

EuroMatters



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EXECUTIVE DIRECTOR & CHIEF EDITOR

Filip Lauwersen

DIRECTOR OF PRODUCTION

Laurenne Sautier

CREATIVE DIRECTOR

Richie Chan

INTERNAL CONTRIBUTORS

Amaia Garcia

Marc de la Fouchardière

Roberta Camera

PHOTOGRAPHY

ASEAN Secretariat

DKSH

Heineken

Khant Aung

Indonesia's Coordinating Ministry for Maritime Affairs
 (Kemenko Kemaritiman RI)

Metro

Mission of the European Union to ASEAN

PRINTER

MCM

Reg. No. 00876

No. 379/383, Bo Aung Kyaw Street

Kyauktada Township, Yangon, Myanmar

ADVERTISING ENQUIRIES

+95 9 45058 2335 / +95 9 45051 8085

info@eurocham-myanmar.org

PUBLISHER

Filip Lauwersen (02375)



**European Chamber of Commerce
 in Myanmar**

271-273, Bagayar Street
 Sanchaung township, Yangon, Myanmar

- 📞 +95 9 450 582 335
- ✉ info@eurocham-myanmar.org
- 🌐 www.eurocham-myanmar.org
- 📘 [eurocham.myanmar](https://www.facebook.com/eurocham.myanmar)
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COVER PHOTO

FRANCISCO FONTAN by MISSION OF
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MESSAGE FROM EUROCHAM

Greetings from **EuroMatters!** Our business magazine for executives and investors in Myanmar is proud to present its fifth edition, celebrating the publication's first anniversary.

This issue focuses on the invisible world of illicit trade and considers the implications of these rampant activities. The inputs provided from the Anti-Illicit Trade Advocacy Group reveal the details of how smuggling affects business operations, consumer safety and public health in many different sectors. Beyond consumer risks and undermining the private sector, illicit trade is also a serious obstacle to the government's economic reform because Myanmar loses a huge amount of tax revenue every year due to these activities. These lost taxes could have been used to build the country's much-needed infrastructure and provide public services for the public. To go further on the discussion, EuroCham will organise the second edition of the Anti-Illicit Trade Forum in Naypyidaw in September.

The cover story features an exclusive interview with HIS EXCELLENCY FRANCISCO FONTAN, EU Ambassador to ASEAN, who represents the link between two regions. As the first dedicated EU Ambassador to the bloc, he shares his thoughts about the progress secured so far and the way forward.

We took the chance to review EuroCham's signature event, the Myanmar-EU Economic Forum, during which the White Book 2019 was officially launched. This year's event saw an unprecedented number of government officials and policymakers engaging with the audience. As State Counsellor DAW AUNG SAN SUU KYI once again paid a visit to Europe this year, the dialogue between the EU and Myanmar is ever more important.

We wish you an insightful reading. •



Laurenne Sautier
 MARKETING &
 COMMUNICATION HEAD

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BUILDING MYANMAR

The Mandalay brickyards are located along the Irrawaddy riverbank in Pathein Gyi township, Mandalay Region. They supply the daily brick demands for construction in the Mandalay area. The process starts with bringing clay from the river, moulding, drying and then finally baking.

The photo portrays one part of Myanmar life and captures the challenges of this developing country. •

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Pwint Thit Sa corporate disclosure report launched, Myanmar retailer City Mart ranks first

THE MYANMAR Centre for Responsible Business (MCRB) has launched the fifth Pwint Thit Sa (also known as Transparency in Myanmar Enterprises) report this year. The study was conducted in partnership with Yever, a Myanmar business consultancy.

The 2019 Report assesses information disclosure on the corporate websites of 248 large Myanmar companies, including listed and public ones. For the first time, it also includes 28 of the most important state-owned economic enterprises. This makes it the most ambitious public report ever published about the state of corporate disclosure in Myanmar. The report is intended to support the objectives of the 2018 Myanmar Sustainable Development Plan and Myanmar's achievement of the Sustainable Development Goals, particularly SDG16.

The 2019 Pwint Thit Sa report continues the methodological approach adopted in 2018. It assesses online disclosure of information on Corporate Profile, Corporate Governance, Sustainability Management, and Reporting, using criteria from the ASEAN Corporate Governance Scorecard. However, in the 2019 report, MCRB and Yever have increased the weight of "performance" criteria relevant to sustainability.

The top four companies in 2019 scoring highest for disclosure are City Mart Holdings (CMHL), First Myanmar Investment (FMI) Group, Max Myanmar and Shwe Taung. While these companies have consistently featured in the top 10 of previous Pwint Thit Sa reports, this one found that all of them continue to improve their disclosure.

Other companies scoring highly are United Amara Bank, Grand Guardian Insurance, Myanmar Thilawa SEZ Holdings, Dagon Group, Myan Shwe Pyi Tractors Ltd and AYA Bank.

The leading state-owned economic enterprises for disclosure are Construction and Housing Development Bank (CHDB) and Yangon Electricity Supply Corporation (YESC), the only two state firms to score (just) above the overall average mark of 5%.

Many companies amongst those assessed still do not have corporate websites (108 out of 248, or 44% of those surveyed). The five companies listed on the Yangon Stock Exchange scored 32% on average.

Launching the publication, MCRB director VICKY BOWMAN said: "We decided that the 2019 Pwint Thit Sa assessment needed to stretch the companies that came top in the 2018 report. That was why we added performance criteria, linked to the globally respected Integrated Reporting Framework. These go beyond the basic corporate governance disclosure expected under the ASEAN Corporate Governance Scorecard. These criteria recognise and reward those companies which publish data on how they implement their policies. This is a way to measure whether the company 'walks the walk' or just 'talks the talk'."

The new criteria is more challenging because it requires companies to put in place systems to capture and measure performance data. As a result, the average score has dropped from 7% in 2018 to 5% in 2019, even though overall disclosure is up, particularly among the top 10 to 20 companies.

Although the ASEAN Corporate Governance Scorecard was originally designed to reflect corporate governance requirements for publicly listed companies in Thailand, Singapore, Malaysia, Philippines, Indonesia and Vietnam, some private companies in Myanmar are already choosing to be transparent.

Under the Myanmar Companies Law, all that a privately-owned company needs to file with the Directorate of Investment and Company Administration is an Annual Return and a Statutory Report, which should include a balance sheet. There isn't even a requirement on the company to publicly disclose this information, although in principle these documents are publicly available through the new MyCo online registry.

However, seven out of the top ten companies in Pwint Thit Sa 2019 are privately-owned, including City Mart.

"This shows that what motivates their owners and top executives is not regulatory requirements but the business case for transparency, corporate governance and sustainability.

"They see it as a means to attract investors and business partners, and build their social licence to operate. But they also see a focus on performance – for example on energy efficiency - as a means of making savings for their bottom line," added MS BOWMAN.

Yever's managing director NICOLAS DELANGE pointed out that, in contrast, Myanmar does have extensive regulatory disclosure requirements for listed companies and "public" companies, particularly those with more than 100 shareholders. These are set out under the 2017 Companies Law and the notification related to Continuous Disclosure issued by the Securities and Exchange Commission of Myanmar (SECM). The Central Bank of Myanmar has also issued more governance and disclosure requirements in 2019 for financial institutions, which are outlined in the report.

"What our assessment shows is that quite a few of the companies which are caught by these disclosure requirements

are failing to fully implement them. We suspect that many may not even be aware of them.

"That's why companies – particularly financial institutions – need to invest in compliance functions. They also need support. Companies need guidance and feedback from the regulators, including the SECM, DICA and the Central Bank.

"Companies also need to ensure their Boards are well advised by professional auditors, lawyers and others. These advisers should also help them understand their duties as

Directors, including through training programmes such as those offered through the Myanmar Institute of Directors," explained MR DELANGE.

As part of the process of giving guidance and building capacity, Myanmar's regulators, with support from the International Finance Corporation, worked with 24 companies in 2018 and benchmarked them against almost the complete range of the ASEAN Corporate Governance Scorecard criteria. Their findings were published in April 2019 as the first Myanmar Corporate Governance Scorecard. Pwint

Thit Sa 2019 is complementary but more extensive, with a focus on wider disclosure, ranking ten times as many companies.

In addition, the report summarises current regulatory requirements concerning corporate governance and disclosure, including on issues such as corruption, environmental impact assessment (EIA) and beneficial ownership. It also contains recommendations for companies, policy-makers, government bodies and other stakeholders.

