



# BUSINESS GUIDE 2020

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

This report serves as a guide for European small-to-medium sized enterprises interested in investing in Myanmar; it starts with a sector overview followed by entry-level information and relevant contact details.

Please contact us for further information and support.

Yangon, November 2019





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# ACRONYMS

AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
BOT	Build-Operate-Transfer
DICA	Directorate of Investment and Company Administration
ECC	Environmental Compliance Certificate
ECD	Environmental Conservation Department
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ESHA	European Small Hydropower Association
FIL	Foreign Investment Law
FY	Fiscal Year
IASH	International Association for Small Hydro
IEE	Initial Environment Examinations
ILO	International Labour Organisation
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MIC	Myanmar Investment Commission
MOEE	Ministry of Electricity and Energy
MOREC	Ministry of Natural Resources and Environmental Conservation
MOU	Memorandum of Understanding
MPE	Myanmar Petrochemical Enterprise
MPPE	Myanma Petroleum Products Enterprise
NEMC	National Energy Management Committee
OSH	Occupational Safety and Health
SHP	Small hydropower plants
SME	Small and Medium Enterprise
UNIDO	United Nations Industrial Development Organization
YESC	Yangon Electric Supply Corporation



The voice of European business  
in Myanmar

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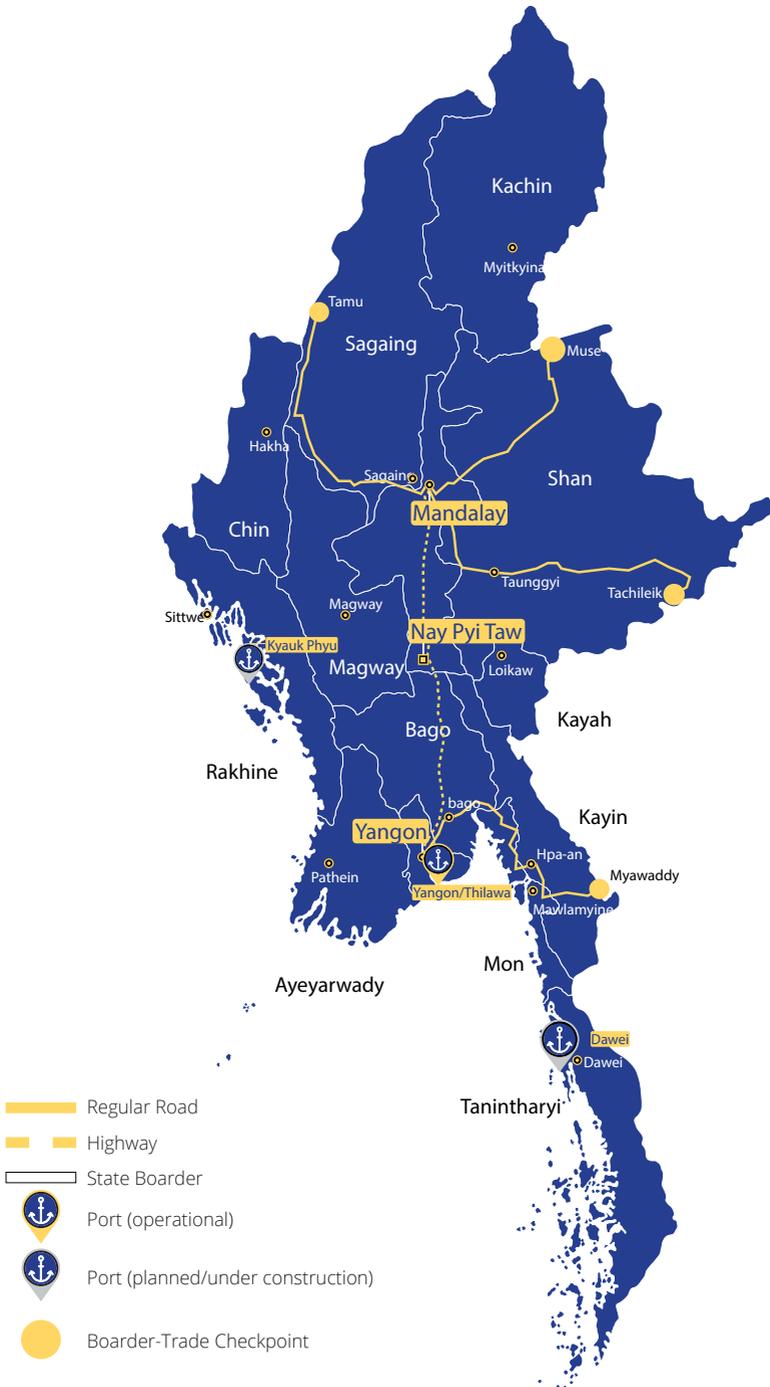


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Figure 1: Map of Myanmar



# 1 COUNTRY OVERVIEW

## 1.1 KEY FACTS

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

**Table 1: Key Facts About Myanmar**

Official Name	Republic of the Union of Myanmar
Area	676,578 square kilometres
Population	53.0 million (as of 2019)
Administrative Areas	Seven Regions, Seven States, National Capital
Capital	Nay Pyi Taw
GDP	USD 71.21 billion (2018)
Currency	MMK (Kyat)
Approve FDI	USD 4.2 billion (Fiscal Year 2019)
Top Export Items	Natural Gas, Garments, Agricultural Products

Source: IMF-World Economic Outlook Database, 2019



- Nay Pyi Taw has been the country's capital since 2005 but the former capital, Yangon, remains the country's largest city and commercial centre.
- Mandalay is the commercial and logistics hub for Upper Myanmar, especially for border trade transactions with India, Thailand and China.
- Of the 19 trade stations located along the borders, Muse and Chin Shwe Haw (along the Chinese border) and Myawaddy (along the Thai border) dominate cross-border economic activity.
- Special Economic Zones were introduced by the previous government and three are currently planned or partly operational — Kyauk Phyu (in Rakhine State, planned), Thilawa (near Yangon, partly operated) and Dawei (in the southern Tanintharyi Region, planned).
- Two major road networks connect the two commercial hubs, Yangon and Mandalay. The newly constructed highway only allows passenger vehicles, while an older road is used primarily by trucks for the movement of goods. There is also a rail network connecting the two cities.
- International port terminals remain limited to Yangon (including two at Thilawa SEZ) but there are plans to develop deep-water ports at Kyauk Phyu SEZ and Dawei SEZ.
- There are three international airports, but only Yangon and Mandalay handle freight services. A new international airport is planned near Bago, 80 kilometres north of Yangon.

## 1.2 POPULATION

Myanmar's population as of 2019 is estimated to be 53 million with age groups below 24 years accounting for 45% of the population. As the commercial centre of Myanmar, Yangon accounts for the highest population density in the country and approximately 15% of Myanmar's population at 8 million people with approximately 700 people per square kilometre (sq km)<sup>1</sup>. 40% of the total population is living in the regions Yangon, Mandalay, and Ayeyarwady. 70% of the population is rural (world average: 44.73%). The average household size for rural and urban households is 4.3. Myanmar has an adult literacy rate of 93% as of 2013<sup>2</sup>, according to the UNESCO Institute for Statistics.

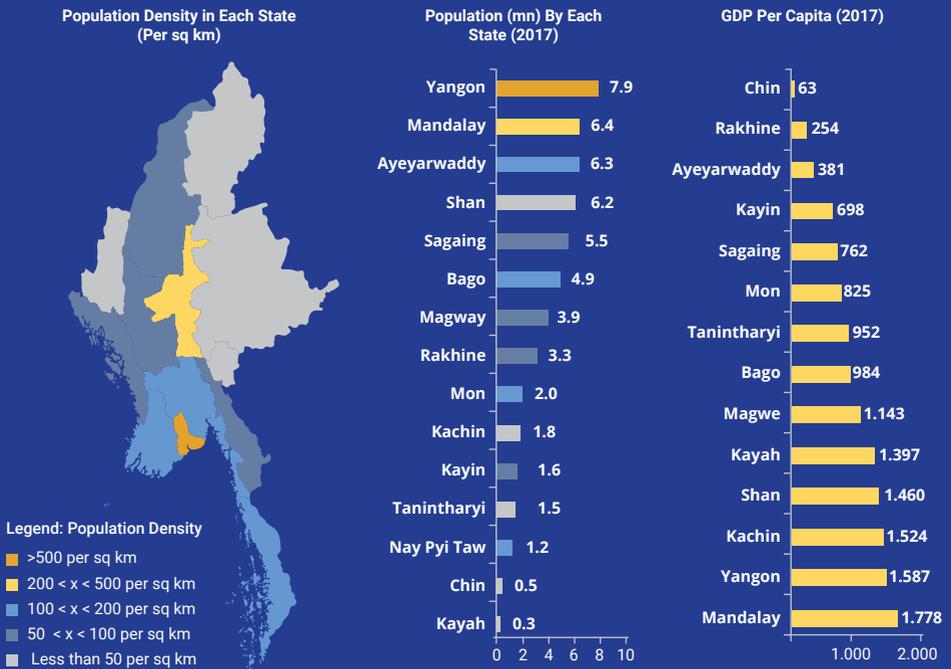


Figure 2: Myanmar's Total Population 2005–2024 (in million)



Source: IMF-World Economic Outlook Database, 2019

Figure 3: GDP and Demographic Trend by States And Regions



Source: Central Statistical Organisation, Myanmar Development Institute, 2019

## 1.3 ECONOMIC OVERVIEW

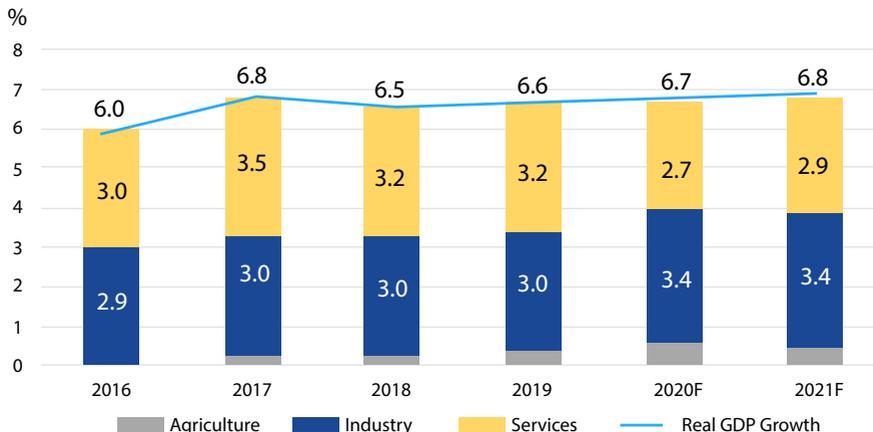
Myanmar's growth has been constrained by decades of political instability, unfavourable government decisions, and isolation from the international community. However, since the Government of Myanmar adopted a series of political, economic, and administrative reforms in 2011, the country's growth has expanded rapidly. Successive governments have pursued market liberalisation, opening up a range of sectors to private businesses and foreign investment. The easing of sanctions spurred a rush of interest in the country as one of the last Asian frontier markets. Myanmar has consistently been one of the fastest growing economies in the world over the last decade. According to the Ministry of Planning, Finance and Industry, the country's gross domestic product (GDP) expanded by 6.4% during the transition period<sup>iii</sup> and is expected to expand by 6.7% in the fiscal year 2020<sup>iv</sup>.

