offer our assistance to the Government of Myanmar in promoting fair competition and driving positive regulatory changes for the benefits of the consumers, the country as well as the companies responsibly operating in Myanmar.

Our concern at the moment lies with unclarity regarding continuation of operations of Consumer Goods businesses. Regions like Mandalay started own restrictions affecting production and distribution of consumers goods, despite the Ministry of Commerce ("MoC") classification that Consumer Goods are classified as Essential supplies with Notification 21/2020. We request the government for future notifications to coordinate with ministries for consistency and efficiency.

We are pleased to note that Union and local governments are doing their best to support business. In regard to the 1-year working loans that have been announced, we would like to ask for an update as to whether there will be a new round of Calls for applications.

### Telecom

#### 1. Access

Telecoms infrastructure is essential during the COVID-19 pandemic – customers need it for making emergency outgoing calls, for accessing vital health information and instructions from the government's digital communication channels. In light of national lockdowns, access to telecoms infrastructure is challenging, causing network outages in some areas. We request the government to designate telecoms as essential services, and to allow servicing of telecoms infrastructure during night curfews.

#### 2. SIM registration deadline during covid pandemic and Rakhine conflict

As per the government's SIM Registration Directive, only 5 types of identity documents will now be accepted for SIM registration, that SIM cards that are the third or more to be registered on a single identity document will have outgoing calls and data barred from 30th April 2020 onwards, and if the registered identity document is not corrected, will be permanently barred from 30th June 2020 onwards.

As per the 2014 national census the Directive means that any SIM cards used by up to 27% of Myanmar's without identity documents (11.2 million people) cannot be re-registered. Therefore, these SIM cards may be barred during the COVID-19 pandemic, preventing them from making emergency outgoing calls, from accessing vital health information and instructions from the government's digital communication channels, and from being used for socioeconomic purposes. The issue is exacerbated in Northern Rakhine and Southern Chin, where widespread unavailability of identity documents among vulnerable populations amidst a long-standing internet shutdown that makes re-registration technically impossible during the crisis of covid and conflict.

We urge the Myanmar authorities to extend the SIM registration deadline in light of the national covid situation, and the conflict and internet shutdown in Northern Rakhine and Southern Chin.

#### 3. Internet and website shutdown

The internet and website shutdowns are a challenge not only for customers that have lost access, but also for responsible European businesses in Myanmar that are caught between their

obligations to promote responsible business practices as per international human rights law, OECD and UN guidelines, and their obligations to follow national laws. We urge the Myanmar authorities to restore access to internet in Northern Rakhine and Southern Chin to reduce humanitarian impact, and to follow international best practices on content moderation in order to promote freedom of expression.

## **EuroCham Myanmar Digital Initiative**

We highly support the initiative of the government to promote innovative products and platforms. Specifically, the push for online payments has been something that has been holding this industry back, and we highly encourage the government to be a pioneer in digitalisation of online payments.

We would like to put forward the EuroCham Myanmar Digital Initiative (“EMDI”) as a partner for the Economic Recovery Committee to consult and support on issues the government would like to address.

## **Energy Advocacy Group**

### **Oil & Gas**

The Oil & gas sector is especially concerned about long-term investments, especially due to material restrictions imposed on operations by governments due to the health situation. Continuing operations at additional costs or stopping projects to resume investment in the future is very challenging and costly. The ability of Ministry of Investment and Foreign Economic Relations (“MIFER”) to support foreign investors in securing a stable fiscal environment and predictable implementation of tax treatments (such as Specific Goods Tax (SGT) on export of gas, tax holidays, tax credits for reinvestment) will be critical in the future.

### **Energy and electricity impact**

The Impact COVID-19 on the energy sector is that factories are closed due to inspections. As a result, the burden on the national grid has been reduced from the industrial sector. However, there is an additional burden on the grid from household demand on energy as people have to work from home (residential sector is still the largest consumer of energy, 70% of total).