Rank 2019	Rank 2018	Company name	Type*	Corporate profile	Corporate governance	Sustainability management	Reporting	Total
1	2	City Mart Holding Co., Ltd (CMHL)	PR	75%	53%	84%	72%	70%
2	1	First Myanmar Investment (FMI)	L	71%	61%	67%	49%	61%
3	5	Max Myanmar Group	PR	61%	55%	64%	40%	55%
3	6	Shwe Taung Group	PR	54%	51%	60%	53%	55%
5	-	United Amara Bank (UAB)	PR	50%	63%	60%	35%	53%
6	7	Grand Guardian Insurance Public Co.	P	71%	39%	49%	53%	51%
7	9	Myanmar Thilawa SEZ Holding Public Co.	L	57%	49%	29%	60%	48%
8	7	Dagon Group of Companies	PR	57%	35%	44%	30%	40%
9	22	Myan Shwe Pyi Tractors	PR	46%	22%	42%	49%	39%
10	4	Ayeyarwady (AYA) Bank	PR	50%	37%	33%	35%	38%
11	10	KBZ Group	PR	43%	31%	49%	19%	35%
12	16	Myanmar Agribusiness Public Co. (MAPCO)	P	54%	29%	31%	21%	32%
13	-	KMD	PR	46%	12%	38%	35%	31%
14	25	Myanmar Agro Exchange (MAEX) Public Co.	P	46%	20%	31%	21%	28%
15	18	TMH Telecom Public Co.	L	50%	35%	0%	21%	24%
16	12	Great Hor Kham Public Co.	P	39%	24%	11%	23%	23%
17	-	IGE Group	PR	43%	20%	18%	12%	21%
17	11	Myanamr Awba	PR	25%	18%	29%	12%	21%
19	15	Smart Technical Services Co.	PR	32%	8%	29%	5%	17%
20	18	Myanmar Citizens Bank	L	43%	12%	0%	14%	15%
20	27	United Paint Group	PR	14%	0%	20%	26%	15%
22	53	Myanmar Oriental Bank	PR	18%	16%	18%	2%	13%
22	14	Parami Energy Group	PR	21%	2%	27%	7%	13%
22	37	Ayeyar Hinthar Holdings Co.	PR	25%	10%	18%	2%	13%

* L = Listed P = Public PR = Private SEE = State-owned economic enterprise NW = No website previously

Mandalay woos European investors, manufacturers



THE EUROPEAN Chamber of Commerce in Myanmar and the Mandalay Regional Chamber of Commerce and Industry (MRCCI) organised the event “Business climate in Upper Myanmar” in May to bring investors, policymakers, officials, lawyers and executives together to look at the region’s investment potential and risks.

Mandalay, Myanmar’s second most-populated city, was once the country’s royal capital. It is the logistics and trading hub in northern Myanmar and is well positioned to connect major economies China and India. This is the most recent high-profile event held by EuroCham Myanmar in Mandalay. The chamber previously hosted a talk by HERMAN VAN ROMPUY, former European Council President, in the city back in October 2017 and signed an MoU with MRCCI in August 2018.

“Business climate in Upper Myanmar” was attended by key officials and leaders, including Chief Minister of the Mandalay Region U ZAW MYINT MAUNG, EU Ambassador to Myanmar KRISTIAN SCHMIDT, Directorate of Investment and Company Administration (DICA) acting director general U THANT SIN LWIN, MRCCI president U KYAW MIN and EuroCham Myanmar vice-chair FREDERIK MEERHOFF.

“In order to facilitate investment, businesses need political stability. And in that sense, Mandalay is the perfect place to offer this condition,” U ZAW MYINT MAUNG told the audience.

“Like China, the EU believes in open, free trade, within a rules-based multilateral order,” said Ambassador Schmidt.

“We are not against the Belt and Road Initiative, which offers many interesting opportunities, but like the State Counsellor said at the BRI [Belt and Road] forum at the end of April, Myanmar, and Mandalay need high quality projects, with sustainable debt levels, respect for social and environmental concerns, full involvement of the local authorities and people, and open and competitive international bidding and expertise to keep quality high, costs low, and local benefits above all.”

FABIAN LORENZ from Luther presented his outlook on the legal framework, focusing on Mandalay. The presentation included the trade and investment framework for different sectors alongside an emphasis on investor concerns.

MR LORENZ highlighted Mandalay’s position between big Asian players, notably China and India, which would

make the city an important trading and communications hub. He added that the availability of raw materials and labour offers a vast potential for development and investment, including agriculture, agro-food processing and manufacturing.

The lawyer concluded that to increase competitiveness and make Mandalay Region more attractive, land prices, infrastructure, skilled workforce and support by the government should improve.

In the annual EuroCham business confidence survey, Mandalay ranks as the number one priority for European companies to extend their current footprint, commented MR MEERHOFF.

“It is the joint responsibility of all economic participants, including EU and Mandalay companies and regulators, to promote Mandalay’s capacity to better facilitate foreign investments.

“After all, we all have the same ambition: to make the Mandalay region the success story it deserves to be,” he said.

For MRCCI, U KYAW MIN stressed that supporting the development of small businesses will drive the acceleration of Mandalay’s growth. •

EU kick-starts programme for Myanmar civil society

THE EUROPEAN Union in April has kick-started a new programme to boost its partnership with civil society groups in Myanmar.

EU Ambassador to Myanmar Kristian Schmidt launched the European Strategy for a Strengthened Partnership with Civil Society in Myanmar. The new strategy is a follow up to the “EU Roadmap for Engagement with Civil Society in Myanmar (2014-2017)”. It seeks to support the creation of an enabling environment for civil society to take part in policy-making and policy implementation processes at the local and national levels.

In his opening speech, Ambassador Schmidt said: “Myanmar has taken a bold decision to become a full democracy. To reach this ambitious goal, support from civil society is critical. It allows the inclusion of wider aspirations and ensures that the voices and needs of the people are heard. For a country with Myanmar’s history and current challenges, it is particularly important to give civil society the necessary space to promote equality, justice, fairness and peace.”



The new programme will be implemented over the next two years. The EU will organise dialogues in Yangon and around the country, compile research on key issues raised by civil society, and provide a communication and outreach platform for civil society groups (CSOs), including a newsletter and Facebook page.

CSOs have to struggle with their budgets. If international organisations support them, their role will be further improved, local CSOs say.

The launch brought together over 120 representatives of Myanmar civil societies, international organisations and EU member states.

Participants reviewed the current trends affecting civil society and explored ways to overcome challenges. A panel session focused on navigating the future, and the role of civil society in building a democracy. •

Myanmar starts exporting farmed fisheries to Europe

MYANMAR STARTED exporting farmed marine products to the European Union in May, according to local media reports.

Brussels had hitherto only permitted imports of fish caught in the wild. But now seven farmed fish, two prawn and one crab species are allowed: the Rohu, Mrigal, Katla and Carfu fish species, river catfish, barbus fish, spotted prawn, white prawn and soft shell crab.

Between April 2017 to the end of March 2018, Myanmar exported more than 10,600 tonnes of marine products worth US\$20 million to the EU.

“We have been trying to export farmed fisheries to the EU since 2014. It is a difficult process and only a few countries in Asia have permission to do so.

“Wild fish exports to the EU make up only 3 percent of total fisheries exports. If farmed fish products can be exported, Myanmar will be able to increase its total marine exports to the EU,” U Thet Naing, deputy director of the Quality Control and Research Division of Fisheries Department, reportedly said.

The EU limits the number of fishery products the bloc imports from

abroad. According to the local fisheries federation, Myanmar is still unable to test for chemical residue in its marine products.

A total of 27 fish breeding farms which supply farmed fish to the factories that then export to the EU have been examined. These fish farms are located in Yangon Region, Ayeyarwady Region and Tanintharyi Region, officials said.

There are more than 120 cold-storage facilities in Myanmar, of which 23 have been permitted to export fish caught in the wild to the EU. •

Every quarter, **EuroMatters** conducts a personal interview with a Myanmar employee working at a European company in Myanmar. They share with us their personal story and life in Myanmar.

Working in a European organisation - from a Myanmar perspective



Can you please introduce yourself and give us some information about your background?

I am SU, currently working as the Head of Human Resources at a multinational company. I have studied MBA in HR management in Dubai and continued to build my HR profession at a local oil and gas company as well as an UK-based INGO.

What do you like about working for a European company?

Having a culture of passionate owners and having people who lead and inspire each other are the valuable aspects.

As we are operating in more than 200 markets in the world, there are regular interactions with Area Office in Pakistan, Regional Offices in Singapore and

Hong Kong and HR Services Centres in Malaysia and Romania.

The accelerated pace of transformation both in our industry and the organisation also demands us to be responsive to opportunities and to drive and own results.

Did you work abroad in this position, or would you like to work overseas?

I had indeed the opportunities for overseas orientation and trainings. There is also a global mobility scheme in place at the company. However, I presume HR role and expertise are more relevant to the wealth of experiences in its country's norms and procedures, labour laws, employment legislations and cultural context.

Which skills, traditions or behaviours do you think European companies can learn from Burmese culture and vice-versa?

Learning is an ongoing process ... it is a journey! EU companies have well-designed standard operating procedures also adopted for the international marketplace.

On a separate note, Myanmar companies are also determined to gear-up for the exciting economic transition with resilience and patience. I believe this is a new chapter for an emerging market like Myanmar.

What do you admire most about Europe?

The beauty, the fashion and the long-standing heritage. I would like to explore Paris, Venice and the Vatican City to see those attractions with my own eyes. •



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The EuroCham Myanmar Responsible Business Initiative has been created to support sustainability, equality and environmental protection practices. This section aims to raise awareness on these key issues by highlighting sustainable initiatives from our members.

EuroCham launches Responsible Business Initiative in economic forum



SUSTAINABLE DEVELOPMENT was at the heart of the 2019 Myanmar-EU Economic Forum, from the introductory remarks to the various industry-specific panel discussions.

In his opening speech, Myanmar Vice President U MYINT SWE spoke of the sustainable development of Myanmar. The same view was supported by EU Ambassador to Myanmar KRISTIAN SCHMIDT, who said that the EU hopes to continue working with the Myanmar Government to expand mutually beneficial cooperation.