Table 2: Macroeconomic Benchmarking – ASEAN

	Population 2018 (mn)	Current GDP 2018 (USD bn)	GDP / Capita 2018 (USD)	GDP Growth (2018-2024)
 Indonesia	261.9	1,022.4	3,870.6	5.2%
 Philippines	106.6	330.8	3,103.6	6.6%
 Vietnam	94.6	241.2	2,551.1	6.6%
 Thailand	67.8	487.2	7,187.2	3.6%
 <b>Myanmar</b>	<b>52.8</b>	<b>68.6</b>	<b>1,297.7</b>	<b>6.8%</b>
 Malaysia	32.4	354.3	10,941.8	4.8%
 Cambodia	16.2	24.5	1,508.8	6.6%
 Laos	6.8	18.4	2,720.3	6.7%
 Singapore	5.6	361.1	64,041.4	2.6%

Source: IMF-World Economic Outlook Database, 2019

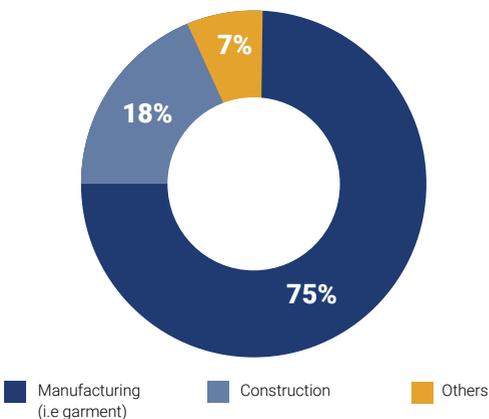
Figure 4: Real GDP Growth And Contribution to Real GDP



Source: Ministry of Planning, Finance and Industry, 2019; Asian Development Bank, 2019

The fiscal year 2018/19 marks a transition year, as the period of a fiscal year changes from 1 April until 31 March to starting on 1 October and ending on 30 September.

Figure 5: Industry Growth Contribution by Sector



Source: Asian Development Bank, 2019



The GDP growth is based on the industry and service sectors that grew by 10% and 8% respectively in 2019. Growth in the service sector benefitted from a recent opening of the wholesale and retail market to foreign firms. The industry sector is dominated by manufacturing, which accounts for 75% of the sector's output; especially low-tech labour-intensive manufacturing like garment. The second biggest industrial sector is construction with an output value of 18% of the total sector output. Agriculture experienced a slow growth of 1.2% due to limited external demand, mainly from China, and producers' dependence on volatile input costs such as fuel<sup>v</sup>.

Myanmar's currency is the Myanmar Kyat (MMK). As of writing of this guide, one Euro was worth MMK 1,707<sup>vi</sup>. The MMK has experienced significant depreciation and volatility, partly due to political instability and trade-deficit fear over defaulting loans. Inflation has remained high over the past several years, though declined from 7% in 2016-17 to 5.5% in 2017-18<sup>vii</sup>. In the short-term, inflation is likely to be driven by money-growth, and increases in food and fuel prices. The World Bank projects inflation to jump to 8.4% in 2018-19, and between 7% to 8.5% in 2019-20<sup>viii</sup>.

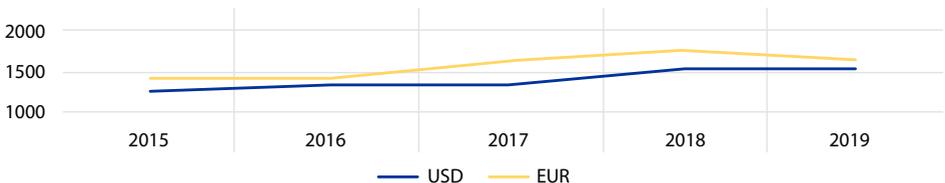
It is common to use US Dollars for business transactions and salary payments, or transactions involving larger amounts of money, e.g. to pay for half-year rents, to buy cars, or high-price consumer electronics.

Figure 6: MMK Inflation Rate



Source: International Monetary Fund, 2019

Figure 7: Currency Exchange Rate Development Between MMK and USD/EUR



Source: Central Bank of Myanmar, 2019

## 1.4 FOREIGN DIRECT INVESTMENT IN MYANMAR

A series of economic and political reforms were started by the quasi-civilian government since March 2011, attracting foreign investment into the market. There was a slight decrease in growth rate in 2015, which has since recovered and is expected to stabilise in the next five years.

With the further relaxation of regulations for foreign investment in Myanmar, a renewed sense of business optimism led to an influx of foreign firms and strong manufacturing-led economic growth, primarily driven by foreign direct investment. Myanmar, being one of the last accessible frontier markets in the world, is experiencing an accelerated pace of development, similar to economic transformations experienced by its Asian peers such as Thailand and Vietnam.

Foreign direct investment (FDI) is projected to increase as the Government drafts and enforces business-friendly measures. A new Myanmar Investment Law was enacted in January 2017. The law combines aspects of the previous Foreign Investment Law of 2012 and Myanmar Citizens Investment Law of 2013, and is aimed partly at providing more opportunities for foreign firms. Separately, a new Myanmar Companies Law was passed in 2017 and came into effect in August 2018, replacing in part the 1914 Myanmar Companies Act. The new law aims to strengthen the Myanmar economy by creating a set of clear, transparent, and consistent regulations with improved corporate governance and accountability.

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



# 2 EU-MYANMAR RELATIONS

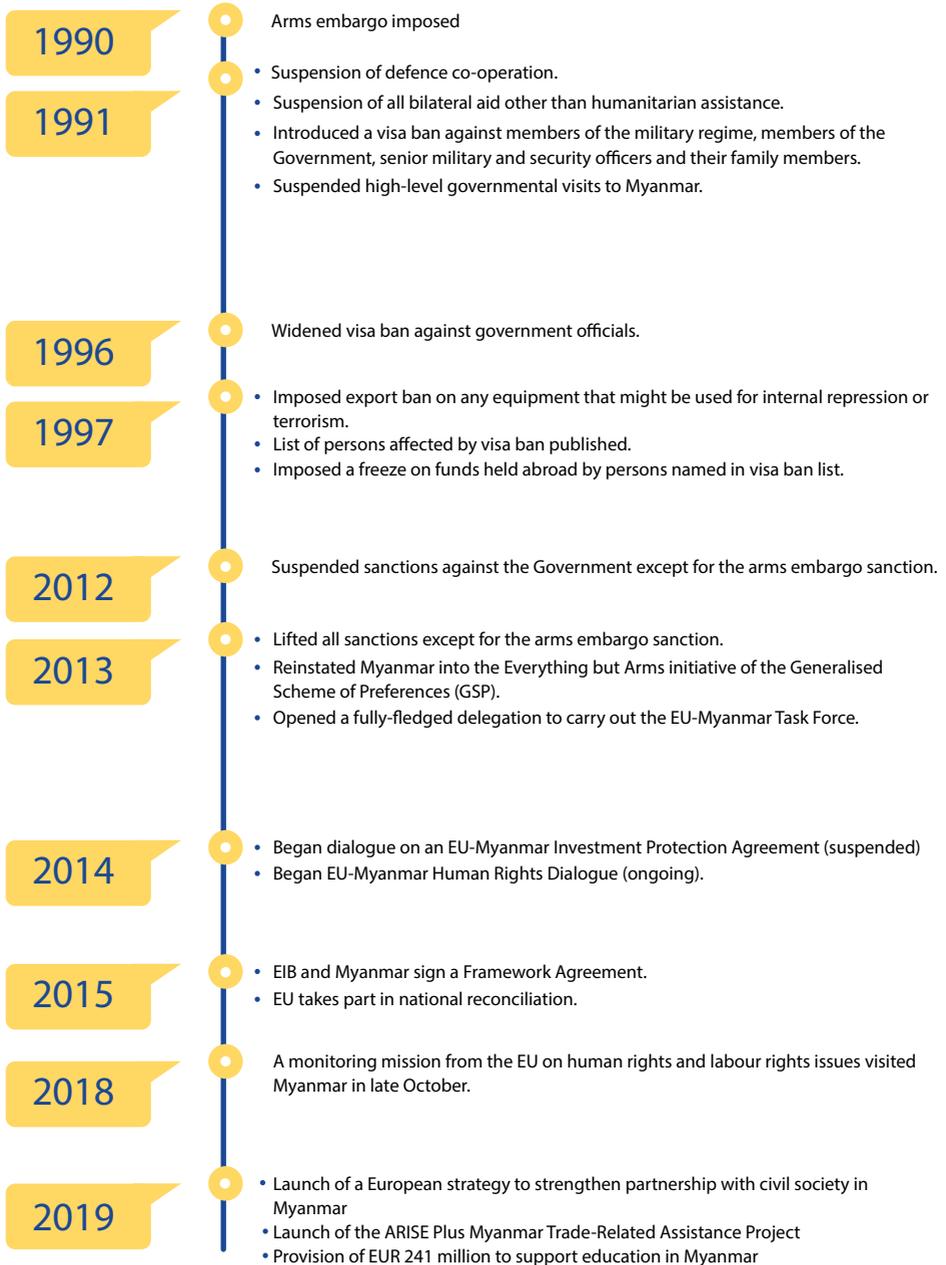
The European Union (EU) has been a key player in encouraging Myanmar towards turning the political system into a democracy. The EU enacted restrictive measures against Myanmar's military regime and only eased sanctions once the Myanmar Government commenced democratic reform processes.

