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We wish you an insightful reading,

EuroCham Myanmar

# EuroMatters



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COVER PHOTO

U SHANE THU AUNG, U MIN SWE HLAING,  
AND U THEIN THAN TOE provided by GLOBAL  
TECHNOLOGY COMPANY (GLOBAL NET)

## MESSAGE FROM EUROCHAM MYANMAR

Dear reader,

As this issue goes into print, we pay tribute to 2020, a year that reminded us that nothing in life is certain except change and uncertainty. Interestingly, leaning into uncertainty and impermanence is a lifelong practice shared by many here in Myanmar.

The global pandemic did not spare Myanmar: the road to recovery will take time. And yet, the resilience of this country and its people never cease to amaze me. Without much dwellings in the past, the country is moving forward, step by step: with its third peaceful general election, substantial reforms in the investment and finance sector, as part of the Economic Relief Plan (CERP) and signing the world's largest free trade agreement – RCEP, to name a few recent developments.

An overall sense of cautious optimism is shared by European investors too. At EuroCham Myanmar, we are pleased to see the commitment of the European businesses not only to staying in Myanmar but also searching for common ground on how to do business better – with respect to the environment, social, economic and cultural rights.

Introducing new ways of doing business to enable a sustainable recovery is an underlying theme for us at EuroCham Myanmar in 2021. In this issue, we share some inspiring stories from our members, from installing the largest solar rooftop panel in the country to bringing regional expertise to enable the transformation of Myanmar's garment sector, the largest export market to the EU.

The vision for 'more Europe' in Myanmar is shared by the newly appointed EU Ambassador to Myanmar, H.E. RANIERI SABATUCCI. In the cover interview, the Ambassador shares his insights on how Myanmar can attract more European investments, as well as his aspirations for the collaboration with EuroCham Myanmar.

The year 2021 is all about change and transformation for EuroCham Myanmar internally too. In 2020, we became an independent, member-owned organization, with a newly elected Board. While we thank the European Delegation for the vital support to kick-off the formation of a European business chamber in Myanmar, we look forward to the new chapter of developing a strategic plan, including a business model and building a trusted relationship with the new government.

However, what is not changing is our commitment to bring you quality journalism, inform, inspire, or raise a debate about the peculiarities of doing business in Myanmar. This is what **EuroMatters** is all about. Feel free to drop us a note with your comments or feedback.

We wish you an insightful reading and full of opportunities, 2021! •



Karina Ufert  
EXECUTIVE DIRECTOR &  
CHIEF EDITOR

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


**IN THE WARM LIGHT OF  
A TRADITIONAL PA-O KITCHEN**

**THE RIGHT TO EDUCATION IS EVERYBODY'S FUNDAMENTAL RIGHT.** But for children, education is even more crucial to grow, strive, and achieve all their dreams.

This photo was taken at a village near Naungtayar township, Shan State. The boy in the photo is a very lucky boy among Pa-O children: he is one of the very few sent to the local school by his parents who believe in education.

He studies at school until noon and comes back home in the afternoon to help his mother and father on the farm. In the evenings, he studies his school lessons near the fireplace in the traditional Pa-O kitchen as electricity is not available in their/his village. His grandmother usually cooks dinner in the evening. He sits beside her while studying for the next day of school. •

*Photo by*  
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## EuroCham Myanmar gathers consensus for multi-stakeholder garment working group

**W**ITH THE UPCOMING APPROVAL OF THE NATIONAL EXPORT STRATEGY (NES) for 2020-2025 and the National Textile Policy (NTP), the first quarter of 2021 will bring important policy changes for the Myanmar garment sector. The new version of the NES was drafted by the Ministry of Commerce (MoC) to keep developing Myanmar's exports and competitiveness in seven priority sectors, which include Textile and Garment. In this context, the Ministry of Planning, Finance and Industry (MoPFI) uses the NTP to identify specific action plans to bring forward the objectives of NES.

One of the strategic objectives identified by the NES, which is also detailed in the NTP, for the sustainable development of the garment sector is

the transition from a production mode based on Cut-Make-Pack (CMP) to Free On Board (FOB). The latter implies an increased share of production activities carried out domestically, which would translate into a greater local value-added. For instance, local production of raw materials would be scaled up. This process would generate benefits in terms of increased national economic activity, competitiveness of the sector and direct as well as indirect job opportunities related to the development of a local supply chain.

However, creating a more vertically integrated supply chain entails facing complex technical issues. For this reason, both specialised advisors, such as the International Trade Center (ITC) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and private stakeholders have been involved in the drafting of the NES and NTP. The EuroCham Myanmar

Garment Advocacy Group (GAG) contributed to this public-private dialogue by providing comments on the NTP draft during the latest round of consultations, held in December 2019.

In November and December 2020, the GAG continued its positive engagement with the Government of the Union of Myanmar by meeting with the Union Minister of Ministry of Labour, Immigration and Population (MoLIP) and the Union Minister of Ministry of Education (MoE) as well as the Deputy Minister of Ministry of Planning, Finance and Industry (MoPFI) and discussed the need and importance of skill enhancement in the Myanmar garment sector when transitioning towards FOB, especially amidst the Covid-19 pandemic.

During these meetings, the GAG shared concrete policy recommendations

to promote skill enhancement, such as training Myanmar workforce to cover middle management figures, from textile engineers to garment technologists. Other suggested policies are the integration of labour law knowledge in sectoral competency standards and labour law training in Technical Vocational and Education Training (TVET) programs, the development of digital platforms to reach rural areas, and the support of women's participation and access to the new training opportunities. As recently pointed out by the State Counsellor, the garment sector is important for economic progress and achieving skill enhancement will have a positive impact for the sector.

The technical expertise on skill development provided by the private sector needs to be completed by strong inter-institutional cooperation. To be effective, different policies such as labour law reform, industrialization

and skill development need to be treated as pieces of the same puzzle. At the same time, individual policy requires coordination among the different competent authorities. Hence, the GAG's key proposal was to establish an inter-ministerial and public-private working group with the goal to set up a concrete timeline, action plans and development of TVET curricula to meet the industry needs.

These meetings, for instance the meeting with MoE joined by MoPFI and MoLIP representatives, were concrete examples of what such mechanism would look like and how important it could be in the upcoming approval of the NTP. Once the policy objectives have been defined, policy implementation will require continuous collaboration between the private and public sector as well as among relevant ministries. Through the proposed working group, the Ministries could take the lead and define the agenda based on

policy priorities while being regularly supported by the private sector.

These meetings represented only a first step in engaging stakeholders that will be crucial for the transition of the sector towards FOB. In January 2021, the GAG met with the Myanmar Garment Manufacturing Association to discuss possible cooperation in this regard.

The group hopes to bring this dialogue forward and include different actors, such as in the proposed working group format, striving for the sustainable development of the garment sector, which will be critical for the resilience of the Myanmar economy during and beyond the pandemic period. •



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 tell us about yourself and your background?

I started my career in 2006 as a journalist at the Myanmar Times. After two years, I moved to another publication and I worked in various positions until 2013. In the Media industry, I learned negotiation and networking which have been useful until now. In 2014, I started my career in Communications and in June 2019, I became Head of Corporate Affairs at Carlsberg Myanmar.



### What is your current role within your company?

I am responsible for overseeing internal communication, external, public affairs, corporate social responsibility, and government relations. I am playing a central role in lobbying the government about excise bills, and I work closely with other industry counterparts. I am also responsible for promoting the corporate image and employer branding as well.

### How did you find this job opportunity?

After two and half years in the same position, I was ready to take on new challenges. The HR person of my current company approached me and I was very interested: I wanted to represent such a prestigious brand and the role included a wide array of responsibilities within the Communication field.

### Do you face any cultural challenges when working in a European organisation?

I don't have any specific problem or issue with the cultural difference: even in my

previous positions, I worked with people from different countries. Only the organization changed as now I work for a global company which provides guidelines, policies, and best practices.

### What have you learned from working in a European company when you look at your other experiences?

I learned a lot from working inside a European company. I learned transparency, ethic, and I witnessed the people-oriented attitude of European companies: they care about their employees, their stakeholders, and the community as well. And since they are people-oriented companies, they pay more attention to accountability, transparency, and inclusiveness of all stakeholders in their operations.