### **Renewable Energy Opportunity**

The country’s energy shortfall was estimated to be 600MW during 2019’s dry season and demand is increasing by up to 17 percent per year, according to the government’s estimate. The Emergency Power Plan has not been successfully implemented according to the government deadline. The country is still short of 1070MW of energy than originally planned. With elections coming up, the government must deliver on its promise to solve the power shortage problem, especially after raising electricity tariffs by two to three times the original rate last year. Renewable energy supply such as solar: can be implemented very quickly and cost-effectively. Net metering for solar rooftop would significantly benefit the power supply in Myanmar.

Moreover, access to power in health sector is a top priority. Power demand is expected to grow in hospitals, especially if there’s a second wave of COVID-19. These facilities need stable power, which is difficult to implement. It could be with diesel generators but also with batteries and rooftop solar. Solar cannot be a stand-alone solution but it can help lessen the burden on the

grid and reduce the unit cost to 30% of the current grid price. Batteries are of course cost-effective in the long-run but the set-up cost is higher. to the Myanmar sustainable development plan ("MSDP") and Myanmar sustainable development in the long run.

## Garment Advocacy Group

The dependency on import of raw materials demonstrated the importance of local fabric production in Myanmar. As per defined in the National Textile Policy, it will be critical to incentivise fabric production in Myanmar and to focus on FOB business instead of CMT. The main challenge in the area is the current commercial tax on local fabric.

Foreign and local manufacturers resort to temporarily or permanently closing their factories which lead to layoffs and significant reduction of the workforce. We are glad to see the government's current initiatives to support the workers including enforcing factory inspections to follow Ministry of Health and Sports (MOHS) guidelines, and announcing financial support through Social Security Board (SSB) to pay 40% of salaries to workers during factory compulsory closure. However, there is an urgent need to establish the unemployment benefit fund to secure support for the workers on an ongoing basis as well as for the long-term sustainable development. On the other hand, it will be great to have a clear process on how the current support will take placed such as the details on distribution of 40% payment need to be announced.

It is great to see that the Garment sector has been made as a priority in the COVID-19 Economic Relief Plan (CERP). We wish to request the measures for local companies are extended to foreign owned companies as well. Accordingly with data from Myanmar Garment Manufacturer Association (MGMA), around 80% of garment factories are foreign investment or joint venture, therefore, extending the CERP to foreign owned companies will help the industry as a whole by securing and creating more job opportunities for workers.

Current promising aspect is that many international brands are considering Myanmar as an important manufacturing market. The challenges faced are unclear future and unpredictable conditions for workers and businesses. The Myanmar government can support the industry with a "staged approach" of COVID-19 actions/regulations, with indicators for each stage, so that business sector can read through the indicators of virus development to predict the next action and make plans for the production accordingly. A few examples are travel restrictions, lock down, quarantine requirement, enforced factory closure etc.

## Recommendations

1. To set up 'staged approach' by clearly indicate or make notification of which business community can plan in advance and make the arrangements to comply accordingly.
2. To continues and extend the coverage of SSB to benefit more workers to survive the industry during the pandemic and to be sustained after.
3. For long term and sustainable development of the garment industry, tax exemption on locally produce fabric which will not only decrease the dependency on imported raw materials, but also create employment opportunities significantly.

## Health Advocacy Group

Our Health members are content that the Committee has identified and classified medicines as essential goods. This has secured the supplies of medicines into the country. Yet, our members are facing difficulties with access to and maintenance of healthcare devices. Engineers and specialists cannot be sent to lockdown areas for necessary reparations of healthcare devices.

Additionally, as monsoon season arrives, Myanmar faces an increase of patients demonstrating flu symptoms. The basic symptoms of Flu and COVID-19 are quite similar. As most of township level small private GP/Clinics are now temporarily closed, patients with symptoms need to consult at COVID-19 Fever Clinic and there is the risk that quarantine decisions are made for patients with the normal flu. We would like to raise the question as to what the government has planned to deal with this expected increase of normal flu patients, to take care and distinguish between normal flu and COVID-19 patients and decide for right therapy.

Concerns that our members have are mostly related to delays, how to ensure that their medicine products are delivered as soon as possible. A lot of healthcare product renewals and Import Recommendation (IR) applications may get stuck and take more than usual time because of reduced work force in Government offices due to COVID-19. Our members wonder if the Food and Drug Administration (FDA)/Ministry of Health and Sports (MOHS) are considering to have any fast track renewals or the option of waiving off the renewal temporarily. We request the Committee to looking into special fast track new registrations for COVID-19 related Pharma as well as medical device products such as Rx medicines, vaccines and medical devices.