The EU has since been committed to supporting Myanmar's sustainable development and economic reform and growth, including through increased trade with the EU, and European investment. Support has also been provided to Myanmar's peace process, political reforms and democratisation.

Underpinning the EU's engagement and support are international human rights standards. Concerning investment and trade, these include the 2011 United Nations Guiding Principles on Business and Human Rights, which define the responsibilities of business to respect human rights, as well as to provide remedy where violations occur as a result of their operations.



Table 3: EU-Myanmar relations timeline



## Arms embargo

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

## Suspension of defence co-operation, bilateral aid and visa ban

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

## Export ban and freeze on the funds of sanctioned persons

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

## Suspension and lift of sanctions

After the Government of Myanmar enacted various democratic and liberal reforms, the EU suspended most sanctions against Myanmar. However, the arms embargo remained in place. In recognition of further positive reforms, the EU lifted most financial and trade sanctions in 2013. The arms embargo is extended annually and presently remains in force until 30th of April 2020\*.

## Development support

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

- Reinstating Myanmar into the GSP (except for arms), allowing duty-free and quota-free access for the country's export products to European nations;
- Creating a fully-fledged delegation to resume bilateral relations with Myanmar;
- Implementing an EU-Myanmar task force to strengthen Myanmar's democratisation process;
- Deploying an election observation mission during general elections;
- Facilitating human-rights dialogues;
- Participating in ceasefire agreement talks with armed ethnic groups;

Priority areas for bilateral assistance include: rural development, education, peace-building, and governance strengthening.

## EU-Myanmar Investment Protection Agreement negotiations

The EU and Myanmar have been negotiating a bilateral investment protection agreement since 2013. The purpose of the agreement is to:

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

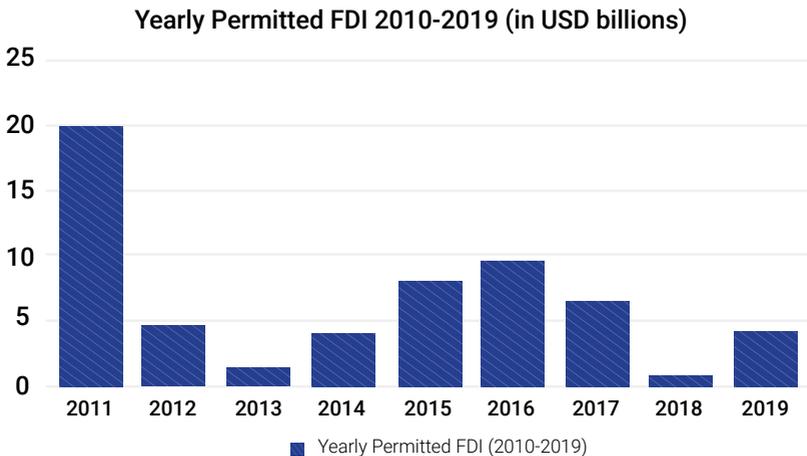
However, following ongoing unrest in Rakhine State since August 2017, the EU suspended investment protection agreement negotiations on 14 September 2017<sup>xii</sup>.

# 3 INVESTMENT OPPORTUNITIES

Key sectors for foreign investments include oil and gas, infrastructure, real estate and hotels and tourism. Approved foreign direct investment (FDI) skyrocketed from about USD 1.4 billion in 2012–13 to just under USD 5.8 billion in 2017–18<sup>xiii</sup>.

Foreign businesses and joint ventures are now allowed to carry out businesses in the retail and wholesale sector. The Ministry of Commerce Directive 25/2018 of 9th May 2018, authorised 100% foreign-owned companies as well as joint ventures between international and domestic investors to carry out retail and wholesale businesses. The directive contains a minimum capital requirement of USD 5 million for foreign-owned wholesalers and USD 3 million for foreign retailers, excluding the value of land rental. Joint venture wholesale traders – in which the local partner must have at least a 20% share – require a minimum of USD 2 million in capital, while joint venture retailers must have at least USD 700,000.

Figure 8: Yearly Permitted FDI Inflow (in USD billions)

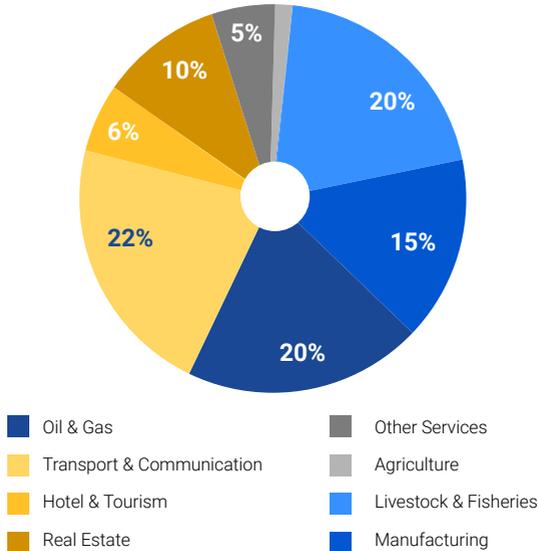


Source: Directorate of Investment and Company Administration, 2019

The following chart breaks down realised FDI by sector. The four largest sectors are oil & gas, power, manufacturing, and transport & communication, which account for 78% of the total FDI inflow. Several key communications and oil and gas projects contributed to the largest approval totals in 2015 and 2016. For the construction sector, no official data is available.

**Figure 9: Share of Permitted FDI by Sector**

**FDI by sector (2012-2019)**



Source: Directorate of Investment and Company Administration, 2019



# 4 FINANCIAL SECTOR

Myanmar's banking sector has lagged behind international standards, largely as a result of sanctions that prohibited international banks from engaging in Myanmar. Due to protracted economic sanctions, the Central Bank of Myanmar (CBM) and Myanmar's financial institutions were isolated from global financial markets. The Government and the CBM have recently taken large strides in developing and implementing reforms to improve financial services, such as by enacting the Financial Institutions Law 2016.

## 4.1 BANKING

Four new foreign bank branch licenses were issued in 2016, which means that a total of 13 foreign banks now have licenses to operate in the country. The license for a foreign bank is valid for five years and can be renewed after this period. In 2020, the CBM plans to award further banking licenses to foreign companies. The Central Bank works closely with the German consulting company Roland Berger to evaluate which banks will receive licenses in the third wave. It has not been decided yet how many licenses are to be issued<sup>xiv</sup>.

Since November 2018, foreign banks are also allowed to offer retail banking services and provide loans in the local currency<sup>xv</sup>. However, foreign banks are currently not allowed to set up subsidiary banks but can operate solely through bank branches. The CBM is planning to loosen this restriction in 2020 and allow foreign banks to have full operations. Opening the market is expected to strengthen the local banking sector, and make more funds available for businesses to invest and grow<sup>xvi</sup>.



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

**Table 4: Foreign Banks Granted Licenses to Operate in Myanmar**

No	Name of Bank	Country
1	The Bank of Tokyo-Mitsubishi UFJ, Ltd	Japan
2	Oversea Chinese Banking Corporation Ltd	China
3	Sumitomo Mitsui Banking Corporation	Japan
4	United Overseas Bank Ltd	Singapore
5	Bangkok Bank Public Company Ltd Industrial	Thailand
6	Commercial Bank of China	China
7	Malayan Banking Berhad (May Bank)	Malaysia
8	Mizuho Bank Ltd	Japan
9	Australia and New Zealand Banking Group Ltd	Australia
10	The Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV)	Vietnam
11	Shinhan Bank	South Korea
12	E. Sun Commercial Bank Limited	Taiwan
13	State Bank of India	India

Source: Central Bank of Myanmar, 2015

## 4.2 CAPITAL MARKETS

In 2015, a joint venture between the two Japanese organisations Daiwa Securities Group and Japan Exchange Group, and the state-owned Myanma Economic Bank opened the Yangon Stock Exchange (YSX). Currently there are five listed companies that have a combined market capitalisation of USD 440.76 million<sup>xvii</sup>. Trading frequency on the exchange is low due to a limited number of listed companies, as well as an underdeveloped service infrastructure around the local financial market. The Securities and Exchange Commission of Myanmar (SECM) decided in 2019 to let foreigners, that are resident in Myanmar, purchase stocks on the YSX, though listed companies can decide how many shares they are willing to sell to foreigners<sup>xviii</sup>.

**Table 5: Companies listed on the YSX**

Company Name	Industry	Listed Date
First Myanmar Investment Public Co., Ltd. (FMI)	Investment Holding	25 <sup>th</sup> Mar 2016
Myanmar Thilawa SEZ Holdings Public Co. Ltd. (MTSH)	Real Estate Development	20 <sup>th</sup> May 2016
Myanmar Citizens Bank Ltd. (MCB)	Banking	26 <sup>th</sup> Aug 2016
First Private Bank Ltd. (FPB)	Banking	20 <sup>th</sup> Jan 2017
TMH Telecom Public Co., Ltd. (TMH)	Telecom	26 <sup>th</sup> Jan 2018

Source: Yangon Stock Exchange, 2019

Myanmar Agro Exchange Public Ltd. (MAEX) is likely to be the next company listed on the YSX in 2020, as the company has prepared all requirements of a listing. There are 17 requirements that make a company eligible for an IPO, which include a minimum of MMK 500 million in paid-up capital, at least two years of profits before the application, using Myanmar Accounting Standards and Myanmar Standards on Auditing for book-keeping of accounts, as well as the implementation of several corporate governance policies<sup>xix</sup>.