### Which skills, traditions, and behaviors do you think European companies could learn from Myanmar?

I believe that European companies

sometimes need to understand more about Myanmar's working culture and Myanmar people. Generally, Myanmar people are shy and don't like to critic openly, a cultural trait called "Arr Nar Tel". For example, you might want to improve your internal communications, but people are reluctant to give feedback openly, unless you create a comfortable environment. For this reason, I started "coffee connection" meetings between seniors and employees, where they can meet and share their ideas informally. Secondly, Myanmar is a country of 135 ethnic groups with different cultures and behaviors rooted in our backgrounds. So when European companies want to start their operations, they should know more about the local environment.

### What is your advice to those who want to get ahead in a European Company?

The first thing is: work hard and work smart to compete with the rapid changes happening in your company or the environment. The second suggestion would be: be sincere. If you don't know how to do something, raise your voice and ask for help, and people will be there for you.

### Have you ever been to Europe?

No, I have never been, but I have two countries I would like to visit. Professionally, I would like to visit Denmark and the first operation site of my company, to learn how it grew into a global company. Personally, I would like to see the UK because of historical connection with Myanmar. •



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The EuroCham Myanmar Responsible Business Initiative was 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.

## The EuroCham Myanmar Responsible Business Initiative: what will the future hold?

**E**UROCHAM MYANMAR'S organisational changeover translates into a renewed commitment towards responsible business in Myanmar. Building on the efforts of the past two years, the Chamber's Responsible Business Initiative (EMRBI) is finalising a new roadmap to stir discussion and share good practices among the Chamber's members and beyond – with a special eye on the environment.

In 2020, we learned what nature is capable of if not respected. The disruption of biodiversity and other species' natural habitat, excessive urbanisation and air pollution have amplified the spread of Covid-19.<sup>1</sup>

Due to the pandemic, every country on the globe faces a difficult choice: either prioritising the health and safety of its citizens or avoiding economic disasters. The choice is, however, a zero sum game where there is no correct solution, besides the one to learn from this experience and do what it takes to avoid other catastrophes. The fight against climate change has therefore reached a new level of purpose and engagement, which should be shared by the society as a whole.

According to the Global Climate Index 2020, Myanmar is one of the countries hit the most by extreme weather events in the period from 1998 to 2018, ranking second worldwide for the losses caused by these events calculated in terms of human lives and GDP.<sup>2</sup>

Looking ahead, projections are not merciful, with serious repercussions on agriculture, fisheries, tourism and infrastructure sectors, which are at the same time the industries with the

highest environmental footprints.<sup>3</sup> All the data seem to lead towards the same conclusion: businesses have an impact on and are impacted by environmental changes.

The EuroCham Myanmar Responsible Business Initiative 2019-2020 Action Plan included the organisation of quarterly Breakfast Talks to echo the theme of the United Nations World Environment Day, annually celebrated on June 5<sup>th</sup>. Following the theme of 2019, air pollution, EuroCham Myanmar gathered experts from the field and industry stakeholders to discuss actions that would be most effective in solving the problems of air pollution. In 2020, biodiversity stood at the centre of the fourth event under the EMRBI umbrella, where stakeholders from the private and public sector addressed the role of businesses in the preservation and conservation of biodiversity and how they can achieve the UN Sustainable Development Goals (SDGs).

For 2021 and beyond, EuroCham Myanmar is working on a new roadmap leveraging the renewed commitment by the European Union's Green Deal goals as well as European firms' responsible business culture. The roadmap will lay out prioritised topics and activities that will promote sustainability and responsible business practices in the country. In light of this, this issue of EuroMatters covers a section on "responsible business in action", where a concrete example of responsible business practice between two of our members is highlighted.

To mark the transition from the EMRBI Action Plan 2019-2020 to the upcoming roadmap, we asked NICOLAS DELANGE to share his thoughts on what the future will hold for responsible business in Myanmar.

NICOLAS, previous Chairman of our Chamber, now Founder & Director of the investment firm Yever, firstly started the EMRBI under the conviction that "Shaping resilient, sustainable and inclusive economy is crucial to build a better working society".<sup>4</sup>

"Our current economic model is not sustainable: it alters natural capital; resources depletion and biodiversity loss are alarming; it distorts society, and the rise of inequalities is extremely concerning. These systemic risks are now, among others, tangible threats for economic and financial stability. Interestingly, key market players are now paying more attention:

- central banks and other key institutions are now considering these factors as material and critical;<sup>5</sup>
- investors are now embedding Environmental Social, and Governance (ESG) factors in their decision-making matrix when they allocate financial resources;<sup>6</sup> and
- more countries are aiming to become carbon neutral – China committed to doing so by 2060.<sup>7</sup>

This alignment of political, financial, and social interests is good news. It will power the change needed to transform the economy.

But does it make sense for Myanmar? I believe so.

Indeed, in 2018, the Government of Myanmar released an ambitious plan, setting goals for transforming its economy by 2030: the Myanmar Sustainable Development Plan (MSDP). In her forward, H.E. DAW AUNG SAN SUU KYI stressed that "we particularly depend on the entrepreneurial and ever-resilient spirit of our people and the participation of our private sector, a main driving force of inclusive and



sustainable development." In short, business should be part of the solution – not only in Myanmar but across the globe.

The MSDP echoes a critical policy approved in 2019 by the European Union: the EU Green Deal.<sup>8</sup> Its objective? Transforming the EU economy and making sure that the transition is well anticipated and managed. Its means? A financing tool, the Just Transition Mechanism, will mobilise at least € 150 billion to support the countries and companies that will be most impacted by the transition; a specific framework, the EU Taxonomy, will enable sustainable investments by defining them precisely, to avoid potential abuses.

Indeed, the European Union will mobilise at least € 1 trillion to finance the EU's economy's transformation and make it sustainable.<sup>9</sup> But, what's in for Myanmar? First, the EU is supporting Myanmar businesses indirectly through grants – Switch Asia provides financial support to organisations operating in the country, and the recent call for tender demonstrates the EU's commitment. Second, the 90+ members of EuroCham Myanmar share European values and strive for doing business responsibly by embracing and complying with demanding standards.

Their commitment is an enabler and fosters the rise of a new generation of businesses in Myanmar.

Lastly, they all know that they will not succeed alone – they know that they should establish strong relationships with Myanmar partners, create long-term value that benefits all their stakeholders, and invent resilient business models that will flourish precisely because of their design which is fit for purpose.

Established in 2019, the EMRBI is an ambitious initiative that aims to bridge Myanmar and European businesses, public and private sectors, for-profit and not-for-profit organisations. The challenges for inventing a new society and a more sustainable economy are enormous. Especially when we must deliver results against the SDGs. The EMRBI could become a lab to try, test, and learn – together. It could become a hive that will catalyse ideas, support and encourage innovation, empower people and organisations aiming to build back better our common society. I understand that it might seem impossible at first sight – or naive for some. But I am an enthusiast and profoundly optimistic and, as the saying goes, if not now, then when; if not us, then who? Indeed, do we have

anything else more exciting to do than this, together?" •

1 See: Harvard T. Chan – School of Public Health, "Corona virus and Climate Change", <https://www.hsph.harvard.edu/c-change/subtopics/coronavirus-and-climate-change/#:-:text=We%20don't%20have%20direct.and%20our%20risk%20for%20infections.&text=Many%20of%20the%20root%20causes.increase%20the%20risk%20of%20pandemics>

2 Download the report here: <https://www.germanwatch.org/en/17307>

3 See: The World Bank, 2019, Myanmar Country Environmental Analysis, <http://documents1.worldbank.org/curated/en/464661560176989512/pdf/Synthesis-Report.pdf>

4 EuroCham Myanmar, White Book 2020 – Trade and Investment Policies Recommendations; [https://eurocham-myanmar.org/uploads/7f648-eurocham-whitebook-2019\\_en\\_body-hd.pdf](https://eurocham-myanmar.org/uploads/7f648-eurocham-whitebook-2019_en_body-hd.pdf)

5 See: FSB, The Implications of Climate Change for Financial Stability, November 2020.

6 See, for example, the first 2021 edition of Moral Money published by the Financial Times.

7 See: <https://www.nytimes.com/2020/09/23/world/asia/china-climate-change.html>

8 See: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

9 See: [https://ec.europa.eu/regional\\_policy/en/newsroom/news/2020/01/14-01-2020-financing-the-green-transition-the-european-green-deal-investment-plan-and-just-transition-mechanism](https://ec.europa.eu/regional_policy/en/newsroom/news/2020/01/14-01-2020-financing-the-green-transition-the-european-green-deal-investment-plan-and-just-transition-mechanism)



The EuroCham Myanmar Responsible Business Initiative completed its first phase under the Action Plan 2019-2020. This new section of EuroMatters presents one among many positive examples of responsible business practices in action.