During his keynote speech, EuroCham chair DAVID LEVRAT focused on the challenges surrounding the implementation of the Myanmar Sustainable Development Plan (MSDP) and the Myanmar Investment Promotion Plan. These initiatives were indeed developed to promote and encourage sustainable economic development and foreign direct investment in Myanmar. In this context, MR LEVRAT introduced the newly formed EuroCham Myanmar Responsible Business Initiative (EMRBI).

EMRBI's mission is to share and transfer member's practical expertise and know-how in managing business

responsibly through talks and workshops. EuroCham Myanmar is convinced that good practices can only be spread based on their effectiveness and their impact, creating a chain reaction.

Two presentations were made to illustrate the EMRBI launch. Firstly, EuroCham vice chair NICOLAS DELANGE emphasised the importance of partnerships between the European private sector and Myanmar companies. Foreign firms play a major role in upgrading the industry standards by incentivising their local partners to meet the same level of requirements.

Likewise, he highlighted the importance of supporting the MSDP and the European Commission's reflection paper "Towards a sustainable Europe by 2030".

AS MR DELANGE explained, responsible business is about creating value for the triple bottom line: people, planet and profit. In Myanmar, it is often seen as charity and philanthropy, but it is in fact a business model which goes beyond that. He also presented responsible business practices implemented by some European companies: Novotel and Melia were praised for their efforts to reduce plastic consumption, by removing plastic straws. In addition, Novotel avoids the consumption of 500,000 plastic bottles per year by offering water jars or dispensers instead.

Total, together with the Suu Foundation, is raising awareness on road safety in order to improve behaviours on the road and reduce the number of crashes. As a matter of fact, the World Health Organization estimated that in 2018, over 10,000 people died due to road traffic accidents in Myanmar. That was the second highest number in Southeast Asia, only preceded by Thailand.

Other initiatives were also presented: Telenor's partnership with local NGO MKD to improve internet literacy and online safety; H&M's work with Solidaridad to develop a sustainable supply chain and finally, the Pwint Thit Sa report published by consulting firm Yever and the Myanmar Centre for Responsible Business (MCRB) to assess online disclosure of information of 248 Myanmar companies on four criteria - Corporate Profile, Corporate Governance, Sustainability Management, and Reporting.

MR DELANGE finally introduced the air pollution theme to echo the World Environment Day, which coincided with the forum. An introductory video was broadcasted to the 500 attendees, who



also had the opportunity to get more information at an air pollution booth.

The second presentation focused on respectful workplaces and was presented by MCRB director VICKY BOWMAN. She focused on the crucial role of the private sector in promoting tolerance and inclusion in Myanmar.

AS MS BOWMAN highlighted, creating respectful workplaces includes addressing issues related to gender, sexual orientation, disabilities and religion. She illustrated some examples such as Heineken's Social Media Policy or Total's Practical Guide to dealing with religious questions. Two research projects were also presented: "Weaving Gender: Challenges and Opportunities for the Myanmar Garment Industry", supported by H&M, International Labour Organisation (ILO) and the Swedish International Development Agency (SIDA), which involved a gender-equality assessment in 16 Yangon-based factories; and "Respectful Workplaces: Exploring the Costs of Bullying and Sexual Harassment to Businesses in Myanmar", carried out by the International Finance Corporation (IFC) and DaNa Facility.

Sustainable development was, in the meantime, a key topic of discussion in many panels.

The construction panel covered the 2030 agenda for sustainable development and the most suitable collaborations between the private and public financing sector in Myanmar. The health panel pointed out the need for innovation and cooperation between different ministries and industries to provide affordable and high-quality healthcare. The garment panel stressed that the industry is on the right direction in sustainable terms, however it could be hindered if the Everything but Arms (EBA) is removed, since many EU companies might move their operations in other countries.

As EuroCham deputy director MARC DE LA FOUCHARDIÈRE summarised, key takeaways from different panel discussions included "transparency, respectful workplaces, technological transfer, compliance, innovation." European businesses have shown the ability to bring additional value to Myanmar and have reiterated their willingness to support the government in its efforts to attract more foreign direct investments, create jobs and contribute to the country's sustainable, socially and environmentally inclusive economic growth. •

Get more information on eurocham-myanmar.org/emrbi.

Francisco Fontan: Moving forward the EU-ASEAN partnership

THE AMBASSADOR of the European Union to the Association of Southeast Asian Nations speaks to **EuroMatters** in an exclusive interview about the future of the two blocs and what investors from Europe and Southeast Asia should expect from the evolving partnership.

The interview took place in an auspicious time. Last October, Brussels and Singapore inked three deals, taking their political, trade, and investment relations to a new level. The EU-Singapore trade and investment protection agreements and the Framework Agreement on Partnership and Cooperation together signify a milestone towards increasing the EU's engagement in a fast-growing, important region. In addition, the EU-Vietnam free trade deal has its talks concluded and is waiting for ratification.

These trade and investment partnerships represent the first building block towards a future region-to-region agreement between the EU and ASEAN.

FRANCISCO FONTAN is the EU Ambassador of the European Union to ASEAN since 2015. He is the first dedicated EU envoy to the bloc, and is mandated to coordinate Brussel's expanding cooperation activities with the region.

MR FONTAN became an EU official in 1996. For the last two decades, he has served in humanitarian, development and political positions in Latin America and Africa, and has previously been posted twice in South East Asia (first in Hanoi in 2002, working on Economic Cooperation, and then in Banda Aceh, dealing with the peace process and the reconstruction after the 2004 Tsunami as Head of the Europe House there).

A Spanish national, he speaks English, French, German, Portuguese and is said to be working hard on his Bahasa Indonesia. He has a degree in Law from the Universidad Complutense, Spain, and was awarded a two-year Erasmus scholarship in France and Austria during university.

MR FONTAN shares his thoughts with **EuroMatters**:

Within Europe, the value of the EU is often questioned, in particular by the nascent nationalism that seems to be growing in some member states. What the importance of the EU is, especially in the geographical context of ASEAN?

FRANCISCO FONTAN • The European Union is a unique economic and political union between 28 EU countries created in the aftermath of the Second World War. The first steps fostered economic cooperation, the idea being that countries that trade with one another become economically interdependent and so more likely to avoid conflict. Nationalism is therefore not a new phenomenon, nor is it limited to Europe.

The EU has helped raise living standards and launched a single European currency, the Euro. The EU's main economic engine is the single market. It enables most goods, services, money and people to move freely. This has enabled the EU to become the world's second largest economy, the world's largest importer and exporter of goods and services, and the world's leading foreign investor (as well as recipient of investments!).

As for the importance of the EU to ASEAN, we have become pivotal economic partners. European private sector is, by far, the first investor in ASEAN, holding a quarter of total stock in the region, and we are ASEAN's second largest trading partner. As such we have been on the side of ASEAN for many years to cooperate and consolidate its achievements, to develop its Economic Community towards the establishment of a single ASEAN market through the promotion of trade, investment and reduction of non-tariff measures.

The EU is also the largest donor to ASEAN, helping to reduce poverty and spread opportunity, with over €200 million in support to ASEAN institutions for regional integration and connectivity, on top of over €2 billion of bilateral assistance to ASEAN member states, as well as the direct support provided by our 28 EU member states.

Our fundamental view has always been that we need to create a new level of regional governance to be able to address the challenges associated with globalisation and develop policies based on the rule of law that will both empower and protect



Strategic Partnership soon; we still have a lot of work to do in terms of trade negotiations, connectivity initiatives, climate and environment cooperation, and people to people exchanges.

Both regions share the same focus on leaving no one behind. We are both united in diversity and is actually our strength as we can learn from each other's experience. We both have a strong historical understanding on the need to cooperate and work closely with each other. We understand that preserving our centrality implies understanding each other's concerns and pressures, and that the solution to our challenges is strongly rooted in cooperation and multilateralism.

While some question globalisation and are retreating into economic nationalism, it is important that ASEAN and the EU together seek to bolster global links, make them work for all and show their true value to our shared prosperity. ASEAN and the EU, as the two most advanced regional integration initiatives in the world, with a combined population of well over one billion, both see regional integration as the most effective way to foster stability and prosperity. We are both committed to addressing global challenges through a system based on rules and multilateralism. We both have an interest in promoting fair and open markets, in shaping global economic and environmental rules, and in our sustainable connectivity: from open sea, land and air routes, in full respect of international law, to the digital space.

As global stakeholders, the EU and ASEAN share a responsibility to advance the international rules-based order and preserve our "global commons." Moving forward, we should also ensure that international law continues to prevail irrespective of regional developments.

our citizens. It is a project for peace and prosperity, but it is also a principled, reliable, consistent and cooperative global player, a very important partner for ASEAN from any point of view, global agenda, political, economic, security, people to people, any sector really, and the untapped potential is still huge.

You are the first dedicated EU Ambassador to ASEAN. What do the two blocs have in common and how can we learn from our differences to improve the relationship between the regions?

FF • I am indeed honoured to be the first dedicated EU Ambassador to ASEAN, but I have built on the diligent work of many double-hatted EU Ambassadors before me - EU-ASEAN formal relations are already 42 years old, the oldest Dialogue Partner to ASEAN!