Additionally, the health advocacy group is interested to learn more on how the government is planning to manage the tender supplies specially for healthcare products during this COVID-19 crisis. As disturbances exists, some product arrivals may be delayed. This means that for won tenders the supplies for the tender may get delayed if there are no sufficient stocks in the distributors warehouse. Even local manufacturers may get impacted due to delay in arrivals for raw materials.

## Logistics & Transport Advocacy Group

The Logistics sector is affected in many ways. High season should be starting now but cargo movements have drastically shrunk, especially garment cargos.

The biggest challenge for the companies at the moment is the night time curfew, which prohibits trucking during some night time hours. Night time trucking curfew poses more risk because drivers tend to socialize when they have to stop working. It also leads to huge delays in the supply chain and loss of produce.

With the Myeik border closed, the Myawaddy border has become increasingly busy with cargos, as has Muse.

The logistics members also would like to address the risky processes at ports, many processes are still handled manually which is posing a risk for the COVID-19 spread; electronic clearance process should be implemented. Until fully online customs formalities are available, it is hoped that the temporary measures introduced by the customs department during COVID-19 period (copies instead of originals of certain shipping documents accepted, reduction of number of documents which must be attached to import and export declaration when using

electronic Myanmar Automated Cargo Clearance System (MACCS), reduced red channel clearances, etc.) will be maintained even during the post COVID-19 situation.

Logistics is a cross sector activity, the pandemic could be an opportunity to ease regulations, for example removing some of the fees. Logistics actors are ready to support the authorities in developing logistics related plans for Myanmar (Bonded warehouses, CFS, etc).

## **Legal & Tax Advocacy Group**

Members of the Legal & Tax advocacy group are urging the Government to use this time to facilitate the ease of business: quick wins are possible.

The concept of electronic signature is recognised under the Electronic Transactions Law of 2004 (ETL) and is also considered as a piece of valid evidence as per the Evidence Act of 1973. However, the Central Body which is the regulatory authority under the ETL, though formed, is not operational yet. This makes this area of law governing the use of electronic signature grey and unclear. A directive may be issued whereby the use of an electronic signature may be considered valid.

The Fintech sector may be incentivized by relaxing the requirements for foreign investment. The regulations governing online remittances (for mobile financial services license holders) may also be revised and relaxed in light of the present situation. This would mean that foreign participation is allowed and encouraged in the Non-Bank Financial Institutions (NBFI) sector. The Internal Revenue Department (IRD) may consider allowing extension of personal income tax payment during this time of crisis. Issuance of a directive or a notice from the IRD is recommended in order to guide taxpayers for a uniform extension period for the payment of tax. Arrangements should be made for the online filing of returns and payments.

Moratorium on loans from Myanmar licensed banks should be extended to all the sectors conducting business in Myanmar, both Myanmar and foreign companies alike. Offshore lenders may be incentivized to grant such a moratorium period for their investments in Myanmar as well.

Liquidity should be brought in the country to ease the cost of financing of projects. The quantum of stamp duty imposed for stamping a document is expensive and likely not the soundest interpretation of the Stamp Act, where a facility agreement is stamped as a bond at 0.5% of the value. Though there have been reforms to reduce the quantum of stamp duty from 1.5%, such reforms are not adequate and the efforts may be made to reduce it further on the line of similar reforms made to the relevant laws in countries such as Singapore.

Notifications and announcements issued by the government are non-exemplary. The effort may be made to publish such notifications and announcements both in Myanmar language and the English language. Proper explanations may be added to make such notifications and announcements clear.

## **Wine & Spirits Advocacy Group**

Faced with unclear notifications and policies, or complete bans, members have been faced with challenges that include constraints on the distribution, retail, transportation of their products. A number of stores that are classified as “essential” remain closed. COVID19 has further impacted the hospitality and tourism sectors, and we hope the government will consider providing support to aid recovery to a critical part of the economy.



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