## Pioneering renewable energy by DeHeus Myanmar

ACCORDING TO THE “Myanmar Energy Outlook 2040”, published by the Economic Research Institute for ASEAN (ERIA) in May 2020, Myanmar’s energy consumption is set to grow at an average rate of 3.0% per year until 2040.<sup>1</sup>

Specifically, industrial electricity consumption will increase at the striking average rate of 7.7% per year. In 2040, most electricity will come from natural gas (51%) while hydropower will be the second-largest source at 47%, with an average growth of 6.3%. Even if hydropower will play a central role in satisfying the booming energy demand of the country, the energy source set to grow the fastest will be solar power/

photovoltaic with an average rate of 22.3%, a rate based on the government programme to boost renewable energies.<sup>2</sup>

Government policies actualising the shift towards green sources, and their concrete implementation, will be paramount to fulfil the prediction of 2040 Energy Outlook. At the same time, we cannot forget that the private sector demand for electricity largely exceeds both transportation and residential needs – which are set to grow respectively at 4% and 1.8% per year.

Industries, manufacturers, and production sites are left with large margins to raise their participation in the green economy transition, despite several legislative shortcomings and

grey areas of Myanmar’s renewable energy laws and regulations currently in place.

The pioneering project behind the installation of the largest solar rooftop of the country, commissioned by the Dutch animal nutrition producer De Heus Myanmar and carried out by renewable energy firm Mandalay Yoma, is a great example of Responsible Business Practices serving the environment.

De Heus Myanmar’s commitment to solar power started in 2018 with the construction of the largest solar rooftop - at that time- for the Myohtar feed mill in Mandalay. The photovoltaic system is worth 516kWp, which directly translates into approximately 492 tons of CO<sub>2</sub> emissions saved per year.

“ A higher commitment to lower the industry’s footprint might help in identifying and addressing the legal shortcomings that are obstructing similar projects. ”



After the success of the Mandalay project, De Heus Myanmar scaled up its commitment from just one factory with solar energy usage, to having all three factories installed with solar energy. In August 2020, the Dutch animal nutrition producer announced a second partnership with Mandalay Yoma for the Hmawbi Myaung Dagar project. The project, with its 3,000 panels produced energy 1.16 MWp which will save up to 1,211 tons of Co2 emission, was completed by Mandalay Yoma’s engineers in less than four months and inaugurated on 22<sup>nd</sup> December 2020.

The solar rooftop, built with mono-crystalline panels to achieve the highest efficiency possible, is equipped with a remote monitor system. The system allows real-time data logging and is in full respect of the internationally recognised Health, Safety, and Environment Standard (HSE).

The solar energy projects are part of De Heus Global Sustainable strategy looking for renewable ways of generating energy for industrial production and

decreasing the environmental impact.

The “Responsible Feeding Program” guides the Sustainable strategy of De Heus Global. The long-term sustainability programme aims to create value and impact within the food production supply chains covering four pillars: Sustainable Supply Chain, Feed for Food, Thriving Employees, and Fostering Communities.<sup>3</sup>

To the reputational advantages coming from the realisation of CSR goals, the solar-powered factories also translate into financial savings, as MR. KAPIL SETH, CEO and co-founder of Mandalay Yoma, remarked during the opening ceremony of the project. “There is around 30MW of potential around in the Myaung Dagar Zone and Hmawbi and we are happy to be partnering with De Heus Myanmar that is leading the way in sustainability” he added, while De Heus Myanmar’ managing director, MR. ARNO WILLEMINK, expressed the same aspiration: his company’s pioneering move will hopefully lead

to more investments into renewable energies and convince other firms of the benefits greener energy solutions can provide.

A higher commitment to lower the industry’s footprint might help in identifying and addressing the legal shortcomings that are obstructing similar projects. EuroCham Myanmar and its Energy Advocacy Group will be closely watching the development of such commitments, standing on the side of private sector stakeholders and Myanmar authorities in making the transition towards a more sustainable economy successful. ●

1 Economic Research Institute for ASEAN and East Asia (2020). Myanmar Energy Outlook 2040, ERIA Research Project Report 2019, No. 01, IX. Available at <https://www.eria.org/uploads/media/Research-Project-Report/RPR---Myanmar---2020/Myanmar-Energy-Outlook-2020-Full-Report.pdf>

2 Ibid, 41.

3 More information on the program is available at <https://www.deheus.com/sustainability/responsible-feeding#:~:text=The%20Responsible%20Feeding%20programme%20is%20of%20each%20individual%20business%20unit.>



# PIERCING THROUGH ADVERSARIES TO BUILD A TECHNOLOGY EMPIRE FROM SQUARE ONE

**O**VER TWO DECADES AGO, the concept of a middle-class household having internet connectivity or owning a mobile phone in Myanmar was as far fetched as the country opening up to the world. Myanmar was under military-rule since 1962 and isolated from the rest of the world. Access the internet was restricted with only the affluent being able to afford it or by government officials using it.

After the government arrested the then Prime Minister KHIN NYUNT for unknown reasons in 2005, the internet was increasingly censored and Bagan Cybertech, the country's first internet service provider owned by KHIN NYUNT's sons, was nationalised. This led the state-owned Myanmar Post and Telecommunication to become the sole provider of the internet possessing all infrastructures and bandwidth. It was slow and expensive, refreshing a page would take around 5 minutes. Internet cafes did exist but the connection was slow and many websites especially foreign press and democracy-related sites were blocked.

But, the wind of change arrived after the 2010 general election which had the military-supported Union Solidarity and Development Party winning a resounding victory. Under U THEIN SEIN, a former general, sworn in as the president of the quasi-civilian government, the country saw steps in liberalisation and reforms being made including the liberalisation of the telecommunications industry.

International carriers such as Norway-based Telenor and Qatar-based Ooredoo entered and prices of SIM cards dropped from around \$250 in 2013 to \$4-6 a piece two years later. While internet penetration was around 1% in 2011, it skyrocketed to 41% in January 2020, according to Datareportal. Mobile user's subscription increased from 50.56 million users, 93% of the country's total population, in January 2017 to 68.24 million, 126%, in January 2020.

One company was in the midst of encountering these hurdles but through perseverance they carved a path to the top. It was during the monsoon season of 1997, when three teenagers met at Yangon's Computer Science College. As the military government shut down all universities and schools, they couldn't do much studying, but they already had their eyes on their goal after they had the chance to use the Computer Lab of their college. Unlike average teenagers who would just be awed by the first encounter with a computer, they dreamed of something bigger - they started a small computer lab aiming to bring innovation in Myanmar and help other organisations to work in the country.

**EuroMatters** had an exclusive interview with the three co-founders U SHANE THU AUNG, U MIN SWE HLAING, and U THEIN THAN TOE of Global Technology Company (Global Net), a leader in providing world-class telecommunications services. This would be one of the first appearance where the three of them sat down together for an interview.

The trio tells us about their long journey from a small garage to becoming a pioneer in technology and telecom services. They pushed onwards through the military government restriction and connected Myanmar to the world. The portfolio of Global Technology Group includes telecom, media, technology, financial services, consulting and more. 5BB, a broadband service under GTC, is the fastest and leading Internet company in Myanmar.

GTC is also about inclusivity and empowerment, supporting career growth and offering employment to disable people. The business environment at the firm also encourages questioning and discussion: as U THEIN THAN TOE well expressed: "In our organization everybody is a teacher, everybody is a learner".

The three met as teenagers at the Computer Science College in 1997 and they were curious and hungry for knowledge. When they got the chance to visit the college's computer lab, they did not get the chance to surf the World

“

In our organization everybody is a teacher,  
everybody is a learner

”

Wide Web through Internet Explorer because there was no internet connection. But, these limitations didn't stop them.

“The flame of our hunger for knowledge has been ignited and it cannot be extinguished. We were filled with so many questions – What is the internet and what does it mean? After returning home, we build a small computer lab in my parent's garage. We tested one computer working as the internet server and other computers as devices.” U SHANE THU AUNG told the magazine.

From then on, they began digging more in search for an answer. In 1998, the trio encountered the Moore's Law, by American engineer GORDON MOORE, which states that as transistors doubled their processing power yearly, the price of it would get lower and lower.

“This was a “eureka moment” for us. When we discovered the concept of linear and exponential growth, the wires in our brain connected and it was a revelation for us, this was a crucial step on our journey to provide better products and services in our market,” said U SHANE THU AUNG.