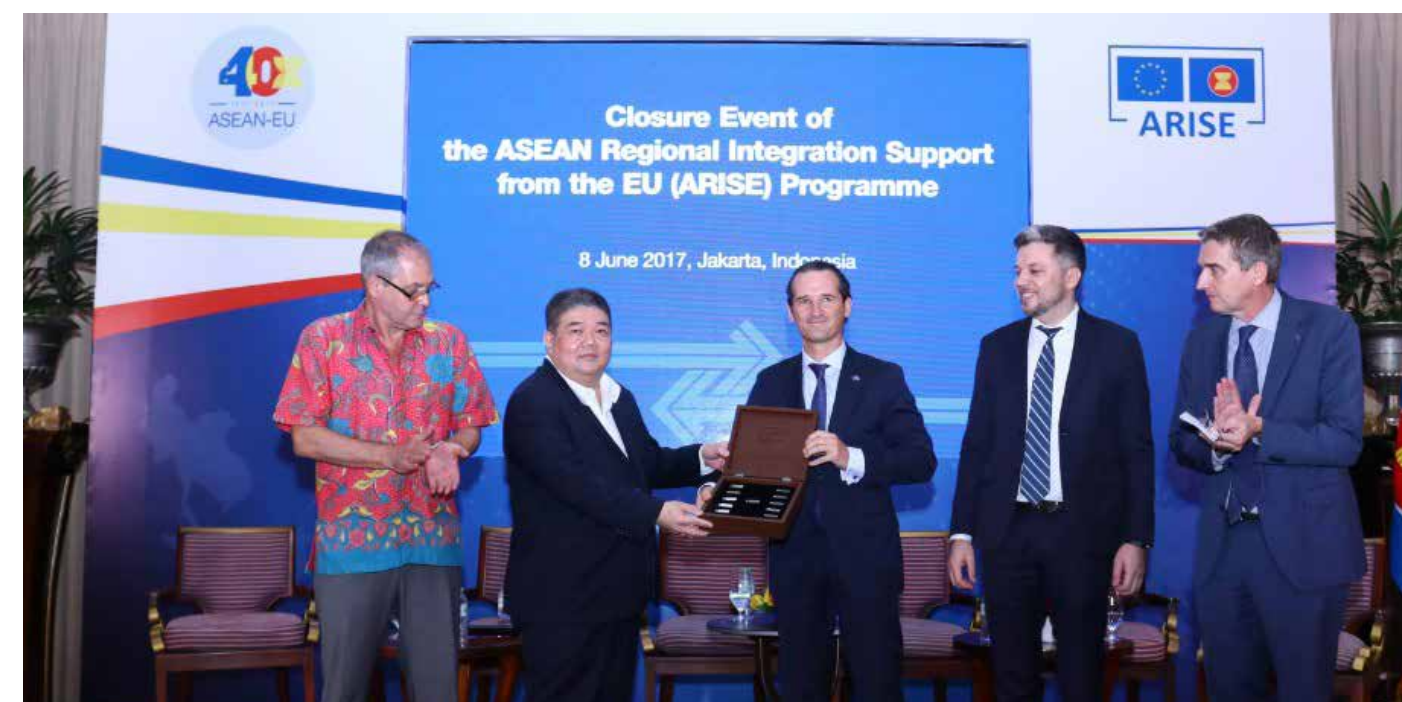
After four years in this "bi-regional" job, I have no doubt of the importance of a successful, prosperous and united ASEAN, not only for its ten member states and its over-630 million people, but also for the stability and therefore the prosperity of the whole region.

I am also proud to leave behind an agreement at ministerial level to launch in due course an EU-ASEAN Strategic Partnership, testament of the recognition of the growing importance of our relationship and the need to upgrade it to the highest level.

It is true that some bilateral issues have managed to slow down the bi-regional agenda to a certain extent, but in a way this is a natural and recurrent headache in any bi-regional relationship, and something we have certainly navigated before.

Believe me, nobody can claim to understand ASEAN better than the EU, as we have to work with 28 sovereign member states to craft our common European common agenda, so we are familiar with the challenges faced by ASEAN's ten. And I am sure our ASEAN partners, too, understand that the only way to keep a productive and agile region-to-region relationship going is by dealing with bilateral differences bilaterally.

After all, nobody stands to win if one European country's particular interest were to stop the remaining 27 member states from moving our relations forward, and, vice versa, many here in Southeast Asia can understand the same logic. I am confident that we will move on and operationalise our





What are the key moments which will determine the growth path of the EU and ASEAN in the future?

FF • The rapidly evolving international scene is leading us to focus more on key strategic issues, including addressing trafficking in persons, cyber-crime, counter-terrorism, and maintaining maritime security. Our relationship is not just about trade and cooperation anymore: security and defence, connectivity and transport, and many other sectors are gaining in importance. We should all work to avoid seeing bilateral issues slowing down the bi-regional agenda, not least under the current geopolitical climate where effective multilateralism is questioned by others.

EU and ASEAN's shared interest in prosperity can only realise its full potential in a peaceful, stable and open, rules-based environment. This constitutes a crucial dimension of ASEAN's importance for the EU in the Asia-Pacific which led the EU to join the Treaty of Amity and Cooperation in Southeast Asia in 2012, expanding the scope of bilateral cooperation on political and security matters. The EU and ASEAN have a joint interest in promoting preventive diplomacy, mediation and crisis management mechanisms. It is equally important to strengthen the rules-based international order in all areas, including in investment, trade, and, increasingly so, cyberspace.

The EU has concluded or is negotiating free trade and investment agreements with a number of ASEAN members, building blocks for an ambitious region-to-region trade and investment framework. We are working hard to increase transport links and our overall connectivity. I hope we will be able to soon finalise the first ever region-to-region Comprehensive Air Transport Agreement. We can build on this and establish a comprehensive EU-ASEAN Connectivity Partnership.

Europe gains from ASEAN being the strong anchor of stability and prosperity, helping balance the power politics which pose a concrete challenge to the region, and ASEAN gains from the EU not just in underpinning its own prosperity, but also in reinforcing ASEAN Centrality, the strategic margin of manoeuvre for the region that sits at the core of ASEAN's raison d'être.

The EU is ASEAN's second largest trading partner. What are the main challenges for EU companies in the region and which issue needs to be tackled to bring the EU to the top position?

FF • The EU is indeed the second most important trading partner for ASEAN. What is even more relevant is that European

companies are by far the largest investors in the region with a combined FDI stock of €330 billion.

Of course, there are still a number of obstacles and challenges to the expansion of the EU companies in the region that are limiting the possibility of reaching the full potential. The recently finalised free trade agreements with Singapore and Vietnam as well as the ongoing discussions with other key countries in the region will help to remove such obstacles. Moreover, the EU's ultimate objective is to negotiate a region to region Agreement with ASEAN that will be one of the key factors to unlock the full potential of the relationship.

What role do European small and medium-sized enterprises (SMEs) play in this context?

FF • European SMEs are the backbone of the EU economy and, despite the challenges, are mostly ready and equipped to expand their operations abroad, including in South East Asia. The dynamic ASEAN economies also harbour a sizeable amount of SMEs that can be very interesting partners for the European companies' expansion in the region.

The EU supports these developments in many ways, ranging from the legal support provided by EU intellectual property rights help desk for SMEs to the business missions organised by the EU Business Avenues to SE Asia programme. I am convinced that in the coming years we will see an increasing presence of European SMEs in the region.

What lessons can Myanmar learn from the reforms in regional economies like Vietnam and Cambodia?

FF • The Myanmar economy is one of the fastest-growing economies in the region. The Myanmar economy in fiscal year 2017–18 (April 2017 – March 2018) expanded by 6.8%, accelerating from 5.9% in 2016–17.

The government of Myanmar has put an effort to carry out economic reforms. Although the development is slow, we have seen some positive changes over the recent years, including the enactment of the new Labour law, Investment Law, the New Company Law and the recent Trademark and Industrial Design Laws.

The business environment will be improved by progress towards a level-playing field, rule of law, public administration free from corruption and a business-friendly government. Limited infrastructure, erratic electricity supply and the shortage of skilled labour are also major challenges for European businesses in the country. Although we have seen some progress in these areas, a lot of work still needs to be done in the future. Foreign investors have adopted a wait and see approach and they expect improvements of the situation including the human rights situation. •

The interview has been edited for length and clarity.



In every edition, one of our partner members has the opportunity to be featured in the Success Story, wherein the details of an international investor coming to Myanmar are revealed. We are granted with a unique take on the challenges faced, as well as with an illustration of the potential they recognise which has motivated them to expand into Myanmar.

Roland Berger on Myanmar's economic transformation

MUNICH-HEAD-QUARTERED STRATEGY consulting company Roland Berger shares with **EuroMatters** their experience helping domestic companies modernise and advising investors on how to enter Myanmar, as well as their take on the country's economic outlook.

The leading strategy consulting firm in Myanmar works with both local and international companies as well as the government. Its first project in Myanmar was the telecom sector liberalisation in 2013–2014. The firm supported the government in developing the liberalisation policy, managing the competitive tender process leading to the selection of Telenor and Ooredoo and negotiating the telecom licences with these new operators.

"We then continued to support the Myanmar government on other strategic topics. This ranges from the liberalisation of the banking sector, the transformation of telecom incumbent operator MPT - retaining its top position in the market, despite the ultra-strong competition from the new entrants - special economic zone development and energy sector reforms," said DIETER BILLEN, head of Roland Berger Myanmar.