**Table 6: Procedure for Listing on the YSX**

Step	Estimated processing time
1) Preliminary preparation	n/a
2) Full-scale preparation	6 months
3) Final preparation	4 months
4) Listing examination	Min. 7 weeks
5) Offering shares	8 weeks
6) Dematerialisation of issued shares	8 weeks
7) Listing on YSX	n/a

Source: Yangon Stock Exchange, 2019

Besides the Yangon Stock Exchange, the Securities and Exchange Commission of Myanmar plans to establish a market for trading shares of public companies that are not listed on the YSX. A company can opt for a status as a public company at own inception and without regulation, in order to sell and buy shares of their business 'under the counter'. Currently there are 251 public companies registered in Myanmar<sup>xx</sup>.



## 4.3 FOREIGN EXCHANGE AND EXCHANGE CONTROL

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The Foreign Exchange Management Law (FEML) 2012 and the Foreign Exchange Management Regulations 2014 regulate foreign exchange activities.

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

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

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

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

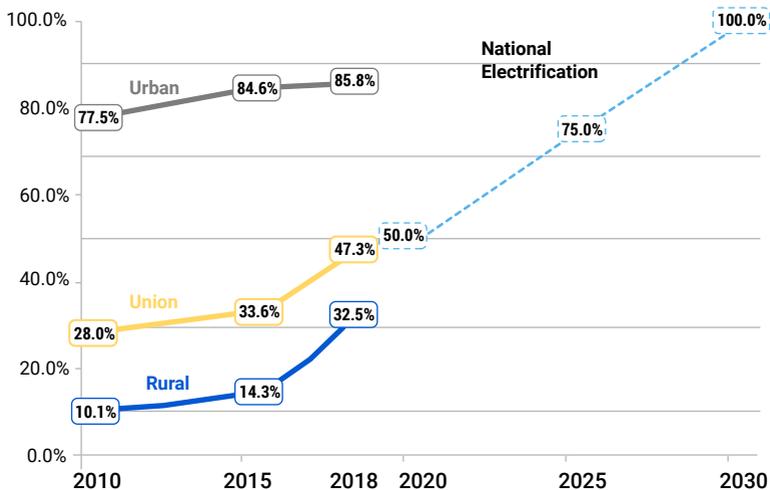
There are a few options to transfer funds in and out of the country.

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

# 5 ENERGY

While Myanmar has succeeded in attracting significant foreign investment leading to rapid industrialisation, it has received limited private investment in energy infrastructure to keep up with rising demand. Consequently, meeting the country's power demand remains a substantial challenge for supporting the country's growth momentum. Current electrification rates are estimated at approximately 47% with the urban electrification rate of 86% being significantly higher than of the rural electrification rate of 33%. This implies that approximately 60% of the population is not connected to the national grid and is relying on alternative solutions such as diesel generators and, increasingly, solar systems.

Figure 10: Electrification Rate in Myanmar



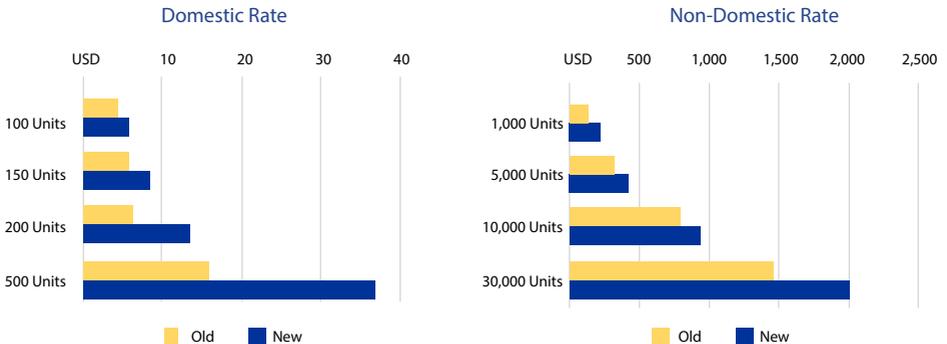
Traditionally, about half of the energy used in Myanmar comes from biomass - typically, firewood widely used for cooking in rural areas. The main forms of modern energy for generating electricity in the country are hydropower and natural gas, while diesel and gasoline are primarily used for transportation. In some cases, diesel generators are also used in mini-grids to produce electricity. Hydro power contributes to the largest share of electricity generation accounting for 55%, followed by natural gas at 42% and coal at 2%, while generation from diesel used in mini-grids is negligible.

Table 7: Sources of Electricity Generation (in megawatt)

		 Hydro	 Gas	 Coal	 Diesel	Total
INSTALLED CAPACITY (MW)	On Grid	3,221	2,163	120	n/a	5,504
	Off Grid	34	12	n/a	92	138
	Total	3,255	2,175	120	92	5,642
GENERATION (GWh)		11,190	8,344	451	69	20,055

In July 2019 the Government decided to increase electricity rates by up to 70%. Myanmar's electricity rates were the lowest in the ASEAN region and the Government reported a yearly loss of more than USD 300 million on energy provision. The rate increase aims to provide financial sustainability to the government, and to attract private investors for mega projects to realise the goals of the Myanmar Energy Master Plan<sup>xxi</sup>.

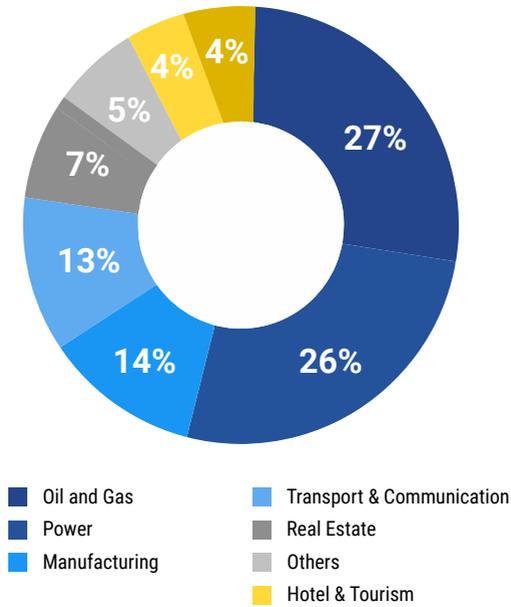
Figure 11: Electricity Rate Before And After the Increase in July 2019



Source: Ministry of Electricity and Energy, 2019

Although the power sector in Myanmar has traditionally been dominated by state-owned enterprises, several foreign investors have formed joint ventures (JVs) with the Government, and Power Purchase Agreements have been signed. Approved investment in oil & gas and power accounts for the highest amongst all sectors at 27% and 26% respectively. As of September 2019, the oil & gas sector accounted for a cumulative approved FDI of USD 22.4 billion between 1988 and 2019. This is closely followed by the power sector with approved FDI of USD 21.4 billion as of September 2019.

Figure 12: Approved FDI into Myanmar (cumulative from 1988 until Sept 2019)



**More information on Myanmar's energy sector can be found in the dedicated Energy Guide 2020 on [www.eurocham-myanmar.org/publications](http://www.eurocham-myanmar.org/publications).**



# 6 MANUFACTURING

With a grow rate of 8%, the manufacturing sector outgrows Myanmar's economy and accounts for more than 20% of the local GDP<sup>xxii</sup>. The consumer goods sector is one of Myanmar's fastest-growing business areas, due to the country's strong economy, increasing purchasing power, and relatively young population compared with neighbouring China, Thailand, India, Laos, and Bangladesh. Myanmar's proximity to these countries places it within reach of almost 40% of the world's population, underlining its potential to become a regional trading hub<sup>xxiii</sup>.

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

In an effort to advance industrialisation, the Government has created laws and regulations to encourage business investment for both local and foreign investors. Special Economic Zones (SEZs) in particular offer lucrative incentives for manufacturing businesses to operate in these areas. Myanmar also aims to become a logistics hub connecting the east and the west through the development of deep-sea ports at all SEZ sites.

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

Assembling cars in Myanmar becomes increasingly important, since the Government has high import tariffs to stimulate local manufacturing. Ford, Suzuki, Nissan, Hyundai and Kia already have assembly lines in Myanmar, while Toyota is planning to open an assembly line in 2021<sup>xxiv</sup>. It is expected that car part supplier companies will follow their customers to Myanmar, and start operations in local SEZs. The foreign interest in Myanmar's manufacturing sector is readily apparent in data on the number of approved Foreign Direct Investments by the Myanmar Investment Commission. A total of 63.8% of all approved FDI (by number of investments, not value) were in manufacturing, most of them in apparel.

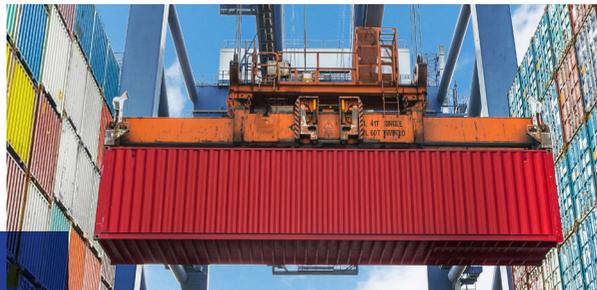
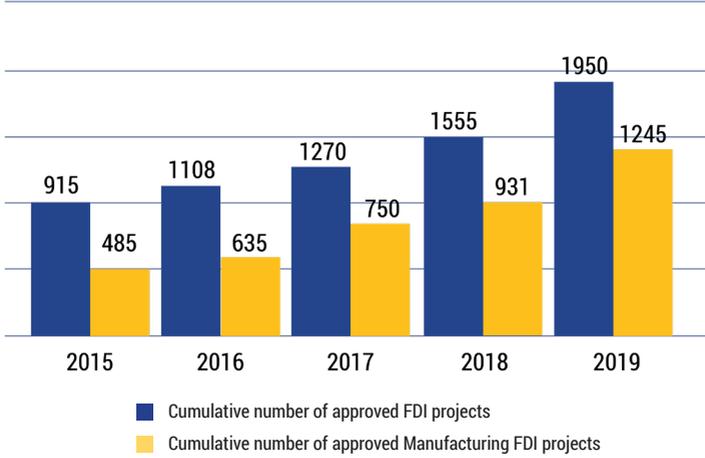


Figure 13: Number of Manufacturing FDI Approvals



More information on Myanmar's manufacturing and consumer goods sector can be found in the dedicated Manufacturing Guide 2020 and Consumer Goods Guide 2020 on [www.eurocham-myanmar.org/publications](http://www.eurocham-myanmar.org/publications).