However, things were difficult for the three future tech-leaders of Global Technology Group as the military government then imposed restrictions on media as well as limited internet connectivity. But an insurmountable obstacle for some is an exciting challenge for others. “We were fortunate to have limited internet access and it's unbelievable to think Myanmar had no access to Yahoo or Hotmail back then. The connection was slow and downloading a file of 1MB would take an hour or so,” said U MIN SWE HLAING.

“But, we were not discouraged. We considered it a challenge and opportunity. We tried to leverage this opportunity to reach the public and private sector interested in using this technology for their businesses.”

Soon after they had the opportunity to show how much their hard work was paying off. The Ministry of Health approached the trio to assist on World Health Organization Funded E-Health project: they had to build a E-Health Network, remote connectivity and information access to provide intranet services for the public hospitals across the country.

The technology built in the far 2003 still exists and function as today, modern infrastructures were simply build on it, U THEIN THAN TOE commented.

To that U SHANE THU AUNG added that they made

the longest-lasting rural connectivity and remote working functionality for the benefits of public healthcare sector.

“We were aware that the Myanmar telecom regulatory experts were working on a reform program for the telecommunication sector since 2007-2008. The outside world was changing exponentially but the reform program was implemented only almost half a decade later. On April 12, 2013, U Thein Sein announced the plan to liberalise the telecommunications sector and the rest is history.” he told **EuroMatters**.

With the markets opening and new opportunities pouring in, they applied for the quickest telecom licence in order to be pioneers and have the “early-mover advantage”.

“We positioned ourselves as an infrastructure and internet solutions provider in 2013 as we wanted to build the system for our customers as system integrator, so we initially had not thought about expanding into the consumer market like today.” U MIN SWE HLAING said.

Our GTC fiber infrastructure covers over 25,000 km to almost all major states & divisions in Myanmar and carrier coverage reach to regional with 200 Gbps peering connectivity. GTC launched the first international internet gateway to Global after MNOs. Currently, GTC internet traffic is 25% of Myanmar total internet traffic which represent as a key internet and infrastructure providers for the citizens of Myanmar. Two out of four MNOs Networks are built on GTC Fiber infrastructure. Again, most of critical infrastructure services like financial institutions, ATM network, central bank and credit bureau network are running over our reliable, redundant, scalable and robust infrastructure.” U SHANE THU AUNG explained.

This was also the catalyst for them to launch their future award-winning service, 5BB Broadband Service. No other tech firm was addressing consumer's problems: slow internet services at high price. Since the launch of the 5BB service in 2017, internet price sensibly decreased at the benefit of all consumers.

In 2020, the 5BB was awarded by Ookla the fastest ISP network. “This makes the 5BB service the first entity in Myanmar to receive such prestigious award. The test is run by the millions of test counts from the users. So every user using a phone or a computer makes a speed test, and according to these millions and million test counts, it defines which network is the best. So we didn't know this, we do our best from end to end, from our network operation center to the user's devices.



And for that, we are very proud as citizens and a firm who make this happened.” U SHANE THU AUNG explained.

As U THEIN TAHN TOE further pointed out, the Ookla prize was not a victory for GTC only: “In 2019, Myanmar's position in internet speed ranking was 121st on the Global Index, however, already in 2020, it jumped to the 118th position thanks to the 5BB Broadband's prize as the Fastest ISP Network 2020 Award. 5BB team expressed its profound delight at the news of Myanmar upgraded position in the Global Index, and also their gratitude towards the authorities involved in the internet and telecommunication sector.

In our role as Myanmar internet market's pioneers, we scaled up the value of our offers for different user experiences, while at the same time we became leaders in affordability by cutting down prices of thirty times from the market price, which created enormous potential in the Myanmar internet ecosystem.”

“For us, the end-to-end service quality is very important and our main advantage is that we have a license to provide that from our Data Centre to our clients. The [Ookla] award is thanks to our engineers, kudos to them. Even in the midst of the pandemic, our engineers were outside to repair the cables and to serve the customers,” U MIN SWE HLAING said.

In addition, GTC is partnering up with the Facebook Connectivity team to provide a cheap connection to the public. The project is still in progress but the company is “very eager” to set up many Wi-Fi hotspot zones in Myanmar, said U THEIN THAN TOE.

A higher level of data traffic flow smooths contents distribution, and permits a well-constructed, and well-allocated server network, which enable greater and more delightful user experiences. Our Consumer Operations focus on setting new benchmarks in customer experience to cement the Group's position as the leading provider of next-generation communication, infotainment and technology services to consumers and small businesses across the country.

But this is not all. In 2020 Global Technology Company won both the gold medal for the Myanmar Employer award in the categories “the most innovative use of technology in HR” and “the best learning and development programme”, and the Employees' Choice Best Company Award in Myanmar by JobNet, where the award is based on surveys from JobNet with single employees.

“We are very proud to receive these awards and we always have been proud of our technology-friendly line where we

do customised products instead than the on-shelf products most companies use. We also have a quarterly leadership programme where we train our employees to learn how to harmonise the workflow among the teams. We want our employees to not to do only their daily tasks but to be able to get themselves in better positions, better wages.” explained U SHANE THU AUNG.

The Employees’ Choice Best Company Award reflects how our employees view our organisation, said U MIN SWE HLAING, continuing that he is grateful to the employees for this award.

The reasons of the employee affection to their company are self-explaining, we just need to look how GTC treated their staff during the COVID-19 pandemic.

As workplaces had to practice social distancing and remote working, this meant that fiber connectivity was required more than before.

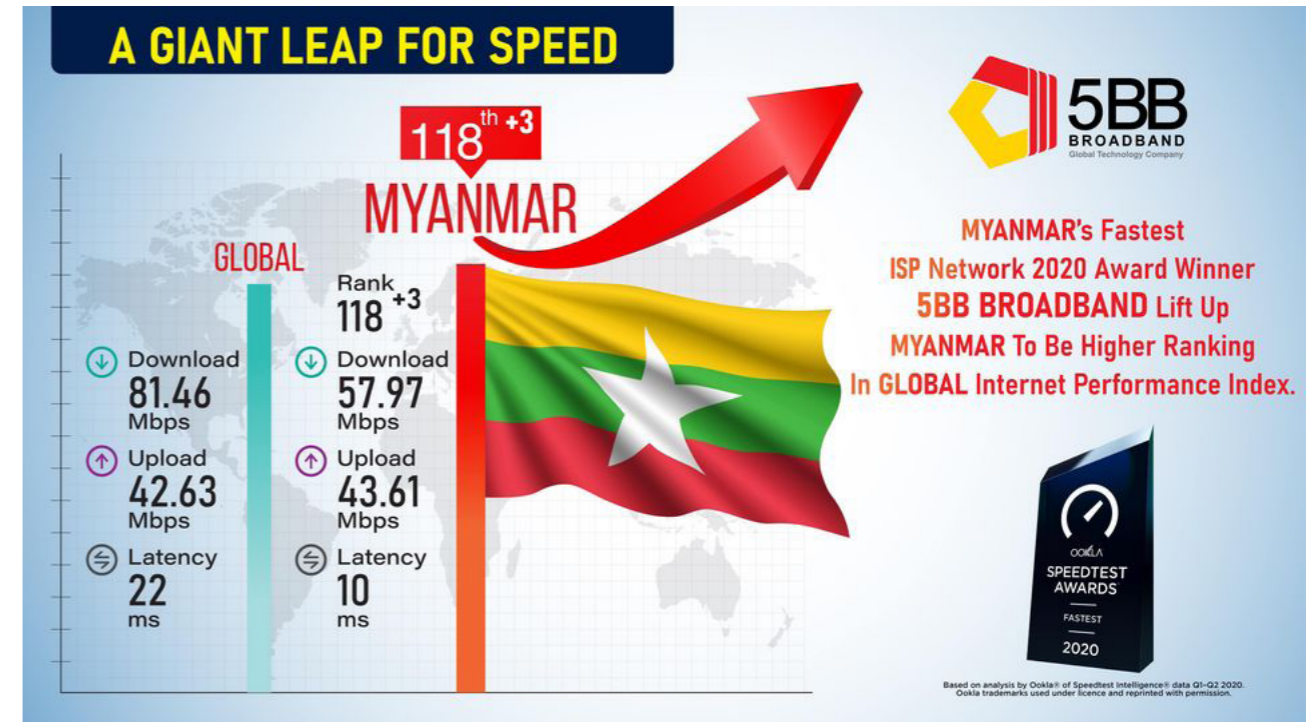
“But, what this means from our side is that our team needs to be on the ground working and making sure the products

are running smoothly. We provided them with face masks, face shields, gloves and spread awareness to them to socially distance themselves as much as possible,” said U THEIN THAN TOE.