In addition, the firm has been supporting many multinationals on their Myanmar market entry strategy.

The team typically analyse and forecast the market and competitive landscape, assess and recommend entry options, and support the implementation of the market entry and growth.

The consultants are also very active in supporting Myanmar companies modernise their operations and governance. The recent Pwint Thit Sa corporate disclosure report conducted by the Myanmar Centre for Responsible Business and the International Finance Corporation's Myanmar Corporate Governance Scorecard all pointed towards the urgent need to reform the private sector.

"Most Myanmar firms lack the capabilities to effectively compete with foreign firms," MR BILLEN explained. According to the company's Business Survey, only 22% of international firms in Myanmar think that domestic companies are successfully transforming themselves.

"If a Myanmar firm hires a strategy consulting firm like us, it means the chair or CEO sees the need for transformation. But realising such a transformation is often very challenging."

What is critical, he added, is to have a clear strategy and direction for the company and communicate to the organisation why change is needed and follow through with actual implementation to showcase the short-term impact.

Economic outlook

According to Roland Berger's Business Surveys, investor confidence had dropped drastically from 2016 to 2017. Whereas in 2016, 73% of executives expected the business landscape to improve, this number dropped to 49% in 2017. One reason for the change was the lack of a clear economic policy by the government and limited reforms.

"For example, despite the massive need for new electricity generation capacity, very limited progress has been made to approve new projects," MR BILLEN added.

But the situation is improving recently, with the economy taking a front seat in the government's priorities.

"The launch of the project bank, the creation of the Ministry of Investment and Foreign Economic Relations, the issuance of the Myanmar Sustainable Development Plan, the implementation of the new Company Law and the Investment Law, the liberalisation of the insurance, banking and education sectors, are positive indications that the government is increasingly focusing on the economy," the consultant went on.

Despite the decline in investor sentiment, there are still plenty of investment opportunities. For example, there has been an increasing interest from foreign investors in automotive, agriculture and food manufacturing, wholesale and retail, technology and digitisation.



Naturally, sectors that are being liberalised, such as the banking and insurance sectors, are also generating strong interest.

Human resources

A major obstacle for both local and foreign investors is finding and retaining talent, according to the 2018 Roland Berger HR study, in collaboration with JobNet.com.mm and Dale Carnegie Training Myanmar, covering 757 HR managers, employees and job seekers.

But Myanmar employees are generally very willing to learn. Investment in effective training and on-the-job learning opportunities are critical to attract and retain talent.

Looking ahead, MR BILLEN said the proposed "project bank" and "single-window" investment system will

potentially change the ease of doing business in Myanmar. The investment community is looking at these two initiatives closely.

"The project bank is an important step to create more transparency and competition for infrastructure projects, and the single window investment system will ease the investment process."

But much more needs to be done to improve the ease of doing business. Myanmar is currently ranked 171st out of 191 countries in the World Bank's annual ease of doing business ranking, the same position as in 2018. The country improved its absolute score, but so did other economies.

"Despite all the challenges, we are convinced that Myanmar will provide a lot of opportunities. In 2019-2020,

we expect more economic reforms to happen, given the elections in 2020. The government has been improving some of the fundamentals of the economy, including a stronger fight against corruption and maintaining low public debt levels - which will support longer-term growth."

"Roland Berger will continue to support Myanmar clients, including the government and domestic groups, on their transformation, in addition to advising multinationals on their market entry. Myanmar has a lot of untapped potential. As the telecom sector liberalisation has shown, Myanmar can leapfrog and bring in billions of dollars of foreign investment and new technologies, if proper policies are put in place. Myanmar's population is young, willing to learn and ready to embrace new technologies. It's time to unleash that potential." •

ANTI-ILLCIT TRADE

Myanmar needs to tackle illicit trade seriously



Operating in Myanmar since 1996, DKSH provides clients and customers with integrated and tailor-made services along the whole value chain. Photo: Supplied

MYANMAR HAS the least capability to address illicit trade in Asia Pacific but the country needs to curb these illegal activities in order to protect businesses and consumers as well as raise tax revenue.

The Transnational Alliance to Combat Illicit Trade (TRACIT) commissioned the Economist Intelligence Unit to produce the Global Illicit Trade Environment Index as a tool to measure the extent to which countries enable or inhibit illicit trade. With an overall score of 23.0 (out of 100), Myanmar ranks 82nd out of 84 countries evaluated. The country is at the bottom in the region, and, with the exception of Iraq and Libya, shows the poorest structural capability internationally to effectively address the issue.

But it is not all bad news. In its annual Myanmar assessment, the International Monetary Fund said the National League for Democracy-led administration has made progress on clamping down on smuggling.

Improving governance and anti-corruption efforts are critical, the Fund stated. Through the IMF's technical assistance programme, a resident custom adviser is supporting the Myanmar Customs Department (MCD) on compliance measurement and the development of anti-smuggling strategies.

An extensive informal economy

Despite the progress and efforts, geopolitics has made illicit trade very hard to address.

Decades of political instabilities and civil unrest have sown the seeds of an

extensive informal economy in the region, ranging from illicit drug sales, logging and mining to counterfeiting and human and wildlife trafficking.

Part of the challenge is Myanmar's geographical location in the middle of the East-West trade routes and its long and porous borders with Bangladesh, China, India, Laos and Thailand. These borders are difficult to police comprehensively, which allows smugglers to move products in large volumes. The situation has been exacerbated by poor governance structures, archaic laws and entrenched corruption. These factors have combined to give rise to a powerful black-market economy where illicit trade flourishes.

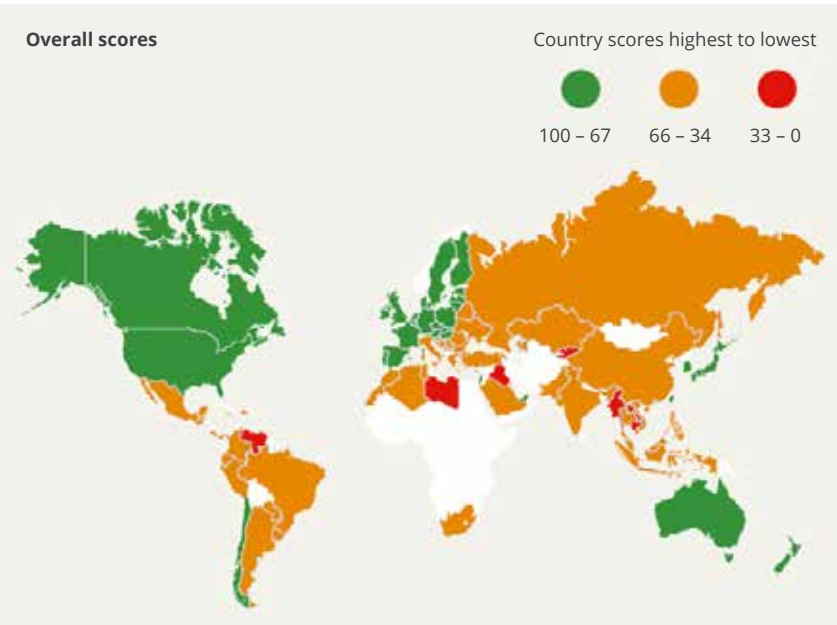
The pervasiveness of this varied illegal activity poses significant challenges for Myanmar's wider transition. Illegal logging is a threat to the environment and communities whose livelihoods depend on the environment, while smuggling beverages is a risk for the health and safety of consumers.

Local businesses, too, are concerned about the economic damage smuggling leads to.

According to a 2018 business sentiment survey conducted by the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), Myanmar business people see illicit trade identified as one of the top 10 issues (the sixth) stifling economic growth.

Businesses surveyed say illicit trade is the second most important factor dampening investor confidence, and is among the top five priorities the government's economic team should address.

"Selling or exporting rice illegally is an illicit trade. If the government does



The Global Illicit Trade Environment Index is commissioned by TRACIT. Source: tracit.org

not encourage illicit trade then it has a responsibility to stop the problem from occurring,” a representative of the Myanmar Rice Millers’ Association said last year.

TRACIT chief JEFFREY HARDY said beyond lost taxes, illicit trade crowds out legitimate economic activity and represents a significant threat to the development of a healthy, vibrant and competitive private sector.

“Illegal and unfair competition from illicit trade reduces sales and dampens private sector investment, holds back research and development and discourages technology transfer. The spectre of criminality and associated instabilities erodes the rule-of-law that underpins both foreign and domestic investment, and ultimately chokes off market growth,” he observed.

Given its linkages to organised criminal activity, money laundering, corruption and funding conflict, illicit trade also underpins wider risks to national and regional security, threatening further progress on Myanmar’s democratic transition.

Difficulties

Myanmar has only committed to 9 out of 14 related international conventions, according to TRACIT. It warns that the government is plagued by high levels of corruption and performs poorly on intellectual property protection.

The country also has high levels of counterfeits. Human and drug trafficking continues to be prevalent in Myanmar, despite recent efforts by the government, the findings revealed.

Another serious problem is anti-money laundering risks, and TRACIT is not alone in this assessment. Officials and experts in Yangon say that Myanmar has a high chance of returning next year to the “grey list” of states compiled by the Financial Action Task Force (FATF). FATF removed Myanmar from the list of states deemed weak in combating money laundering and terrorist financing in June 2016 but will decide next February whether to categorise Myanmar as high-risk again.