# 7 TRANSPORT & COMMUNICATION

## 7.1 LOGISTICS INFRASTRUCTURE

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

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

Myanmar's biggest airport is the Yangon International Airport (RGN) which has recently been expanded to serve over 10 million passengers per year. Projections indicate that the airport's full capacity will be reached within 4 to 5 years. Therefore, since 2012, the Ministry of Transport and Communications (MOTC) plans to open a new international airport called Hanthawaddy International Airport in Bago, 80 km from Yangon. However, the Government hasn't yet been able to find final agreements with private companies. Initially the project was assigned to a South Korean consortium, which failed to provide the required investment. Following that, in 2014, a consortium including Singapore's Yongnam and Changi Airports International and JGC (Japan) has been selected as the preferred bidder for the project, but both parties couldn't agree on the terms<sup>xxvii</sup>. The Government

now is in advanced negotiations with a Japanese consortium and plans to sign a contract in early 2020. There are two more international airports in the capital Nay Pyi Taw (NYT) and Mandalay (MDL).

Some foreign companies such as China Road and Bridge have become more active in road construction, while ports have attracted the likes of Hutchinson Ports, which runs Myanmar International Terminals Thilawa. In June of 2019, Japanese company Kamigumi Co Ltd. opened the Thilawa Multipurpose International Terminal.

One of the most anticipated projects is for the Yangon elevated expressway, which is to be the country's first modern public-private-partnership road project. The Ministry of Construction plans to start phase one of the construction in June 2020. It is expected to be fully completed by 2023.

In September 2019, the Ministry for Investment and Foreign Economic Relations signed a framework agreement for a USD 1 billion loan from South Korea for economic development cooperation. From this loan, the Ministry of Transport and Communications will receive USD 45 million for a railway modernisation project, and USD 700 million for the rail line project connecting Mandalay with Myitkyina<sup>xxviii</sup>.

Other infrastructure project that will start construction soon, are:

- A deep-sea port whose final location will be announced in 2020
- Inland ports in Bahmo, Mandalay, Pakkoku, Magaway, and Monywa<sup>xxix</sup>

## 7.2 TELECOMMUNICATION

The telecommunication sector has probably the highest opportunity for strong growth in the future. While 114% of the population (60.4 million) have a mobile subscription, only 39% (15 million) use the internet. This number also represents social media users in Myanmar, as well as mobile users. The country is therefore a truly mobile-first market, leapfrogging from a phone penetration of only 7% in 2012<sup>xxx,xxxi</sup>.



**Table 8: Overview of Mobile Usage and Growth**

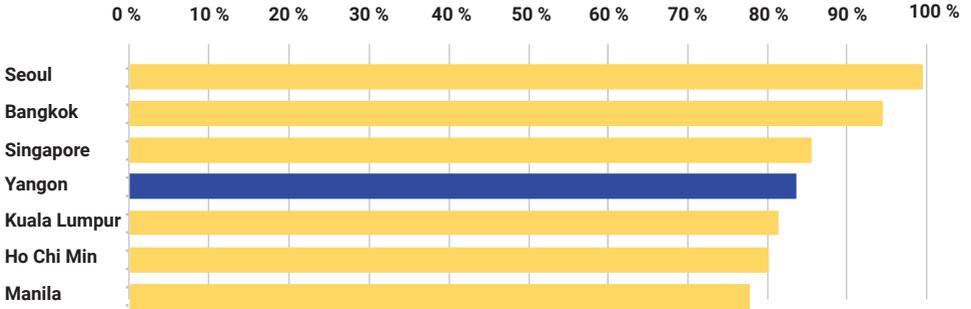
	Percentage of population	Total number	Year-on-year growth 2018 to 2019
Mobile Subscriptions	114%	60.4 million	+19% (+11 million)
Internet Users	39%	15 million	+17% (+3 million)
Active Social Media Users	39%	15 million	+17% (+3 million)
Mobile Social Media Users	39%	15 million	+31% (+5 million)

Source: Hootsuite, 2019

The local telecommunication market, though growing by 15%, is highly competitive. There are over 140 licensed internet providers trying to secure market share, and therefore driving profit margins down. Amongst them are three foreign providers, namely Telenor Myanmar from Norway and Ooredoo from Qatar, both entering the market in 2014. Most recently in 2018, Vietnam's MyTel – a joint venture between the Vietnamese Viettel and the Myanma Economic Corporation – became the third (partly) foreign operator. These three operators invested a combined amount of USD 3 billion in infrastructure projects. Together with Myanma Posts and Telecommunications (MPT) they form the market leaders for consumer telecommunication services, in particular mobile roaming services. MPT used to be the state-owned monopolist before the market was opened in 2013. Today, MPT is a joint venture which is comprised of the Japanese corporations KDDK Corp. and Sumitodo Corp., and the Government of Myanmar<sup>xxxii</sup>.

Yangon's 4G coverage is with 80% just behind Bangkok, Singapore, and Jakarta and ahead of capitals from comparable economies like Malaysia, Vietnam, or the Philippines<sup>xxxiii</sup>.

Figure 14: 4G Penetration in Asian Capital Cities



Source: OpenSignal, 2018

MyTel tested 5G technology in July 2019 and estimates to roll-out the 5G network together with Huawei in 2020. Prerequisite to offer 5G services is a granted spectrum license by the Posts and Telecommunications Department<sup>xxxiv</sup>.



# 8 REAL ESTATE

Rapid urbanisation and increasing affluence of potential buyers is creating opportunities across the spectrum of real estate businesses. A wide range of developers have sought opportunities from luxury condominiums to affordable housing, as well as commercial and industrial projects. A recent building boom created opportunities in areas such as building materials and contracting.

The market is now absorbing the high supply of real estate and prices are not growing as fast as in other Asian markets. A growing banking sector is expected to stimulate the purchase of real estate by Myanmar's middle class which finances these with loans<sup>xxxv</sup>.

The Ministry of Construction has introduced the Condominium Law 2016 and Condominium Rules 2017, and introduced a management committee in January 2019 to enforce it. In April 2019 the management committee issued 32 condominium licenses for real estate developers, of which all were issued for Yangon. Other regions of Myanmar have not yet received licenses<sup>xxxvi</sup>. Under the Condominium Law 2016 it is possible for foreigners to own up to 40% of the project, whereas an individual foreigner can only own 25% of the units<sup>xxxvii</sup>. Besides a purchasing right, foreign companies also have the right to build projects, or form joint ventures with local companies. The land title ownership for foreigners are limited to the duration of the building's life<sup>xxxviii</sup>.



Portions of several major projects have recently been completed:

- Shwe Taung Group's Junction City project in downtown Yangon opened in 2017, including a retail, office and hotel component<sup>xxxix</sup>
- High-end residential project Golden City finished construction in 2017
- Downtown office building and shopping mall Sule Square was completed in late 2016<sup>xl</sup>

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

- Yoma Strategic Holding's landmark downtown property development called "Yoma Central" in downtown Yangon and luxurious apartments compound "The Peninsula Yangon"<sup>xli</sup>.
- The residential area of Marga Landmark's luxury compound "The Central" was completed in September 2019, with commercial areas to be completed next<sup>xlii</sup>.

Another recent trend has been toward the so-called "New Cities", essentially planned city expansions. The most prominent is in Yangon, with the Yangon New City to be built to the southwest of the current city core. A key part of the New City is providing jobs, meaning there will likely be a large industrial component as well. Yangon is not the only city with a "New City" planned, with others including Mandalay planning similar but smaller projects.

# 9 SPECIAL ECONOMIC ZONES

Special Economic Zones (SEZs) were established to encourage industrialisation, increase trade and investment, and to create job opportunities for locals. Taxation policy and trade laws are different in SEZs. Laws that regulate economic activity in the rest of the country do not apply in these areas, such as the Myanmar Investment Law.

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

## Thilawa SEZ<sup>xliii</sup>

- 250 square kilometre project developed by a Myanmar-Japan consortium (comprised of Japanese entities Mitsubishi, Maubeni, Sumitomo, Japan International Cooperation Agency (JICA) together owning 49% and the Myanmar government and private sector owning 51%).
- Near port area, includes industrial and estate area zones.
- Located 23 km southeast of Yangon city centre along the Yangon river.
- Zone A (4.05 million square metres) is fully developed and hosts 113 companies.
- Zone B (2.73 million square metres) recently started construction phase 4.

## Kyauk Phyu SEZ<sup>xliiv</sup>

- 120 square kilometre project to be developed by a consortium led by CITIC Group Corporation Ltd., a state-owned Chinese conglomerate taking a 70% stake, and the Myanmar Government owning 30%.
- Deep-sea port, industrial and estate area zones.
- Located along the coast line of Bay of Bengal, close to both Bangladesh and India.
- Strategically located near USD 2.5 billion Myanmar-China Oil and Gas Pipeline.
- Implementation scheduled in four phases, with approximately USD 7.2 billion in total project cost.

## Dawei SEZ<sup>xliiv</sup>

- 196 square kilometre project developed initially by Myanmar and Thailand, with notable involvement from Italian Thai-Development company (ITD); Japanese government has expressed interest.
- Planned to include deep-sea port, industrial zone, power plants and residential area, though will start with a smaller first phase.
- Located at the southern tip of the country touching the Andaman Sea.
- 350 km from Bangkok. The SEZ will include a two-lane road that directly connects the SEZ to Thailand.
- Ground construction work is expected to begin in 2020.