Looking forward, the pandemic is also pushing for businesses and government to digitalise their services.

“Our leader has mentioned that the government supports the digital community and digital environment. I hope there will be more digital initiatives and digital economy movement, and that our country can give forth to new business strategy and business landscape. We do not have much of a choice than to follow the new normality. Every industry will need to utilise technology to futureproof themselves,” U SHANE THU AUNG highlighted.

The co-founders of GTC and leaders of the Myanmar technology industry are hoping to connect more people, transform their lives, using technology and driving the nation’s tech forward.



“As the leaders and co-founders of GTC we are designing more ways to bring people online. We are paving the way and making a difference,” U SHANE THU AUNG said. “We are building our infrastructure to run the world’s most demanding workloads and give businesses a more competitive edge.”

U THEIN THAN TOE pointed out on the need to transition to machine-to-machine connectivity in place of the archaic human-to-human method.

“We believe is that if we charge less we could get more demand, more volume and it can help us to research more. This will lead us to experiment more and create new products with a cheaper price. This is what we believe in.” he said.

Farmers will no longer need human resources if they can automate their work and transform the rural life to a digital one, which is something U MIN SWE HLAING, and his company are working on, as he tells **Euromatters**. Moreover, preparations are being made for the Next Generation Network, as 5G connectivity which will soon be available everywhere. Better and stable connectivity is a must not just for our smart phones but also for electrical appliances.

In conclusion we would like to mention our three pillars in the advanced technology space. One is the global technology enterprise Services, the second one the consumer related services and the third one is digital life style. Through a combination of these, GTC is driving Myanmar’s digital economy and digital transformation,” U SHANE THU AUNG said. •



## REVIVING VIRUS-HIT ECONOMY

## New laws and corporate reforms expected in 2021



**M**UCH OF MYANMAR'S BUSINESS ENVIRONMENT has been shaped and redefined by two landmark laws - the new Investment and Companies Laws. Other reform efforts are ongoing and several recent and upcoming policies that seek to improve corporate transparency, modernise business-related regulations and revamp the tax system are set to affect investors across the country.

The economy continues to suffer from the COVID-19 pandemic, with growth estimated to have slowed sharply to 1.7% in the fiscal year 2019-20, down from 6.8% the preceding year, according to the World Bank's Myanmar Economic Monitor released in December 2020.

COVID-19 and containment measures have weakened consumption and investment, disrupted business operations, and affected the supply of labour and inputs. Reforms to improve the ease of doing business and attract responsible investments are even more urgent as the government has pledged to bring the economy on the track to recovery this year.

NISHANT CHOUDHARY, a partner at the Yangon office of legal advisory firm DFDL, told **EuroMatters** that investors should watch out for new regulations in the areas of insolvency, trademark registration, and tax, among others.

### Insolvency and trademark

Myanmar has come up with a new Insolvency Law and rules, repealing the

archaic Yangon Insolvency Act 1910 and Myanmar Insolvency Act 1920.

"The new law allows quick and efficient rescue and restructuring of corporates with a special focus on small businesses. All insolvency and winding-up proceedings for corporates will be guided by this law, which also recognises and provides for cross-border insolvency," said MR CHOUDHARY.

He calls the legislation "a welcome move", especially in light of increasing economic activities among European businesses in Myanmar and unprecedented economic upheaval caused by the pandemic.

But the lawyer added that the mechanism envisaged under the law is yet to be implemented and urged

the authorities to set up all regulatory requirements to allow the insolvency regime to be put into practice.

In addition, the Ministry of Commerce in August 2020 initiated the soft opening of trademark re-registration, scheduled to start from last October. Existing owners of trademarks may register their trademarks through the online system. It has paved the way for the transition from a "first to use" to a "first to file" system for Myanmar's trademark registration.

"The online platform is functioning well and numerous European companies are trying to attain priority rights through this online registration process," MR CHOUDHARY said. "This has marked a shift from the age-old manual filing system to the online filing system and aims at better protection for business in Myanmar. Also, registration of new trademarks is expected to begin on April 1, 2021."

### Tax reform

Myanmar is undergoing a significant tax reform that aims to modernise its tax laws and administrative procedures. Since 2019, the government has already enacted a new Tax Administration Law, introduced a controversial tax amnesty on undisclosed sources of income, expanded the use of a self-assessment system in tax offices and implemented the use of online filing and payment platforms for taxpayers.

The next reform phases include a new income tax law, which is expected to be enacted this year, and a value-added tax law.

According to DFDL, the new income tax law will provide comprehensive rules on income tax matters and will introduce more widely accepted international tax concepts, such as a definition of permanent establishment, transfer pricing and arm's length principle, and thin capitalisation rules. Meanwhile, a

new value-added tax law will replace the use of commercial tax.

Furthermore, several reforms are also being proposed, notably reduction in certain tax rates, simplification of tariff procedures, and property tax reforms.

"These changes in the tax landscape indicate a move towards priming Myanmar's tax system that is more developed, systematic, and aligned with current tax practices," commented MR CHOUDHARY. "Therefore, European investors who are doing business in Myanmar must take these reforms into consideration in order to ensure compliance, and to assess how these will impact on their investments into the country."

Changes to business-related regulations are another milestone in Myanmar's economic transition.

### Modernising the private sector

The National League for Democracy-led (NLD) government has implemented a draft of new laws and regulations over the past few years to raise the standards of corporate disclosure and governance. These include requirements under the new Investment and Companies Laws and continuous disclosure obligations on unlisted public companies - defined as those with more than 100 shareholders - issued by the Securities and Exchange Commission of Myanmar (SECM).

Banks and large-scale infrastructure project proponents are also legally required to raise their game. The Central Bank of Myanmar has implemented directives requiring more disclosure by local banks, while investors now need to publish Environmental Impact Assessment reports.

In 2018, the SECM, the Directorate of Investment and Company Administration (DICA), the Yangon Stock Exchange (YSX), and the International Finance Corporation

(IFC) initiated the Myanmar Corporate Governance Scorecard to benchmark governance practices in 24 local public and listed enterprises and some large private firms. The findings were published in April 2019.

The study, which assesses companies on the basis of the Association of Southeast Asian Nations (ASEAN) Corporate Governance Scorecard, reveals that Myanmar firms scored an average of 30 percent, compared to the ASEAN average of 69%. Some Myanmar players are observed to be performing significantly above the average and listed companies are outperforming public and private ones.

While noting that the assessment was undertaken before the new Companies Law came into effect, it recommends companies to focus on rights of shareholders and stakeholders, to improve governance structures and board composition, as well as board accountability for company decisions.

There are also ongoing and upcoming efforts by the Myanmar authorities to improve transparency and governance, including a Corporate Governance Code.

The government set up a Corporate Governance Reform Advisory Committee in 2019, involving a range of government bodies, the IFC and OECD. Senior corporate figures say that this committee is potentially the vehicle to develop a Myanmar Corporate Governance Code, which can encourage private sector commitment to good corporate governance and aspirations towards higher standards.

New requirements are also recently issued for all companies to disclose beneficial ownership (BO) and for Myanmar banks to undertake customer due diligence. These are in response to the recommendations from the Paris-based Financial Action Task Force (FATF), which returned Myanmar to the money-laundering "greylist" last year. The

European Commission followed the FATF's decision and placed Myanmar on the list of states deemed high-risk for money-laundering.

In the same year, BO disclosure of extractives firms, including whether they are politically exposed persons (PEPs), is also a requirement for Myanmar as a member country of the Extractives Industries Transparency Initiative (EITI), an international effort to fight corruption in managing revenues from oil, gas and mineral extraction.

DICA published the first batch of BO and PEP details around a year ago. The database covers five state firms and 158 companies in the extractives sectors. The initiative is lauded by investors and governance experts as an important step forward but the database has some loopholes to fill. For example, business owners or their close relatives who hold prominent public positions have so far not declared themselves as such, according to a Myanmar Times review of the database in February 2020.

Business owners or their close relatives who hold prominent public positions have so far not declared themselves as such, according to a Myanmar Times review of the database in February 2020.

Nonetheless, a combination of new regulations and market pressure have led companies to become more transparent.

**Companies more transparent**

Overall disclosure among Myanmar companies has improved, with some leading companies rising to the challenge of both disclosing corporate governance information and reporting performance, according to the 2020 Pwint Thit Sa (Transparency in Myanmar Enterprises) report.

