

**The Activity of
Myanmar-Japan Joint Initiative**

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**Embassy of Japan in Myanmar
Japan Chamber of Commerce and Industry, Myanmar
Japan External Trade Organization, Yangon Office
Japan International Cooperation Agency, Myanmar Office**

Introduction

In Myanmar, some legal systems and business practices are still far from the global standard, which hinders business expansion of multinational companies, including Japanese enterprises, in Myanmar. However, there are difficulties in tackling these issues by only private companies, so unified public and private actions are critical to attracting more foreign private companies to start business in Myanmar.

In this regard, policy dialogue, called the Myanmar-Japan Joint Initiative (MJJI), was established in March 2013. MJJI has been co-chaired by the Ambassador of Japan to Myanmar and the Minister of Planning and Finance of Myanmar. Relevant ministries, the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), Japan Chamber of Commerce and Industry, Myanmar (JCCM), Japan External Trade Organization (JETRO) and Japan International Corporation Agency (JICA), also participate in the initiative.

The activities of the MJJI are roughly divided into two phases. Phase 1 was from 2013 to 2015, and Phase 2 started in 2016. In Phase 1, discussions covered various kinds of issues, such as improvement of visa procedures, relaxation of import regulations, taxation matters, infrastructure development, elimination of special rules for foreigners and foreign companies, improvement of general administrative procedures, and so on.

After the NLD administration came into office in 2016, we agreed to continue the MJJI as Phase 2. In Phase 2, in order to deepen the discussions, we have established five Working Groups (WGs): i.e., the Import and Export WG, Industrial Policy WG, Tax Affairs WG, Finance and Insurance WG and Investment Promotion WG. The first general meeting of MJJI Phase 2 was held in June 2016.

As a result of a series of discussions in five general meetings and a large number of WGs of MJJI Phase 2 in the past, we, Japanese public and private sectors in Myanmar, identified priority issues which should be addressed in order to facilitate doing business in Myanmar. These issues include the following:

1. Facilitation of Imports
2. Development of the Automobile Industry
3. Development of the Electric and Electronics Industry
4. Enhancement of the Tax System and Tax Practices
5. Sound Development of the Banking Sector
6. Sound Development of the Insurance Sector in Myanmar

- 7. Improvement of Myanmar's Business Environment
- 8. Improvement of Employment Related Matters

This report covers these priority issues. It looks back on discussions of the MJJI and summarizes problems in Myanmar as well as measures in other countries to deal with the same types of problems. Our proposals are also included in this report. We believe that these proposals will improve the business environment in Myanmar, which will accelerate the robust and sustainable development of the country as a whole.

နိဒါန်း

မြန်မာနိုင်ငံတွင် ဥပဒေကို အကောင်အထည်ဖော်ဆောင်ခြင်း၊ ဥပဒေအတည်ပြု ပြဋ္ဌာန်းခြင်းနှင့်သက်ဆိုင်သောအချို့လုပ်ထုံးလုပ်နည်းများနှင့်အချို့လက်တွေ့ဖော်ဆောင်လျက်ရှိသော လုပ်ငန်း သဘောသဘာဝများသည် နိုင်ငံတကာစံချိန်စံညွှန်းဖြင့် နှိုင်းယှဉ်ပါက ပြည့်မီရန် လိုအပ်ပါသေးသည်။ သို့ဖြစ်သောကြောင့် မြန်မာနိုင်ငံတွင် ဂျပန်ကုမ္ပဏီများ အပါအဝင် နိုင်ငံအရပ်ရပ်ကုမ္ပဏီများမြန်မာနိုင်ငံတွင်းသို့လုပ်ငန်းတိုးချဲ့ဝင်ရောက်လာရန်နှောင့်နှေးကြန့်ကြာစေပါသည်။ သို့သော် ၎င်းအခက်အခဲများကို ပုဂ္ဂလိကတစ်ခုတည်းက ဖြေရှင်းရန်ခက်ခဲပြီး အစိုးရနှင့် ပုဂ္ဂလိက ပူးပေါင်းဆောင်ရွက်မှသာလျှင် နိုင်ငံခြားကုမ္ပဏီများအား မြန်မာနိုင်ငံတွင် စတင်ရင်းနှီးမြှုပ်နှံရန် ဆွဲဆောင်နိုင်မည်ဖြစ်သည်။