## 9.1 RULES FOR INVESTING IN SEZ

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

### Privileges of SEZ:

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

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

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

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

## 9.2 TYPES OF BUSINESSES PROHIBITED TO OPERATE IN SEZ

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

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



# 10 OWNERSHIP OF BUSINESSES

## 10.1 MYANMAR INVESTMENT LAW

The Myanmar Investment Law (MIL) was signed on 18 October 2016 and has been in effect since 1 January 2017. The MIL combines the Foreign Investment Law (FIL) 2012 and the Citizens Investment Law 2013. The new investment law was created to attract and retain both foreign and local investors by simplifying the application process and offering tax breaks, incentives, rights and protections for businesses.

**Table 9: Myanmar Investment Law - Key Regulatory Amendments**

Key Change	Description
Ease of Foreign Investment	Foreign investors are permitted to own 100% of businesses which are not on restricted or prohibited lists.
Investment Screening	An investor may submit an investment screening application to the Myanmar Investment Commission (MIC) for non-binding guidance on whether a proposed investment: <ul style="list-style-type: none"> <li>• Requires an MIC Permit application;</li> <li>• Requires Pyidaungsu Hluttaw (Union Parliament) approval prior to a permit issuance;</li> <li>• Is prohibited or restricted under the MIL and related notifications;</li> <li>• Is in a Promoted Sector under the MIL and related notifications.</li> </ul>
Devolution of Authority for Endorsement Application	Applications for investment volumes of less than USD 5 million in non-strategic and non-restricted sectors will be handled at the state/regional level, with close involvement of the state/regional DICA officials.
Removal of Blanket Incentives	Businesses may be granted tax exemptions if investments are in promoted sectors. The duration of tax exemption is contingent upon the areas in which business set up operations. <ul style="list-style-type: none"> <li>• Less developed regions (Zone 1) grant 7 years of tax exemption;</li> <li>• Moderately developed regions (Zone 2) grant 5 years of tax exemption;</li> <li>• Adequately developed regions (Zone 3) grant 3 years of tax exemption.</li> </ul>

Key Change	Description
Long-term Land	Foreign investors that invest under the Myanmar Investment Law scheme can lease land from the government for 50 years and then extend it for another 20 years with two 10-year extensions.
Compensation for Expropriation	Expropriation of investments is allowed under the following conditions: (a) necessary for the public interest; (b) carried out in a non-discriminatory manner; (c) carried out in accordance with due process of law; (d) on payment of prompt, fair and adequate compensation.
Grievance Mechanism	MIC will establish and manage a grievance mechanism to inquire and resolve issues before escalation to legal disputes, and to prevent the occurrence of disputes.

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

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

## 10.2 MYANMAR INVESTMENT COMMISSION

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

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

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

On 30 March 2017, the Ministry of Planning, Finance and Industry published Notification No. 35/2017, the final version of the Myanmar Investment Rules (MIR) issued under MIL2016. The MIR and other Notifications issued thereafter provide clarifications and information pursuant to MIL2016. They include:

- No. 10/2017 on the designation of development zone.
- No. 11/2017 on the investment capital amount limit for the issuance of endorsement order.
- No. 13/2017 on the classification of promoted sectors.
- No. 15/2017 on the list of restricted investment activities.

## 10.3 LIST OF BUSINESS ACTIVITIES NOT ALLOWED TO BE CARRIED OUT BY FOREIGN INVESTORS

**Table 10: List of Business Activities Not Allowed to be Carried Out by Foreign Investors**

No.	Types of Investment	Industrial Code
1	Publishing and distribution of periodicals in ethnic languages including Myanmar	ISIC 5813, CPC 3241, 8911, 8912
2	Fresh water fisheries and relevant services	ISIC 0312, CPC 0421, 8615
3	Establishment of quarantine station for exportation and importation of animals (the Livestock Breeding and Veterinary Department shall undertake to inspect animals and to issue permits)	CPC 8352, 8359, 8612,
4	Pets care service	CPC 8351, 86129
5	Manufacturing of forest products from forest area and government administered natural forest	ISIC 0220, 0230
6	Prospecting, exploration, feasibility study and production mineral for small and medium scale businesses in accordance with the Mines Law	ISIC 0510, 0520, 0710, 0721, 0729, 0990

No.	Types of Investment	Industrial Code
7	Refinement of minerals by medium scale and small scale	ISIC 2410
8	Performing shallow oil wells up	ISIC 0610
9	Printing and issuing sticker for visa and stay permit for foreigners	ISIC 5819, CPC 89122,91210
10	Prospecting, exploration and production of jade/gem stones	ISIC 0990, 3211
11	Tour-guide service	CPC 8555
12	Mini-market, convenience store (Floor area must be below (100 ft.x100 ft.) 10,000 square feet or 929 square meters)	CPC 62

Source: Directorate of Investment and Company Administration, 2017

## 10.4 MYANMAR COMPANIES LAW

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

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

Importantly, foreign investors will be able to hold up to 35% of ownership interest in a Myanmar company; if foreign stakes constitute more than 35%, the company is considered a foreign company. This will enable foreign investors to invest in companies in sectors that are currently closed to foreign investors, as well as invest in companies listed on the Yangon Stock Exchange.



# 11 MAIN REGULATIONS APPLYING TO ALL BUSINESSES

## 11.1 INTELLECTUAL PROPERTY LAWS

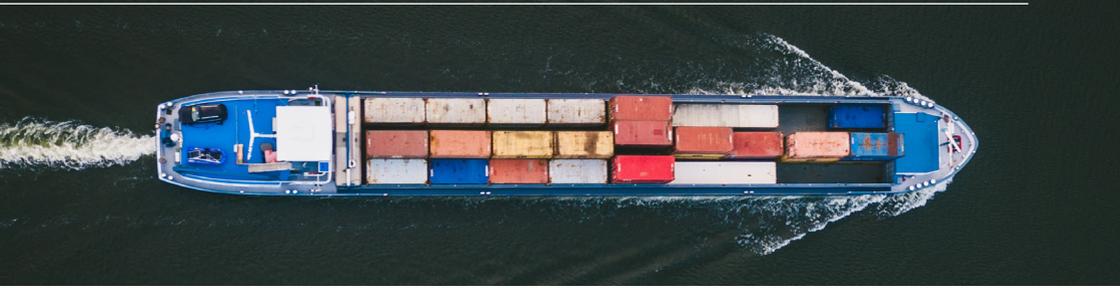
In 2019, Myanmar has enacted the Trademark Law, the Industrial Design Law, the Patent Law, and the Copyright Law. Under the new Trademark Law, companies have to register their trademarks on a first-to-register basis, in English or Myanmar language, but translation have to be provided upon request. Registered trademarks are valid for ten years which can be renewed in perpetuity.

Registered industrial designs are protected through the Industrial Design Law for 5 years, starting from the day of application. The protection can be renewed twice for 5 years. The registration is on a first-to-register basis. The law is designed in a way that individual employees can register the rights of designs produced during their tenure, if the employer does not register the design within six months from the date of the written notification from the employee.

Inventions are protected by the Patent Law if they are novel, involve an inventive step, and are industrially applicable. Patents are granted for 20 years from the filing date. Paddy patents are protected for 10 years. Patent applications are published after 18 months from the date of submission. Substantive examination must be requested within 36 months.

In accordance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), which Myanmar signed with the WTO, the Patent Law contains special provisions of exemptions for patents of pharmaceutical inventions until January 1 2033, and chemical products used in agriculture, microbiological and food products until July 1 2021, unless otherwise specified by the Government of Myanmar<sup>xvii</sup>.





## 11.2 LABOUR-RELATED RULES AND REGULATIONS

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

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

### **Employment Contract**

The Notification 140/2017 of the Employment Skill Development Law from the Ministry of Labour, Immigration, and Population states that an employment contract must be signed within 30 days of employment. The employment contract must offer minimum levels of protection as stated by the law. Employment agreements for the appointment of staff must be in accordance with local laws regarding minimum wages, leaves and holiday entitlements, overtime fees, damages, workers' compensation, social welfare packages, 36 insurance and occupational terms and conditions as contained in the employment agreement. Provisions which do not meet these minimum requirements are considered void.

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

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

## Minimum wages and working hours

In April 2018 the minimum wage was increased to MMK 4,800 (~USD 3.20) per day<sup>xlvii</sup>. Previously, under announcement 2/2015, the minimum wage per hour is MMK 450, and the minimum wage for an 8-hour working per day is MMK 3,600 per person (although this did not apply to small companies with less than 15 employees).

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

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

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## Leave

According to the Leave and Holidays Act 1951, employees are entitled to six days of casual leave, 10 days of annual leave (after their first 12 continuous months of work), 30 days of medical leave (after six months of work), and an average of 21 public holidays per year with pay. Both casual leave and medical leave are granted as needed. Employers may require employees to present a medical certificate for medical leave. The number of official public holidays might vary from year to year.

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## Social security

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

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## Occupational Safety and Health (OSH)

Myanmar has a poor safety culture, and investors will need to train employees and establish effective monitoring and enforcement to ensure OSH practices meet international standards. An OSH Law covering all sectors is enacted since March 2019, however the detailed rules and regulations are yet to be drafted by the Ministry and relevant departments.

# 11.3 TAXATION

## 11.3.1 CORPORATE TAXATION

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

**Table 11: Corporate Tax by Type of Company**

Type of Company	Tax Rate
Resident company	25%
Companies under MIL	25%
Foreign companies under special permission in state-sponsored projects, enterprise, etc.	25%
Non-resident companies	25%
Capital gains for resident companies	10%
Capital gains for non-resident companies	10%

The parliament passes an annual Union Taxation Law. The latest, for 2019, became effective on 1 October 2019. The Government significantly lowered the income tax on unassessed income to encourage the integration of unreported or illegal income into the legal economy. In order to provide a degree of tax amnesty, tax rates are as low as 3% for unassessed income up to K100 million, 5% between K100 million and K300 million, 10% for income between K300 million and K3 billion, and 30% for undisclosed income of more than K3 billion. Previous income tax for this category ranged between 15% and 30%<sup>xlviii</sup>.