The three companies which scored the highest in 2020 were Uab Bank, City Mart Holdings Group and Shwe Taung Group. The report found that all of them continue

to improve their disclosure.

Yoma Bank is ranked fourth, followed by Yangon-listed First Myanmar Investment and then Max Myanmar Group.

The latest Pwint Thit Sa report was published in December 2020 and it is the sixth annual report compiled by the Myanmar Centre for Responsible Business (MCRB), and the Yangon-based consultancy Yever. It aims to raise awareness and increase corporate disclosure, including publication of corporate governance and other information by companies, based on international sustainability reporting standards. In doing so, Pwint Thit Sa seeks to build trust and transparency in Myanmar companies, especially public companies, and in financial institutions.

A total of 260 companies were assessed in 2020, 12 more than Pwint Thit Sa 2019. For the first time all banks were included in Pwint Thit Sa, a reflection of the higher standard of corporate governance required from banks. The 260 companies include 52 public companies, 174 privately-owned firms, 28 state-owned enterprises and 6 YSX-listed companies.

While 98 companies (38%) of the 260 companies assessed do not have official websites, this represents an improvement from the previous study. 108 (44%) of the 248 companies - i.e. 48% - assessed did not have a website in Pwint Thit Sa 2019.

"While listed companies, which scored average 39%, generally outperform public (5%) and private companies (7%), I would like to congratulate the 19 'champion' companies which score higher than the average score of the listed companies," commented Yever managing partner NICOLAS DELANGE, referring to those which have scored higher than the average score of the listed companies.

"Of these 19, 14 are private, family-owned companies, including the top 3. They have no regulatory requirements to disclose information, but they understand that being a transparent, well-governed

company that explains its 'purpose' is the best way to attract investors, particularly those who are interested in 'ESG investing,'" MR DELANGE added.

MCRB director VICKY BOWMAN said "despite COVID, we saw even stronger engagement by companies with the Pwint Thit Sa process."

"Thirty-four companies met - virtually - with MCRB/ Yever to discuss their draft scores or to gain a better understanding of the criteria and what they mean for company disclosure, including eleven who hadn't previously engaged with us," she explained.

**Regional trade deal - RCEP**

Amid a global recession and a trade war between China and the US, one breakthrough to watch out for is how the inking of the world's biggest trade agreement, the Regional Comprehensive Economic Partnership (RCEP), would shape the Myanmar market.

On November 15, 2020, the NLD government signed with all other nine member states of the Association of Southeast Asian Nations, together with Australia, China, Japan, New Zealand and South Korea, the RCEP, a deal that took a decade to negotiate.

The agreement has not been implemented yet and another two years are needed before it comes into effect. It will enter into force sixty days after it has been ratified at least by six ASEAN members and three non-ASEAN signatories, a process which will take time.

"This RCEP shows the capacity of the Southeast Asian countries to pursue an important commercial agenda during a world pandemic," said EDDY JABNOUNE, resident director of Audier and Partners.

Among the countries that are part of the RCEP, Myanmar is one of the poorest

in terms of GDP per capita.

"Even though the ambitions of the RCEP are recognised, there are no provisions regarding the protection of workers, treatment of state owned enterprises or preservation of the environment as in the case of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership," he added, referring to the major global trade bloc known for its abbreviation CPTPP.

MR JABNOUNE said Myanmar stands to benefit well from this agreement, for instance through the unified rules of origin system.

"Currently, a number of different

systems are applied depending on the country of exportation to determine the country of origin, and the administrative process applicable," he told **EuroMatters**. "The RCEP will simplify the process for the 15 participating countries, implementing unified rules of origin. However, according to experts, the big winners of the RCEP will be Japan and South Korea."

Despite opportunities created by RCEP Myanmar still has much to do to encourage business.

The Audier and Partners lawyer points out that Notification 15/2017 - list of restricted investment activities - has not been updated for the past three years. Revising the list would allow foreign investment in new areas and

attract more investments from abroad.

He also urges the authorities to enforce new laws passed. Particularly important ones include the 2016 Condominium Law allowing foreigners to invest in real estate investment, which is still not applicable, as well as effective enforcement of the Competition Law.

"Finally, even though the Myanmar Trademark Law 2019 is slowly becoming applicable by accepting previously registered trademarks since last October, currently, it remains the case that no new trademark can be registered," said MR JABNOUNE, echoing the views of NISHANT CHOUDHARY of DFDL and other lawyers in Yangon. •



## REVIVING VIRUS-HIT ECONOMY

## Four major policy changes investors want



**A**FTER A BUSY YEAR with the 2020 general elections and fight against COVID-19, 2021 promises to be equally eventful for Myanmar. The struggle to contain the pandemic continues while a new administration, led by the incumbent National League for Democracy (NLD) party, is set to take over in April.

There are reasons to be optimistic, not least because of the political stability potentially secured by the NLD's sweeping poll victory. The party has retained healthy majorities in both houses of Myanmar's national parliament.

Economically, too, opportunities abound. Myanmar's GDP grew by only 2% in 2020 but is estimated to rebound to 5.7% this year, according to the International Monetary Fund.

The government led by DAW AUNG SAN SUU KYI has already set out ambitious plans for the country's economic recovery this year, with reforms in tax, stock exchange, finances, e-services, corporate regulations and infrastructure projects, as well as pledges to support businesses.

Apart from further liberalisation and market reforms, here four areas of government policies that investors want to see change:

#### (1) Energy tenders that allow fairer competition

Many international and local firms, including European ones, have been left bitterly disappointed after Chinese bidders snapped up all but one of the solar projects in a highly controversial tender.

Companies were invited by the Ministry of Electricity and Energy (MOEE) to submit bids to build 30 solar power plants, totalling 1000 megawatt, on a 20-year concession basis last May.

The tender and its original one-month application window resulted in a rare rebuke from Yangon's business community. Key commercial bodies,

including EuroCham Myanmar, jointly submitted a letter to energy minister U WIN KHAING to demand an extension of the deadline to ensure a level-playing field, in view of the travel restrictions and time needed for land acquisition and project financing. However, the deadline was ultimately extended by just a month.

The MOEE's solar farm tender was embroiled in controversy as soon as it was announced, reported Myanmar Times journalist JOHN LIU, who observed that the complaint letter "reflects the growing frustration at the way energy projects are tendered among local and foreign investors."

In the end, 28 out of 29 bids were awarded to bidders involving Chinese enterprises, based on price alone and without incorporating environmental, social and governance criteria.

In his news coverage, reporter JOHN LIU said the dominance of Chinese firms mirrors the 2019 emergency energy bid, which was also rushed through by the MOEE within a month and all won by Chinese developers.

"The results, analysts say, could dampen the ability to attract quality investors as it raises fresh questions over the ministry's intention to attract non-Chinese investments," the journalist wrote.

In an interview with the Myanmar Times, investment minister U THAUNG TUN highlighted that the winning average bid of US\$ 0.0422 per unit and justified the MOEE's decision to award almost all bids to Chinese developers on the basis that Myanmar has got "an excellent deal".

Many in the business community are now watching whether these solar projects would be delivered on time by this year's dry season, a timeline promised by the government, and provide much-needed added power supply.

In addition, investors want to know

if the MOEE would come clean on the 2019 emergency power plants and whether officials would penalise the project winners for massively missing the operational deadlines as set out by the tender document.

Energy firms and corporate leaders also hope that the next energy tender would be fairer and more transparent, and that the next administration, hopefully led by better appointees at the MOEE, would actively listen to and act on their feedback and concerns.

Last but not least, after sitting on dozens of serious hydropower project proposals for years, the MOEE will need to swiftly move ahead with some proposals to retain the confidence of energy investors.

#### (2) Internet restrictions deter responsible investors

One government policy accused of scaring off foreign investors is the ongoing internet ban in parts of Rakhine and Chin states. Renowned youth activist MA THINZAR SHUNLEI YI told local media that the restrictions were "a clear alarm" to consumers and investors in Myanmar's digital economy because it proves that internet access "can be taken away anytime by giving different excuses."

The NLD's transport and communications ministry ordered telco operators and service providers to cut off the internet in June 2019, at the request of the Burmese military to deal with the Arakan Army, a Buddhist insurgent group active in western Myanmar.

A complete blackout was in effect from June 2019 to August 2020, after which 2G services were restored, meaning that there is still no meaningful access to internet services for over 1 million people.

An October 2020 news story

published by Asia Times reported that internet restrictions were "putting off foreign companies that emphasise human rights in their investment decisions" and "holding back the underdeveloped nation's economic and business potential."