An evaluation report from the Asia-Pacific Group on Money Laundering

(APG) late last year said financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) lack understanding of high-risk issues, and few banks had moved to a risk-based approach. DNFBPs refer to non-financial institutions that pose a money-laundering risk, such as accountants, lawyers, real estate agents, dealers in gemstones, casinos and so on.

The APG study said DNFBPs had not begun to implement any anti-money laundering and terrorist financing controls, and there were serious concerns over the bodies designated to supervise them.

As on many other fronts, capacity is limited even though the will is there to address the issues.

In general, economic reforms in Myanmar are held back by fragile institutions and governance, which together enable the supply of illicit goods to both enter the country and transit through it onto other destinations.

Poor legal framework, low level of penalties, and weak coordination, monitoring and enforcement mechanisms on corruption, meanwhile, hinder the implementation of many anti-illicit trade policies.

Solutions

The United Nations Office on Drugs and Crime (UNODC) supports Myanmar’s anti-illicit trade efforts on four key areas, according to the organisation’s country manager TROELS VESTER.

The UNODC provides support to Myanmar under the Mekong MOU to enhance drug and precursor profiling capacities, and supports training for key law enforcement and prosecution officials. Additionally, it works with the Border Liaison Office network to enhance cross-border cooperation through improved collection, analysis and dissemination of information, and

knowledge on how to slow or stop illicit movement of people and goods.

The agency also supports response to wildlife and forest crime through mentorship assistance on operational support for law enforcement officers to enhance capacity to detect illegal wildlife consignment.

There are numerous policy decisions that Myanmar can take. Among TRACIT’s recommendations is the need to scale up inter-agency cooperation. This is particularly important for law enforcement agencies such as the ministries of finance, commerce, border affairs, the police force and General Administration Department. Limited or ineffective coordination between government agencies is often exploited by illicit traders.

Furthermore, the Myanmar government could initiate partnerships to leverage the strengths of the private sector, which can be a critical partner in the fight against illicit trade. EuroCham and its member companies have formed an Anti-Illicit Trade Advocacy Group which seeks to build a bridge between business and government.

The fight against corruption, too, is necessary. Eliminating corruption risks in customs and law enforcement is critical to regulate trade. The Corruption Perceptions Index released by Transparency International ranked Myanmar 132nd out of 180 territories in 2018, down two places from 2017.

The Berlin-based global anti-corruption coalition gave the country a score of 29 - the same as Laos - on a scale from 0, highly corrupt, to 100, very clean. Myanmar scored 30 points in

2017. Within ASEAN, only Cambodia is seen as more corrupt (ranked 161st, with a score of 20). This means Myanmar has a lot of work to do.

However, some high-profile arrests this year, including the ex-Tanintharyi chief minister, have sent a strong signal to investors that the government is serious. Foreign investors and local business people have praised the government’s anti-graft initiative, and said the new Anti-Corruption Commission has been actively investigating suspected cases.

In general, significant challenges remain. But MR HARDY said small steps, such as capacity-building for customs officials, intellectual property rights and enforcement and public awareness campaigns, can go a long way towards improving the overall environment to combat illicit trade. ●



Metro Wholesale Myanmar has a warehouse in Thilawa Special Economic Zone. Photo: Supplied

ANTI-ILLCIT TRADE

European businesses fight against illicit trade



Dutch brewer Heineken is active in Myanmar's increasingly competitive beer market. Photo: Supplied

MYANMAR'S ECONOMY is paying a high price because of the country's rampant illicit trade.

"From smuggling, counterfeiting and tax evasion, to the illegal sale or possession of goods, services, humans and wildlife, illicit trade compromises Myanmar's continued economic development and regional integration," explained JEFFREY HARDY, director

general of the Transnational Alliance to Combat Illicit Trade. The consequences are lost taxes of all kinds, environmental damage, risks for consumers and the private sector undermined.

To look at how the issue is affecting the private sector, **EuroMatters** talked to seven companies from different industries.

Healthcare

A sector especially susceptible to the risks of illicit products is Myanmar's

underdeveloped healthcare industry. Many pharmaceutical products like antibiotics, vaccines and diagnostic reagents are very sensitive to temperature and humidity fluctuations.

"When products like these enter the country illegally it is most often in poor condition and either dangerous to use because of degradation or contamination, or no longer effective," said PHILIP WRAY, DKSH's vice president in Myanmar.

In the case of antibiotics, if no longer effective, the infection will not be treated, and can lead to complications, including antibiotic resistance.

Another form of illicit trade is with counterfeit medicines where products are produced illegally. These may not contain active ingredients but are packed in a way that it looks like a proper medicine, and sold to unsuspecting pharmacies and patients. There are also risks for illicit products to enter Myanmar via the NGO charitable programmes, he added.

In response, Myanmar's health ministry is running public campaigns to raise awareness and is inspecting pharmacies and wholesalers.

A 2016 EuroCham report assessing the impact of counterfeit medicines around the world found that counterfeit drugs cost more lives than terrorism, drug overdoses and malaria combined.

To resolve the issue, DKSH and other European firms are actively involved in advocacy efforts to support the government.

"We monitor the marketplace for illicit trade products and when such problems are identified, work with the stakeholders to remedy the situation. European companies are highly compliant and work within the framework set by government to operate in Myanmar.

"It is everyone's responsibility to stop bad actors bringing harm and suffering to Myanmar. The same can be said for illicit foods, illicit alcohol, and all other illicit products making its way into the country," MR WRAY commented.

Beverages

A Euromonitor report estimated that 30% of beer sold in Myanmar is illicit trade, and they are 35% cheaper than legally produced beer, because they do not pay tax or abide by local regulations. Companies say this distorts the beer market and creates an unfair playing field.

EuroMatters asked CHRISTOPH VAVRIK, managing director of Myanmar Carlsberg Co, and HOLLY BOSTOCK, Heineken Myanmar's corporate affairs director, about the situation.

Illicit trade in beer takes two steps: smuggling from Thailand and China and then selling in restaurants, beer stations, and retail outlets.

"We are talking about fully loaded, 20-tonne trucks, passing the border and driving all the way up to Yangon, Naypyidaw, Mandalay and further," said MR VAVRIK. Contrary to the smuggling and selling of medical drugs or fake pharmaceuticals, illicit trade in beer occurs in plain view of the authorities and the public.

Because those beers do not pay any excise taxes, which make up 30% of the consumer price, they can be sold much cheaper. They also do not have to go through the Food and Drug Administration approval process, or adhere to labelling requirements. This amounts to unfair competition that has a significant damage on sales on both international and domestic brewers.

For Heineken, illicit trade affects not only sales but also how Myanmar's business environment is assessed.

"It is not just businesses that lose out due to illicit trade, the government loses too. The government could be getting US\$50 million in additional tax revenues if they enforced the regulations and legal producers made up the illicit trade volumes," MS BOSTOCK said. This loss of tax revenue has a knock-on effect to the whole economy, and could be used to support key areas such as education and infrastructure.

Carlsberg regularly files complaints with the authorities, including submitting samples of smuggled beer and other evidence of where to find smuggled beer for sale.

Both European brewers encourage Myanmar to do raids on large wholesalers or retailers because this would disrupt the criminal activity.

If the authorities raid a dozen stores and publicly destroy, on the spot, their illicit stocks in a city and repeat the exercise in another dozen stores a week later, this will send a strong signal that things need to change, MR VAVRIK suggested.

"This simple measure could cut by 90% the illicit trade in beer and spirits. It requires the political will of the uncorrupted, paired with a little bit of courage."

The key obstacle is the political will to eradicate corruption and to enforce existing legislation. Driving across the borders with fully-loaded trucks containing beer is "not something that can go unnoticed. It can only happen thanks to the collusion of corrupt local officials."

MS BOSTOCK added that the government should also carefully consider the level of burden that regulations put on the legal industry such as the outdated transport and licence system and their proposal to ban promotions.

While it is the government who is responsible for enforcing the regulations, the private sector can raise awareness, highlight the issues to the authorities and share best practices.

Another area in need of reform is the Special Goods Tax (SGT). “It’s imperative that for alcohol this modernises and changes to one based on alcohol percentage so that the overall alcohol market becomes more balanced,” she concluded.

FMCG

Counterfeiting and trademark infringement is a problem which knows no borders. FMCG multinational Unilever is currently producing, distributing and marketing more than 25 well-known brands in the country.

“We have taken notice that counterfeit infringers and parallel import traders are exploiting our brands. Obviously, this condition is impacting Unilever because counterfeit products hurt our brands by not delivering on promises,” the firm’s head of communications and external affairs ALEX NYI NYI AUNG said.

“In Myanmar, we also see grey products sold or resold through unauthorised dealers as a big challenge.”

These illicit traders undermine the government’s tax revenues and deceive consumers by passing on illegitimate products as genuine ones. Some of the products may not be fully compliant with Myanmar laws and guidelines.

Unilever continuously educates consumers and stakeholders on the significant damage that these illegitimate products can create to both the economy and personal wellbeing.

ALEX NYI NYI AUNG believes there is a need to enhance the regulatory mechanism, both through compliance and penalties. The government should look at empowering investigative and consumer protection agencies.

“We have a strong investigative and vigilance arm through which we gather information and identify counterfeit products in the market. Once we have obtained the initial evidence, we may decide to initiate an investigation or surveillance and, if necessary, augment it through raids and seizures of counterfeits.”