The regular income tax rate for corporations is 25%, while companies listed on the Yangon Stock Exchange pay 20% on total net taxable income. Companies located in SEZs or operating in specific sectors might enjoy tax exemptions or preferable tax rates<sup>xlix</sup>.

**Table 12: Personal Income Tax**

## 11.3.2 PERSONAL INCOME TAX

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

From (MMK)	To (MMK)	Income Tax Rate
1	2,000,00	0%
2,000,001	5,000,000	5%
5,000,001	10,000,000	10%
10,000,001	20,000,000	15%
20,000,001	30,000,000	20%
30,000,001 and above	-	25%

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

**Table 13: Withholding Tax and Its Applications**

Type of payment	Rate if paid to a resident	Rate if paid to a non-resident
Dividends	n/a	n/a
Interest	n/a	15%
Royalties	10%	15%
Payment by state organisations, state enterprises, development committees, cooperative societies, foreign companies, foreign enterprises and organisations, local companies and under an existing law for purchase of goods, work performed or supply of services and hiring within the country under a tender, contract, quotation or other modes.	2%	2.5%

## 11.4 ENVIRONMENTAL LAWS AND REGULATIONS

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

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

the project or any activities related thereto”. The procedure also requires cumulative impacts to be addressed.

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



As of 2018, there were significant delays in EIA approvals by ECD and only few ECCs had been issued. Furthermore, the quality of many submitted EIAs meets neither Myanmar nor international standards. Investors should exercise care with the choice of consultants, particularly those offering bargain fees, familiarise themselves with the legal requirements, and monitor consultant performance closely.

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

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

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

## Land laws

Land has constantly been identified by responsible investors as their biggest human rights risk, and one which reduces their willingness to invest in Myanmar due to uncertainty around land ownership and unquantified liabilities due to land acquisition legacies. Overall, the legal and policy framework regarding land remains fragmented, internally inconsistent, and incomplete. Three central pieces of legislation governing land of particular concern to investors with a significant land footprint or in rural areas are the 2012 Vacant, Fallow and Virgin Land Management Law, amended in 2018; and the 2012 Farmland Law, and, the 1894 Land Acquisition Act. The latter two are also under amendment in the Parliament and all three are controversial with land users.

A central issue remains widespread insecurity of tenure, partly due to the inefficient and complex land registration system. This is further complicated by the fact that the land mapping system is out of date, meaning that land classifications and mappings

used by different ministries may overlap, conflict, and not represent current land use patterns. Land tenure remains insecure for most smallholder farmers because of:

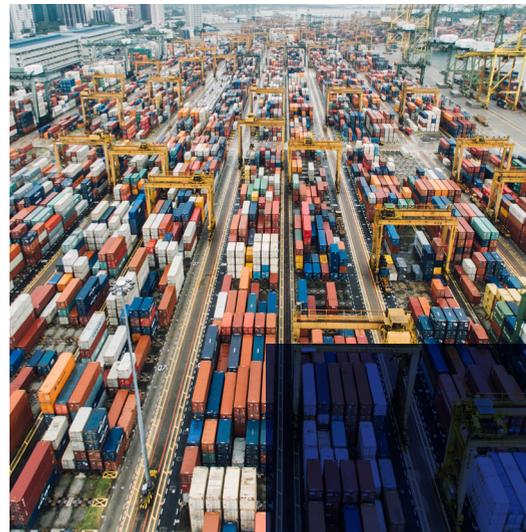
- 1) A complex and long registration process resulting in low land registration rates;
- 2) Egid land classifications that do not reflect the reality of existing land use;
- 3) Lack of recognition of customary land use rights;
- 4) Leak protection of registered land use rights;
- 5) Inefficient land administration;
- 6) Active promotion of large-scale land allocations without adequate safeguards.

Further guidance for businesses on this issue is included in briefing papers from Myanmar Centre for Responsible Business.

## Other regulatory requirements concerning responsible investment

The 2016 Myanmar Investment Law and the 2017 Myanmar Investment Rules include a requirement (Rule 45) for MIC to publish a Proposal Summary within 10 days of receiving the Proposal and before it is considered by MIC.

There is also a requirement for investors (Rules 196/199) for holders of an MIC Permit to publish an annual report including details of how it has invested responsibly and sustainably. Other regulations which relate to responsible investment including law on Protection of the Rights of Ethnic Nationalities, Conservation of Biodiversity and Protected Areas, and Cultural Heritage.



# 12 OUTLOOK AND CHALLENGES

Since Myanmar underwent significant economic, social and political reforms in 2011, investment conditions for businesses have become increasingly favourable, thereby attracting increased private investment initiatives that have contributed to the country's significant growth. Most projections show Myanmar's GDP expanding by about 7% per year over the medium-term. However, this depends on sustained private and public sector investment in infrastructure, in addition to progress and implementation of necessary structural reforms and the development of needed services.

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

## 12.1 OUTLOOK

### **Infrastructure improvements gradually taking place**

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

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



### **Liberalisation of previously closed sectors**

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

The liberalisation of the insurance industry, more opportunities for foreigners to participate in the local stock exchange, and newly enacted protection laws are promising policy changes in the favour of foreign investors to participate in projects and see tangible financial returns.

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### **Mass market and strategic location**

With a population of 53 million people, Myanmar has a strong potential workforce to aid in developing fruitful investment opportunities. As a result of its strategic location as a member of ASEAN and neighbour to China and India, Myanmar is a regional gateway to international markets and could serve as a regional logistics hub. Deep-sea ports, investments in over-land infrastructure and new airports will increase Myanmar's integration into regional and international trade activities.

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### **Low labour and production costs**

With a prescribed minimum wage of MMK 4,800 (approximately USD 3) per day, Myanmar offers investors a large pool of labour at relatively low cost. For this reason, many multinational companies (MNCs) have established their manufacturing footprints in the country, either in local market distribution or foreign market exports.

Furthermore, albeit a significant increase in electricity prices, Myanmar remains a country with rather low electricity costs in the ASEAN region and worldwide. The close vicinity to other assembly and raw material hubs like China, Thailand, or Vietnam, inherit logistical cost advantages for manufacturers' value-chains.

## 12.2 CHALLENGES

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### Infrastructure needs

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

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### Talent shortage

Despite a large working-age population, skilled labour is in short supply. The Myanmar Government defined the education sector as a main priority to improve. It will take some time, however, until businesses can experience an increase in educational standards and a larger pool of skilled labour. Until then, companies themselves have to provide training and develop talent inhouse in order to get a skilled work-force.

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### Legislation still in progress

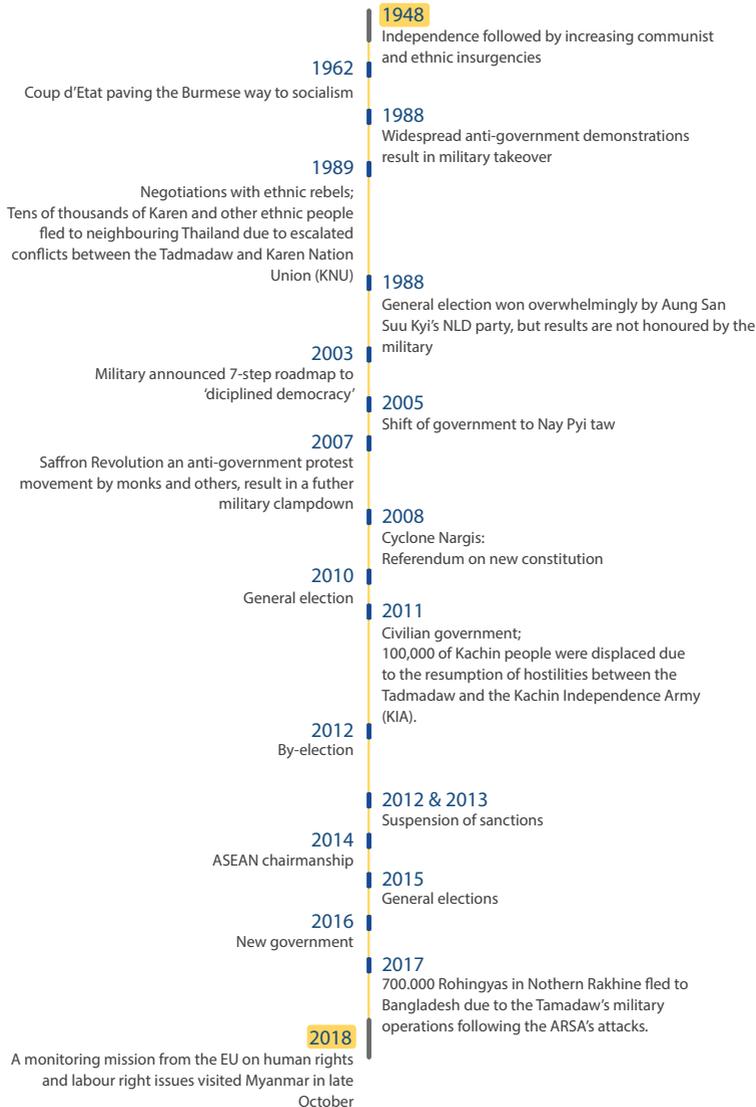
Laws that regulate business operations in the country are not fully functional yet: many laws are outdated and some important laws are not yet based on subsequent regulations and detailed rules. The country will have general elections in November 2020 and it is not foreseeable which party will be voted into power for the next five years. Depending on the winning party, it is not fully clear if the current legislative progress will be maintained, or if the country will experience a political change.



# 13 TIMELINE

Since its independence, Myanmar has undergone numerous waves of political and social change. The following figure highlights major events in Myanmar's political evolution.

**Figure 15: Timeline of Myanmar's Political Development**



- 
- Independence**

Myanmar was under the colonial rule of the British for 124 years (1824–1948) and was occupied by Japan (1942–1945). The country gained independence on 4 January 1948.