Norwegian telco operator Telenor and Britain's development finance institution CDC Group - an investor in local internet service company Frontir - "struggle to navigate her [Suu Kyi] administration's controversial policies and their associated reputation risks," Asia Times reported.

EuroCham Myanmar, Telenor and numerous business groups, as well as mobile service operator Wave Money have publicly appealed to the government to lift the restrictions. Shortly after the blackout was ordered in 2019, EuroCham Myanmar and other chambers warned of the "possible reputational impact in the international community and view of Myanmar as a responsible investment destination".

Myanmar subsequently blocked websites of Rakhine-based media outlets and Justice for Myanmar, a group of activists critical of the Burmese military, accusing them of spreading fake news.

Telenor initially defied the government's order to ban all the websites, but bowed to government pressure after being threatened to have its services taken down.

"Digital censorship has hurt investor perceptions of the telecoms market, hailed as one of the biggest success stories in Myanmar since the sector opened up to the outside world in 2013 after being tightly controlled by the state for years," the Asia Times article noted.

CDC Group, meanwhile, has come under fire from British lawmaker STEPHEN DOUGHTY, who urged the

institution to divest its USD 20 million equity stake in Frontiir because the provider complied with Myanmar's censorship orders.

In a report published last October, US research institute Freedom House and local digital rights group Free Expression Myanmar ranked Myanmar as having the worst decline in internet freedom across the world, citing the internet ban and website blocking.

Senior corporate figures say that halting these policies and reforming the Telecoms Law, the legal basis for the censorship directives, will be critical to reduce human rights risks for companies and allow them to operate more responsibly.

**(3) Businesses need support to get through COVID-19**

The government's promises to lend financial and tax support to the private sector are widely welcome but executives say these measures so far are insufficient.

A record number of businesses in the country were temporarily shut amid a second wave of COVID-19, according to an Asia Foundation survey published last November.

The Asia Foundation's nationwide poll, based on interviews with 750 local businesses in late September and early October 2020, shows that companies are struggling to stay afloat and reflects a real danger of a widespread collapse among small businesses.

Among the firms surveyed, 36% said they were closed. The percentage of respondents reporting no sales revenue amounted to 31%.

Surveys conducted by EuroCham Myanmar and other international business chambers in Yangon also reveal that many international companies share the difficulties faced by local firms.

According to EuroCham Myanmar's survey released last August, 75% of the respondents said that they are either significantly or moderately affected by COVID-19, 14 percentage points higher than the March 2020 survey.

European businesses surveyed highly encouraged Myanmar to allow business-related individuals to travel back to the country, with home quarantine and clear regulations for business continuity and expansion.

The business community has appealed to the government to provide sufficient time for employers and manufacturers to prepare for shutdown orders following the first outbreak in April, and to be clear and consistent in their COVID-19 policies.

But the authorities did not listen to the feedback. A "stay-at-home" order for the entire Yangon Region was issued at night on September 20 ahead of a Monday morning deadline on September 21, leaving employers and workers with less than a day to react. The subsequent lifting of domestic travel restrictions was also marked by confusion over quarantine and health certificates requirements.

Furthermore, EuroCham Myanmar previously urged the authorities to include foreign investors in their tax incentives, arguing that the failure to support investors from abroad would hurt Myanmar's FDI and employment rate.

Businesses argue that well-communicated health measures affecting business operations and effective tax and financial support for companies will be critical in Myanmar's efforts to remain an attractive investment destination.

**(4) Sweeping land reform programme**

Looking ahead, the NLD-led administration is expected to reform Myanmar's vast and complicated web of

laws regulating land use. A process led by the attorney general's office is under way to draft a new land law to reflect the 2016 National Land Use Policy.

The drafting of a National Land Law could potentially address key challenges of its regulatory framework on land rights and administration.

Myanmar Centre for Responsible Business (MCRB) director VICKY BOWMAN points out that there is a complex set of committees and working groups involved in the drafting but business is underrepresented.

In mid-December 2020, the MCRB, UN agencies and business groups held an orientation discussion to outline problematic areas with land laws, attended by over 150 business representatives.

"What was striking was the variety of interests raised, from banking and telecoms tower companies, to urban real estate, mining and fish farms. Issues that came up were the need to simplify and publish existing laws and Standard Operating Procedures but also to address gaps and confusion, for example on resettlement," MS BOWMAN told **EuroMatters**. "It is essential that the reform process is transparent and engages all stakeholders."

Indeed, land remains one of the biggest challenges for those looking to invest responsibly.

"Foreign investors often struggle to navigate Myanmar's complex legacies and regulations surrounding land," said TOMOAKI YABE, a Japanese investor who runs logistics firm Daizen Myanmar in Thilawa Special Economic Zone. "Revising the legal framework for land will definitely help unlock Myanmar's potential to attract manufacturers, developers and responsible investors outside the country."

One big headache for business is the NLD's interpretation of a land law

they changed in 2018 concerning land classified as "vacant, fallow, and virgin" (VFV), which constitutes around a third of the country's territory, primarily in the ethnic minority-dominated areas.

Amended in 2018, the VFV law requires residents living on VFV land to apply for a government permit to continue using it for the next three decades, or else they could be evicted. This requirement triggered a backlash among civil society groups and community organisations, who argue that millions of farmers are at risk of being criminalised and warned of land grab risks by big business. Farmers who have farmed for generations under customary tenure are seen as particularly at risk.

Since 2018, exploration companies have been instructed by the agriculture and environment ministries to acquire

land use permits for land they only intend to temporarily prospect, a policy position disputed by those companies.

The International Investors for Mineral Development Association raised their objections with the government more than once. Last year, they sent a follow-up letter to State Counsellor DAW AUNG SAN SUU KYI to challenge her government's policy, attached with legal advice from Yangon-based law firm Livingstons Legal.

The agriculture ministry's insistence that the VFV law applies to minerals exploration "threatens the very viability of the exploration sector and one that is already making the industry extremely unattractive to foreign investors," the Association argued in a May 2020 letter seen by **EuroMatters**.

The letter accuses the government

of misunderstanding the law and warned that the policy "has the strong potential to kill off any meaningful level of future foreign investment in mineral exploration."

In a January 2019 letter addressed to the authorities, MCRB director Vicky Bowman also cautioned that the VFV amendments go against Myanmar's obligations to the International Covenant on Economic, Social and Cultural Rights (ICESCR), which the government has ratified.

MS BOWMAN'S letter also notes that some international investors in Myanmar have put plans for expansion on hold, due to their inability to find Myanmar partners who can provide land without human rights legacies. •





# THE OPENING OF MYANMAR'S INSURANCE INDUSTRY

Opportunities and Obstacles in Myanmar's Emerging Insurance Industry

**M**yanmar's insurance sector previously an economic domain off-limits for international providers - has undergone a hopeful transformation as an opening and emerging sector for domestic and international players alike.

The liberalisation of Myanmar's insurance business certainly can be described as a long story with several chapters still being written: an awakening of the sector was already anticipated in 1995, when the first Japanese insurance companies opened representative offices in Myanmar.

Only in 2013, however, the regulatory body supported the entry of Myanmar-national private insurance companies in addition to the "insurance monolith", state-run Myanma Insurance. In line with the comprehensive services sector reform agenda of the NLD administration, in 2019, long-anticipated steps closer to a level playing field

of Myanmar and foreign insurance companies were taken.

In April 2019, five wholly foreign-owned subsidiaries of foreign life insurance companies were provided operational approval by the regulator, this included key names in the global industry such as Chubb, AIA, and Prudential. At the end of July 2019, the regulator approved the formation of three life insurance and three non-life insurance joint ventures with Japanese and Thai participation.

**The growth of the consumer class, Myanmar's demographic dividend, and the gradual extension of employment benefits nourish the potential of the insurance industry in an underserved market.**

In 2018, the ratio of underwritten insurance to GDP only stood at a level of 0.13%, a quarter of which was life insurance. In comparison, the insurance penetration per GDP in Hong Kong, the United States or the United Kingdom well exceeds 10%, which illustrates

the catch-up potential. Ernst & Young conservatively estimate that the insurance penetration in Myanmar may increase to a tenfold of 1.39% until 2028 driven by the life insurance segment.

Once legal and regulatory hurdles have been overcome, one of the most urgent questions for insurance companies may be how to strengthen public awareness - not to say basic "insurance literacy" in Myanmar. Effective distribution and agency models will need to enable insurance providers to subscribe both urban and rural clients, at pace. Given the limited exposure of potential policy-holders to insurance products, wholesale insurance brokerage via large employers may be an attractive pathway for insurance companies.