The company works with the customs and law enforcement authorities and other trade associations. In relation to the grey products, this year it has recorded their brands with the Customs Department in Yangon with relevant information to enable them to understand the information about our products.

Unilever also undertook product identification session for customs officials to differentiate between counterfeit and authentic products.

While the company is “very encouraged by the excellent support of Myanmar authorities”, ALEX NYI NYI AUNG noted that easy availability of fake products highlights a critical need for quick action.

Retail

Metro Wholesale Myanmar, a 85%-15% joint venture between Frankfurt-listed Metro AG and Singapore-listed Yoma Strategic, was launched in March. Their major warehouse is located in Thilawa Special Economic Zone.

Head of communication DAW THIRI KYAR NYO said the company is aware that at many of the local markets across the country, a variety of smuggled fruit and vegetables are on sale, as well as frozen items, meat and dairy.

As the correct tax for these items has not been paid, they can be sold for far cheaper than legitimate items that have been taxed. The likes of Metro and other players find it difficult to compete with their illegitimate price points. Illegal imports also hurt local farmers.

One particular problem is in the liquor product category.

“So far, Metro Myanmar and many other wholesalers have been unable to obtain the FL [foreign liquor] licenses that would enable us to import liquor legally into Myanmar. Currently, much of the liquor on sale in Myanmar has been smuggled into the country and import duty has not been paid. There have also been cases where foreign-branded liquor was faked by local manufactures, potentially causing health issues for customers.”

Metro works with suppliers and partners to ensure product traceability and that suppliers understand the regulations. The firm also guarantees that all products are correctly labelled.

“By granting certain wholesalers their FL license, the Myanmar Government can ensure that high-quality and authentic liquor is available in Myanmar, lowering the risk of poisoning from counterfeit alcohol.”

Tobacco

For Myanmar’s tobacco industry, 13% of the overall trade is illicit, according to British American Tobacco (BAT).

There are many factors fuelling illicit cigarettes, said BAT external affairs manager DAW MAY HNIN SI. These



Metro Wholesale Myanmar works with suppliers and partners to ensure product traceability and that suppliers understand the regulations. Photo: Supplied.

include affordability of domestic taxed cigarettes, price shocks, tax and price differences with neighbouring markets, presence of organised criminal groups and unscrupulous manufacturers that evade tax and the effectiveness of law enforcement.

“There is a clear correlation between cigarette affordability and the growth and level of illicit trade. As affordability declines consumers tend to seek cheaper product driving the supply of illicit cigarettes,” the manager explained. Therefore, to keep smuggling in check, it is important to maintain reasonable affordability and complement it by strict enforcement.

If channels of distribution for non-tax paid illicit cigarettes exist, increasing tax will only benefit illicit sales owing to widening of the price gap with legitimate products.

Due consideration must be given to the increase in profit opportunities for organised crime and impact on society while raising the SGT rates on cigarettes.

“Moderation is key,” added DAW MAY HNIN SI.

Legal framework and IP

Some laws already provide for the possibility to tackle illicit trade, according to Luther Law Firm senior associate FABIAN LORENZ. The Penal Code, for example, entails trafficking of wildlife, narcotics, tobacco, alcohol and counterfeit goods. The government is reforming the legal framework to protect legal business activities in Myanmar and attract foreign investment.

However, without a modern legal intellectual property framework, Myanmar currently suffers from a lack of patent and trademark protection.

While the country is not a signatory of the Paris Convention for the Protection of Industrial Property or any other treaty protecting patents, it has acceded to the Agreement on Trade Related Aspects of Intellectual Property Rights. It is hence required to implement and comply with certain sections of the Paris Convention by no later than July 1, 2021.

Production, import, trade and commercial use of goods is at present possible without permission of the originator or owner of the intellectual property rights, even if they hold the relevant patents outside Myanmar.

The Pyidaungsu Hluttaw, Myanmar’s legislature, is overhauling the intellectual property regime, MR LORENZ said. It recently enacted the Industrial Design Law, Trade Marks Law, Patents Law and Copyright Law. These legislation will go into effect after Myanmar President U MYINT WIN has signed them into law. ●

PURPOSE IN ASIA AND MYANMAR

ALMOST ALL successful businesses were built with a purpose in mind, whether it is to inspire humanity or meet the needs of everyday people. But a long-term purpose statement is not just important for altruistic reasons. Crusading brands with a mission have seen strong brand growth. For example, Unilever’s “Sustainable Living” brands has grown more than 50% faster than the rest of the business and accounted for 60% of growth in 2016 worldwide.

For a company’s vision to truly take form, it must be authentic and meaningful. It has to not only resonate with the audience but also be relevant to the brand itself. Nowadays, a one-size-fits-all approach is no longer working as the majority of workplaces are striving to cultivate cultures of caring and diversify their working environments. A report by Kantar Purpose in Asia discovered that 90% of consumers in the region want brands to get involved in issues they really care about. In Myanmar, many consumers understand brand involvement in addressing issues, with an emphasis on corporate social responsibility (CSR).

Developed markets were more focused on the issue of decent work and economic growth, especially where stagnating growth put the spotlight on rising unemployment rates and costs outpacing wages.

What does CSR mean to you? There are many varying definitions of this term, however all agree that a balance must be found between the economic, social and environmental impact of the things we do and decisions we make. Hence, CSR for a private business/ firm must make considerations in the workplace and the market as well as to the community and environment.

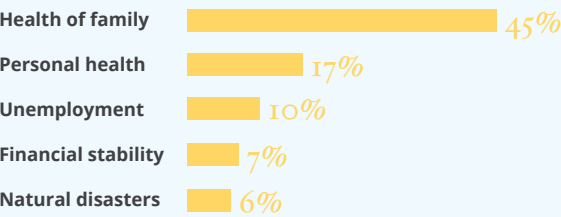
Kantar has conducted a regional study in Asia Pacific region (APAC) using the United Nations Sustainable Development Goals framework, and Kantar Myanmar has also conducted similar population study in early 2018 to understand the consumers in the region. It was found that there is a gap in what people are hearing about and they would like to hear about in each market. In 2018, people in APAC heard a lot about climate change and gender issues. However, social issues that people hear about most are not necessarily the issues that resonate with them most or the ones that they care about on a more personal level.

The majority of the Asian community is mostly passionate about the issues of health, poverty, education, hunger, decent work and economic growth, clean water, and affordable energy. Also in Myanmar, the top issues of concern are about health, unemployment, financial stability and natural disasters.

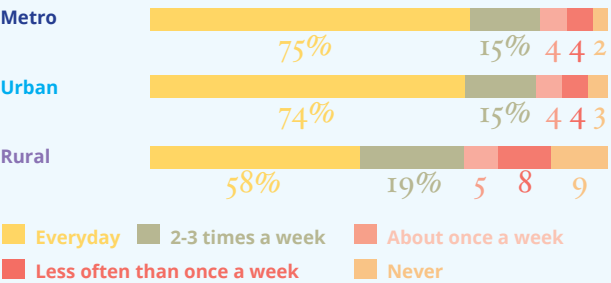
How to circulate the issues effectively

In Asia, including well-developed markets like Australia and Singapore, TV remains a dominant media channel and this is where most people hear about issues. In addition, social media is providing accessible ways for people to show support for an issue. It plays a central role in educating people and encourages them to become more socially conscious. People engage with issues through social media by liking or sharing a post on a particular issue, signing a petition and/ or joining a protest. Despite the newfound power of social media, the spread of such information still remains highest with TV, which in turn, drives awareness.

MYANMAR PEOPLE’S CONCERN



FREQUENCY OF WATCHING TV (%)



PERCEPTION TOWARDS MEDIA CHANNELS (%)

Metro / Urban / Rural		
Most used	Most entertaining	Most trusted
TV 46 / 62 / 63	TV 67 / 74 / 72	TV 62 / 70 / 69
Internet 47 / 33 / 29	Internet 29 / 23 / 20	Print newspapers 14 / 9 / 8
Print journals 1 / 0 / 0	Radio 1 / 2 / 7	Print journals 3 / 2 / 2

The campaigns were successful in that they not only raised awareness of issues close to the heart of consumers in these countries, but did so in a way that was authentically connected to their brands.

In Asia, multinational brands are successfully raising awareness for social causes by partnering with locally available organisations that can help guide their approach and maximise the impact on the ground.

According to a 2018 nationwide survey, the most reputable company which is contributing most to Myanmar’s community is KBZ Group.

Among the reasons why KBZ is that well-received in Myanmar, we can mention the KBZ Brighter Future Myanmar project. The program aims to share knowledge of reproductive health and hygiene through workshops and seminars. MPT also built Myanmar Red Cross, which aims to educate

the public on how to provide basic first-aid to handle. Therefore, some brands are recognised as reputable corporations in contributing to the Myanmar community, because they are addressing the top needs of consumers.