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  - Coup d'état paving the Burmese path to Socialism**

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

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

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  - Widespread anti-government demonstrations**

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

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  - Negotiations with ethnic rebels**

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

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  - 1990 General elections**

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

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  - Military announced 7-step roadmap to 'disciplined democracy'**

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



### ■ Shift of government to Nay Pyi Taw

The military regime constructed a new capital at a greenfield site 376 km from Yangon, the former capital.

Administrative offices were moved to the new capital, Nay Pyi Taw, in 2005 but Yangon continues to be the commercial hub of the country.

### ■ Saffron Revolution

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

### ■ Cyclone Nargis and referendum for new constitution

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

- 
- 2010 General elections** Following the enactment of the new constitution, a general election was held in November 2010 and the military-backed party, the Union Solidarity and Development Party (USDP), won the majority vote. Daw Aung San Suu Kyi's party, the National League for Democracy, boycotted the election. Daw Aung San Suu Kyi was freed from house arrest one week after the election.
- 
- Civilian government** In March 2011, former general U Thein Sein, became President in the first civilian government under the new constitution.
- 
- By-elections** A by-election was held in 2012 to fill 44 vacant seats in the parliament. Daw Aung San Suu Kyi entered the election and her party, the NLD, won 43 of the 44 seats.
- 
- Suspension of sanctions** With Myanmar's reform period underway, much of the international community lifted or suspended many trade and economic sanctions against Myanmar. The EU has lifted all of its sanctions except an arms embargo, while the US has retained certain sanctions, including a list of individuals linked to the former military government.
- 
- ASEAN Chairmanship** For the first time since becoming a member of the ASEAN in 1997, Myanmar assumed the role of the ASEAN chairman in 2014.
- 
- 2015 General elections** A general election was held in November 2015. The NLD won a landslide victory and nominated two candidates for President.
- 
- New Government** U Htin Kyaw was elected president of the new Government. Daw Aung San Suu Kyi assumed multiple roles in the new cabinet as Foreign Minister, President's Office Minister and the newly-created position of State Counsellor. The new Government took office on 1 April 2016.
- The resumption of the peace process is a high priority for the new Government. It has publicly declared that one of its most important goals is to sign and implement ceasefire agreements with all ethnic armed groups in the country.
- U Htin Kyaw stepped down as president and was replaced by U Win Myint on 30 March 2018.

# 14 INDUSTRY CONTACT INFORMATION

Important contacts and networks for carrying out business in Myanmar are listed below.

## Government Offices

There are 22 ministries in the current cabinet. Foreign investors must consult with the Ministry of Commerce, Ministry of Labour, Immigration and Population, and Ministry of Planning and Finance to set up businesses in Myanmar.

### Ministry of Labour, Immigration and Population

-  Mailing Address  
Office No. 51, 48 Naypyitaw
-  Contact  
(+95) 1 430 079  
(+95) 1 431 010
-  [www.mip.gov.mm](http://www.mip.gov.mm), [www.mol.gov.mm](http://www.mol.gov.mm)

### Ministry of Commerce

-  Mailing Address  
Nay Pyi Taw  
Director General  
Department of Trade Ministry of Commerce  
Office No. 3, Nay Pyi Taw
-  Contact  
(+95) 67 408 265  
(+95) 408 485
-  [www.commerce.gov.mm](http://www.commerce.gov.mm)

### Ministry of Planning, Finance & Industry

-  Mailing Address  
Ministry of Planning, Finance & Industry  
Office No. 1, 26,32, Nay Pyi Taw
-  Contact  
(+95) 67 405320  
(+95) 405 055
-  [www.mopf.gov.mm/](http://www.mopf.gov.mm/)

### Directorate of Investment and Company Administration (DICA)

-  Mailing Address  
Directorate of Investment and Company Administration Ministry of Investment and Foreign Economic Relations  
No. 1, Thitsar Road, Yankin Township, Yangon
-  Contact  
(+95) 658 102  
(+95) 65 103
-  [www.dica.gov.mm](http://www.dica.gov.mm)

## Myanmar Business Associations

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

### UMFCCI

-  Mailing Address  
No. 29, Min Ye Kyaw Swar Street, Lanmadaw Township, Yangon.
-  Contact  
(+95) 1 231 434 449
-  [www.umfcci.com.mm](http://www.umfcci.com.mm)

## European Business Associations and Partners

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### British Chamber of Commerce

-  Mailing Address  
No. 192, Bo Myat Htun Street, Pazundaung Township, Yangon
-  Contact  
(+95) 1 925 3748
-  [www.britishchambermyanmar.com](http://www.britishchambermyanmar.com)

### French Myanmar Chamber of Commerce and Industry

-  Mailing Address  
Times City – Office Tower n°2 – 16th Floor – Units 11 & 12  
Between Hanthawaddy & Kyuntaw Road,  
Kamayut Township, Yangon
-  Contact  
(+95) 9 425 450 546
-  [www.britishchambermyanmar.com](http://www.britishchambermyanmar.com)

### Chamber of Commerce Italia-Myanmar

-  Mailing Address  
No. 271-273, Bagayar Street, Sanchaung Township, Yangon
-  Contact  
(+95) 9 45058 2335  
(+39) 011 506 1611
-  [www.imybc.it](http://www.imybc.it)

### German-Myanmar Business Chamber

-  Mailing Address  
No. 84, Pan Hlaing Street, Sanchaung Township, Yangon.
-  Contact  
(+95) 9 4506 293 64
-  [www.gm-bc.com](http://www.gm-bc.com)

### Delegation of German Industry and Commerce in Myanmar

-  Mailing Address  
No. 84 Pan Hlaing Street, Sanchaung Township, Yangon.
-  Contact  
(+95) 9 4506 293 64
-  <http://myanmar.ahk.de>

## EU Affiliates of EuroCham Myanmar Consortium

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### Assemble Des Chambres Francaises De Commerce Et D'industrie (Cci France)

-  Mailing Address  
46 Av. de la Grande Armée, 75017 Paris, France.
-  Contact  
(+33) 1 4069 3831
-  [www.cci-france.fr](http://www.cci-france.fr)

### Flanders' Chamber Of Commerce And Industry (Voka)

-  Mailing Address  
Koningsstraat 154-158, 1000 Brussel, Belgium.
-  Contact  
(+32) 2 2298 111
-  [www.voka.be](http://www.voka.be)

### Centro Estero Per L'internazionalizzazione S.C.P.A.

-  Mailing Address  
Corso Regio Parco 27, 10152 Torino, Italy.
-  Contact  
(+39) 0 116 700 511
-  [www.centroestero.org](http://www.centroestero.org)

### Hungarian Chamber Of Commerce And Industry

-  Mailing Address  
Szabadság Tér 7, 1054 Budapest, Hungary.
-  Contact  
(+36) 1 474 5141
-  [www.mkik.hu](http://www.mkik.hu)

## European Chambers of Commerce

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### Association of European Chambers of Commerce and Industry

-  Mailing Address  
No. 19 A/D, Avenue des Arts, B-1000 Brussels, Belgium.
-  Contact  
(+32) 2 2820 850
-  [www.eurochambres.eu](http://www.eurochambres.eu)

## Other EU-funded projects

### SMEs For Environmental Accountability, Responsibility And Transparency (Smart)

 Mailing Address  
11th Floor UMFCCI Tower, No. 29, Min Ye  
Kyaw Swar Street, Lanmadaw Township,  
Yangon, Myanmar.

 Contact  
(+95) 9 425 328 289

 [www.smartmyanmar.org](http://www.smartmyanmar.org)

### South-East Asia IPR SME Helpdesk

 Contact  
(+84) 8 3825 8116

 [www.southeastasia-iprhelpdesk.eu](http://www.southeastasia-iprhelpdesk.eu)

## EU EMBASSIES IN MYANMAR

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

### Delegation of the European Union To Myanmar

 Mailing Address  
Hledan Centre - Corner of Pyay Road and  
Hledan Road, Kamayut Town- ship, Yangon

 Contact  
(+95) 1 230 56 50

 [www.euinmyanmar.eu](http://www.euinmyanmar.eu)

Table 14: List of European Embassies

Country	Address	Website
 Czech Republic	No. 109/ B/2, Than Lwin Rd, Bahan, Yangon	<a href="http://www.mzv.cz/yangon">www.mzv.cz/yangon</a>
 Denmark	No. 109/ B/2, Than Lwin Rd, Bahan, Yangon	<a href="http://www.myanmar.um.dk">www.myanmar.um.dk</a>
 Finland	No. 3, Pyay Road, 6 Miles, Hlaing, Yangon	<a href="http://www.finlandabroad.fi/web/mmr">www.finlandabroad.fi/web/mmr</a>
 France	No. 102, Pyidaungsu Yeik- tha Rd, Dagon, Yangon	<a href="http://mm.ambafrance.org">mm.ambafrance.org</a>
 Germany	No. 9, Bogyoke Aung San Museum Rd, Bahan, Yangon	<a href="http://www.rangun.diplo.de">www.rangun.diplo.de</a>
 Italy	No. 3, Inya Myaing Rd, Golden Valley, Bahan, Yangon	<a href="http://www.ambyangon.esteri.it">www.ambyangon.esteri.it</a>
 Netherlands	84, Pan Hlaing Street, Sanchaung Township, Yangon	<a href="http://www.netherlandsandyou.nl">www.netherlandsandyou.nl</a>
 Poland	Rm 607, 6th Flr, Hledan Centre, Kamayut Township, Yangon	<a href="http://www.bangkok.msz.gov.pl">www.bangkok.msz.gov.pl</a>
 Spain	No. 607, 6th Fl, Hledan Centre, Kamayut, Yangon	<a href="http://www.exteriores.gob.es">www.exteriores.gob.es</a>
 Sweden	No. 3, Pyay Road, 6 Miles, Hlaing, Yangon	<a href="http://www.swedenabroad.se">www.swedenabroad.se</a>
 United Kingdom	No. 80, Strand Rd, Kyaukta- da, Yangon	<a href="http://www.gov.uk/world">www.gov.uk/world</a>

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