**Deregulation and innovation regarding the insurance product spectrum will be critical for the sector to serve clients with appropriate policies and to take off fast.**

The replacement of the 1996 Insurance Business Law through a new

Ahead of forthcoming legal changes under the new Insurance Business Law, directives of the Myanmar Insurance Business Regulatory Board (IBRB) already signal the intentions of the regulator to accomplish a leapfrogging of the industry towards international standards. The Directive for Approval of Insurance Products (Directive 3/2020) provides room to insurance companies to develop new products in coordination with the regulator. In addition, Directive 4/2020 has opened up opportunities for Myanmar-based insurance companies to obtain reinsurance - an important element for risk-sharing within the industry.

Following the turbulent times of uncertainty and high risks during

the pandemic, Myanmar's insurance industry is set to support a stable and enabling environment for domestic and foreign stakeholders along the path to economic recovery. •

law in draft stage in a foreseeable future will provide a solid foundation for the growth of the insurance industry. It is anticipated that the law will enable a broad range of insurance products to emerge and policies to be customised according to the needs of individual or corporate beneficiaries.

Potentials for new core products - beyond the current offering shown in Figure 1 - may exist e.g.

- for individual policyholders e.g. in terms of medical insurance and more flexible life insurance products or
- for businesses e.g. in terms of product liability insurance or the insurance of movable and immovable property of the firm.

1 Ernst & Young 2019: "Liberalization presents great opportunity for insurers in Myanmar": [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_sg/topics/financial-services/ey-liberalization-offers-great-opportunity-for-insurers-in-myanmar.pdf?download](https://assets.ey.com/content/dam/ey-sites/ey-com/en_sg/topics/financial-services/ey-liberalization-offers-great-opportunity-for-insurers-in-myanmar.pdf?download)

PREMIUMS OF PRIVATE INSURANCE COMPANIES IN MYANMAR (2018)

(Source: Financial Regulatory Department, MOPFI)

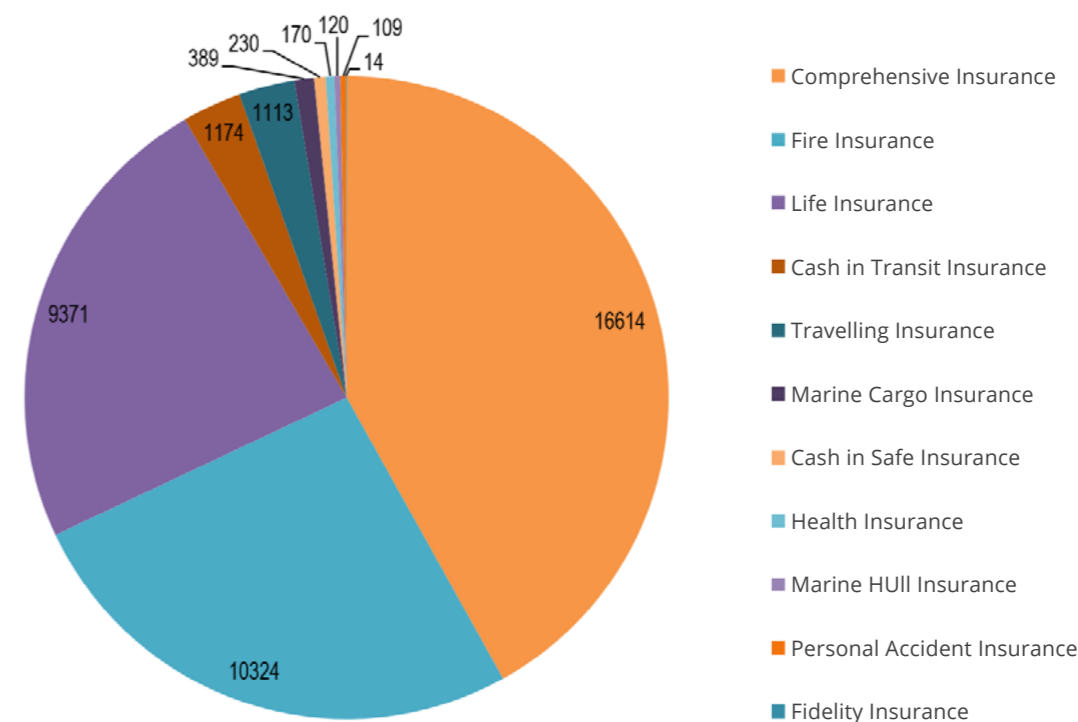


FIGURE : THE MYANMA INSURANCE HEAD OFFICE IN DOWNTOWN YANGON



FIGURE: KBZ MS, A JOINT VENTURE BETWEEN PREVIOUSLY KBZ AND MITSUI SUMITOMO, READY TO PENETRATE THE EMERGING INSURANCE MARKET



This article has been written by FELIX HAAS, Managing Director of Progress Asia Consulting. Progress Asia Consulting is working at the intersection of public and private sector in Asia in areas including government relations, political risk and sustainability.

# EuroCham Myanmar Construction Forum 2020

**I**N THE CONSTRUCTION SECTOR, managing and complying with safety and quality standards is essential. With the intention to implement safe, cost-efficient and environmentally sustainable construction projects, the Myanmar government has already introduced several quality standards. However, the implementation and enforcement of building codes and standards is not a default practice yet.

To promote the adoption of standards, a fruitful relationship between the private and public sector is essential. EuroCham Myanmar's Construction and Infrastructure Advocacy Group aims to lay out a comprehensive overview of the challenges the sector is facing, including recommendations on how best to overcome such challenges.

On this occasion, the Construction & Infrastructure Advocacy Group hosted its second **Construction Forum** on October 28<sup>th</sup>, 2020. The forum's theme was **'Standardisation. The state of the project & challenges ahead'**. The event featured the topics of the Myanmar National Building Codes and standards in the construction sector. The participation of key experts from the government, local associations, and leading private sector representatives facilitated multi-perspective views on the status of standardisation in Myanmar.

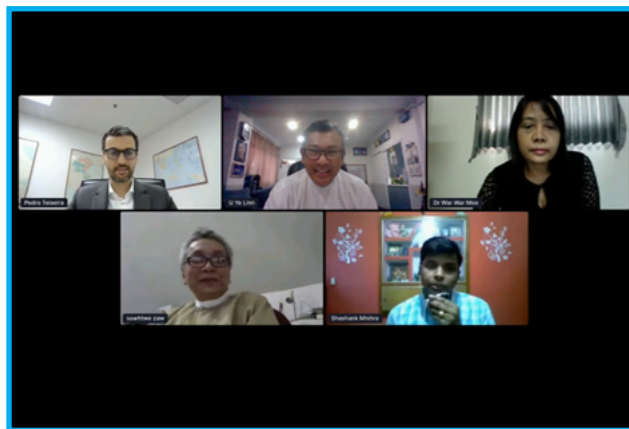
The forum was opened by EuroCham Myanmar's Executive Director **KARINA UFERT**, and was followed by **U WIN HTUT**, Chairman of Transport, Communication and Construction Committee of the Pyithu Hluttaw and **U WIN KHAING MOE**, Director General of the Department of Research

and Innovation, who elaborated on the importance of standardisation and its implementation.

Following a presentation by **ERIK FOPPEN**, EuroCham Myanmar Construction and Infrastructure Advocacy Group Co-Chair, **PEDRO TEIXEIRA**, Director Buildings and Infrastructure South-East Asia at Bureau Veritas, presented a viewpoint on standardisation in buildings & infrastructure and touched upon the challenges of developing country-based standards.

**SHASHANK MISHRA**, Programme Specialist at the United Nations Human Settlement Programme (UN-Habitat), set the scene for the panel on standardisation and was discussed by **U YE LINN**, Myanmar Construction Entrepreneurs Federation, **U SAW HTWE ZAW**, Central Executive Committee Member of the Myanmar Engineering Societies, **PEDRO TEIXEIRA**, Director Buildings and Infrastructure South-East Asia at Bureau Veritas, and **DR. WAR WAR MOE**, Deputy Director and Head of Standards Development Division.

The panel, which consisted of a variety of stakeholders in the construction sector, outlined the need for standards for all materials and the progress that has been made so far in terms of regulations. The panellists welcomed the newly published Myanmar National Building Code, as it creates a shared understanding for all relevant stakeholders. The panel concluded that to overcome the challenges actors in the construction sector face, close collaboration between public and private stakeholders is essential.



Thank you to our partner members

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