The Kantar study concluded that the top five consumer expectations for brands are to:

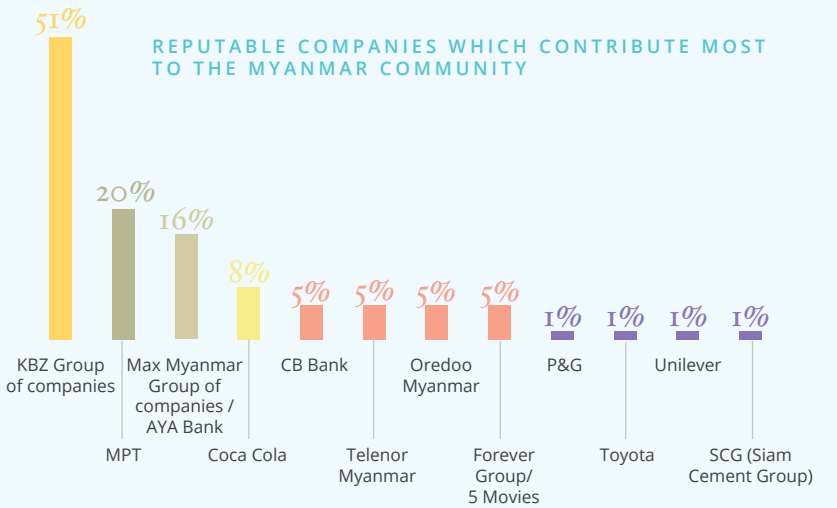
1. Educate the consumers/ people about the issue.
2. Initiate and fund the programmers to support the issue.
3. Fund the organisations directly involved in the issue.
4. Run campaigns to raise awareness.
5. Change business practices to support the issue. •

In Myanmar, TV is still king and plays a significant role in propagating news around social issues, while people are also relying on printed media, such as newspapers, for information. Though social media is also growing rapidly as a platform of spreading news, it still has yet to engage with the real world and gain trust from society, as most people believe news within social media can be manipulated. However, social media is saturated with this type of content and it needs to ensure people are not overwhelmed as they will engage with what resonates with them.

Do brands have a role in CSR?

Consumers in Asia are calling for brands to have a voice in the issues that matter to them. Brands now need to listen and understand these regionals and local conversions and align their purpose accordingly. It is now an expectation, not a bonus. Brands that align with the social issues that matter to their consumers are more likely to drive sales and build closer relationships with their target audiences.

A number of campaigns have identified and promoted causes that resonate with their consumers. Some of the most impactful campaigns came from brands that sought to help with local problems concerning hunger and poverty. The campaigns were successful in that they not only raised awareness of issues close to the heart of consumers in these countries, but did so in a way that was authentically connected to their brands. For instance, Globe in the Philippines worked with Rise Against Hunger to promote the cause and allow people to donate their loyalty points to the hunger relief organisation.



KANTAR TNS.

KANTAR: INSPIRATION FOR AN EXTRAORDINARY WORLD

Kantar TNS is one of the world's largest research agencies with experts in over 90 countries. With expertise in innovation, brand and communication, shopper activation and customer experience, Kantar TNS helps clients identify, optimise and activate the moments that matter to drive growth for their business.

ASSOCIATE DIRECTOR
NAY HTUT KO KO



EVENTS ON REVIEW

THE THIRD edition of the Myanmar-EU Economic Forum took place in Naypyidaw on June 5, 2019. EuroCham Myanmar's annual signature event on advocacy provided a platform for more than 500 business leaders and policymakers from the Myanmar and Europe to interact and debate key business and trade issues.

Among the government representatives, the Forum welcomed Deputy Speaker of Amyotha Hluttaw, Union Minister of Transport and Communications, Union Minister of Commerce, Union Minister of Planning and Finance, Union Minister of Hotels and Tourism, Union Auditor General, Chairman of Anti-corruption Commission, Deputy Minister of Information, Deputy Minister of Electricity and Energy, Members of Joint Bill Committee, Members of Amyotha Hluttaw and senior officials.

The four keynote speakers to introduce the event were Myanmar Vice President U MYINT SWE, European Union Ambassador to Myanmar KRISTIAN SCHMIDT, Minister Counsellor and Head of the Economic and Trade Section PHILIPP DUPUIS and Vice President of the Union of Myanmar Federation Chamber of Commerce (UMFCCI) DR MYO THET.

The Forum provided an overview of the "Economic Development of Myanmar and current business initiatives" and additionally on "Trade Affairs and European Investment" where the panellists expressed optimism for a fruitful collaboration to strengthen the foundations together.

This assessment was confirmed when EuroCham Myanmar executive director FILIP LAUWERYSSEN asked the audience to raise their hands if they believed that the business climate has

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JUN
• WED •
NAYPYIDAW

Myanmar-EU Economic Forum 2019

improved in recent years: two thirds of the audience did so.

Key issues were discussed by EuroCham Advocacy Groups, with the chance to publicly acknowledge the tremendous improvements in business regulations by the government, while pointing out remaining challenges and offering the support of European companies in tackling them. Those points are more extensively addressed in the White Book 2019 that was officially launched on the occasion of this day. Focusing on industry-specific issues together with recommendations, the publication is accessible for free on EuroCham website.

During the last panel, importance was given to the ability of European businesses to "bring something else" into Myanmar compared with other foreign investors. In support of this view, EuroCham deputy director MARC DE LA FOUCHARDIERE identified the value of European investments with key takeaways extrapolated from the different panel discussions: transparency, respectful workplaces, technological transfer, compliance and innovation. EuroCham vice chair NICOLAS DELANGE stressed the importance of the reforms during the past years and the need for European investors to be "a little bit patient" and support the government in its effort.

The high attendance of government officials led to productive and insightful discussions. The positive outcomes were an encouraging sign for the dialogue between the EU and Myanmar. Through this event, European companies made it clear that they would like to see a continued government effort in working constructively on an investment-friendly business climate to attract foreign investment, create jobs in Myanmar and assure sustainable and inclusive economic growth. •



2019

WHAT'S ON

In this section, the most notable events of the upcoming quarter are highlighted. From the Breakfast Talks to the various forums, be sure not to miss out on these essential events in Myanmar.

More information on our website:
eurocham-myanmar.org/events/upcoming

Discussion “Towards a sustainable garment industry in Myanmar”

EuroCham is planning to host a joint event with China Enterprise Chamber of Commerce in Myanmar (CECCM) on the garment industry in Myanmar.

The garment sector has great potential to become the main driver for the development of the coun-try. However, there are still many challenges the industry currently presents. Hence, the purpose of the event is to discuss the main challenges and opportunities for a sustainable development of the industry which can bring about great benefits for the country and its citizens.

Information and registration on EuroCham's website.

AUG
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YANGON

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YANGON

Anti-illicit Trade Forum

Following the success of last year's edition, EuroCham Myanmar will organise the second edition of the Anti-Illicit Trade Forum in Naypyidaw. The main objective is to enhance greater dialogue between the public institutions and the European companies operating in Myanmar. Anti-illicit trade is a worldwide phenomenon that harms the transition period and the overall business climate. The Anti-Illicit Trade Forum 2019 will place an emphasis on the revenue loss affecting the Myanmar Government in terms of taxes and find common solutions to enforce existing regulations.

SEP
• •
NAYPYIDAW

24 SEP
• TUES •
YANGON

EuroCham AG meeting

EuroCham Myanmar will organise its Annual General Meeting. On this occasion, EuroCham Myanmar will share a year-end review of its efforts on policy advocacy, business opportunities, past activities, as well as sharing plans for the year ahead.

Members and Partners will also have the opportunity to elect the new board of directors. A networking will follow the meeting.

Event reserved for EuroCham's members and Partners only. More information to come soon on EuroCham's website.

30 SEP
• MON •
YANGON

EMRBI Breakfast Talk on air pollution

Every year, air pollution is responsible for 7 million premature deaths worldwide, including 22,000 people in Myanmar, according to the World Health Organization. For this reason, the United Nations choose air pollution as the theme of this year's World Environment Day.

To echo this topic, EuroCham Myanmar made a focus on air pollution during the Myanmar-EU Economic Forum held in Naypyidaw on June 5th. In order to further address the topic, EuroCham Myanmar is organising a Breakfast Talk in Yangon that will bring together experts and companies operating in Myanmar to discuss the issue of air pollution, outlining the causes and exploring solutions that are being adopted to better manage carbon emissions and mitigate climate change.

More information on the programme and speakers on EuroCham's website.

Legal and Tax Breakfast Talk

After the success of the first talk, EuroCham Myanmar is glad to announce the second appointment for the Legal and Tax Breakfast Talk, organised together with the Legal and Tax Advocacy Group. This second edition will focus on directors' duties under the new Myanmar Companies Law.

For more information and to register, please visit EuroCham's website.

Joint chamber networking event

The European Chamber of Commerce (EuroCham) Myanmar alongside British Chamber Myanmar, CCI France Myanmar, German Myanmar Business Chamber, Chamber of Commerce Italia Myanmar, Myanmar Norway Business Council and SwedCham are pleased to invite you to the fourth edition of the Joint European Chambers Networking.

For more information and to register, please visit EuroCham's website.



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271-273 Bagayar Street

Sanchaung township, Yangon, Myanmar



+95 9 45058 2335



info@eurocham-myanmar.org



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Myanmar and Asia in Focus



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- Tax advice
- Incorporation services
- Corporate secretarial services
- Bookkeeping and Accounting
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- HR administration and payroll
- Payment administration

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Uniteam Marine Office Building, Level 8, Unit #1, 84 Pan Hlaing Street, Sanchaung Township, 11111 Yangon, Myanmar
myanmar@luther-lawfirm.com | myanmar@luther-services.com | Phone: +95 1 500021 | Fax: +95 1 502852