ထိုအကြောင်းအခြင်းအရာများနှင့်စပ်လျဉ်း၍ မူဝါဒများအပြန်အလှန်ဆွေးနွေးရန်အတွက် Myanmar-Japan Joint Initiative (MJJI) ကို ၂၀၁၃ ခုနှစ် မတ်လတွင် တည်ထောင်ခဲ့သည်။ MJJI တွင် မြန်မာနိုင်ငံဆိုင်ရာ ဂျပန်သံအမတ်ကြီးနှင့် မြန်မာနိုင်ငံ စီမံကိန်းနှင့် ဘဏ္ဍာရေးဝန်ကြီးတို့မှ ပူးတွဲသဘာပတိ အဖြစ်ဆောင်ရွက်လျက်ရှိသည်။ ယင်းအဖွဲ့အစည်းတွင် ပြည်ထောင်စုမြန်မာနိုင်ငံ ကုန်သည်များနှင့်စက်မှုလက်မှုလုပ်ငန်းရှင်များအသင်း (UMFCCI)၊ ဂျပန်ကုန်သည်များနှင့် စက်မှုလက်မှုလုပ်ငန်းရှင်များအသင်း (JCCM)၊ ဂျပန်နိုင်ငံပြင်ပကုန်သွယ်ရေးအဖွဲ့ (JETRO) နှင့် ဂျပန်အပြည်ပြည်ဆိုင်ရာပူးပေါင်းဆောင်ရွက်ရေးအေဂျင်စီ (JICA) တို့လည်း ပူးပေါင်း ပါဝင်ဆောင်ရွက်လျက်ရှိပါသည်။

MJJI ၏ လုပ်ငန်းဆောင်ရွက်ချက်များအဖြစ် အဆင့်နှစ်ခု ထားရှိပါသည်။ ပထမအဆင့်မှာ ၂၀၁၃ ခုနှစ်မှ ၂၀၁၅ ခုနှစ်အထိ ဖြစ်ပြီး၊ ဒုတိယအဆင့်မှာ ၂၀၁၆ ခုနှစ်တွင်စတင်ခဲ့သည်။ ပထမအဆင့်တွင် ဆွေးနွေးမှုများ၌ ပြည်ဝင်ခွင့်ဆိုင်ရာ ဗီဇာလုပ်ထုံးလုပ်နည်းတိုးတက်မှုများ၊ ကုန်ပစ္စည်း တင်သွင်းမှုဆိုင်ရာ စဉ်းမျဉ်းစည်းကမ်းဖြေလျှော့မှုများ၊ အခွန်ဆိုင်ရာကိစ္စရပ်များ၊ အခြေခံ အဆောက်အအုံဖွံ့ဖြိုးတိုးတက်မှုများ၊ နိုင်ငံခြားသား နှင့် နိုင်ငံခြားကုမ္ပဏီများအတွက် သီးခြား ချမှတ်ထားသော အထူးစဉ်းမျဉ်းများပပျောက်ရေး၊ အထွေထွေအုပ်ချုပ်ရေးဆိုင်ရာ လုပ်ထုံးလုပ်နည်းများတိုးတက်ရေးစသည့် ကိစ္စရပ်များပါဝင်သည်။

NLD အုပ်ချုပ်ရေး ၂၀၁၆ ခုနှစ်တွင် အသက်ဝင်လာပြီးနောက် MJJI အား ဒုတိယအဆင့်ဖြင့်သာ ဆက်လက်လုပ်ဆောင်ရန် သဘောတူဆုံးဖြတ်ခဲ့ကြသည်။ ဒုတိယအဆင့်တွင် ပို၍လေးနက်သော ဆွေးနွေးမှု များရှိစေရန်အလို့ငှာ working group ငါးခုအား တည်ထောင်ခဲ့သည်။ ၎င်းတို့မှာ ပို့ကုန်နှင့် သွင်းကုန် working group၊ စက်မှုလုပ်ငန်းဆိုင်ရာ မူဝါဒ working group၊ အခွန်ကိစ္စရပ်များဆိုင်ရာ working group၊ ဘဏ္ဍာရေးနှင့် အာမခံလုပ်ငန်းဆိုင်ရာ working group နှင့် ရင်းနှီးမြှုပ်နှံမှုအဆင့်တိုးမြှင့်ခြင်းဆိုင်ရာ working group တို့ဖြစ်ကြ သည်။ MJJI လုပ်ငန်းဆောင်ရွက်မှု ဒုတိယအဆင့်၏ ပထမအထွေထွေအစည်းအဝေးကို ၂၀၁၆ ခုနှစ်၊ ဇွန်လတွင် ကျင်းပခဲ့သည်။

ပြီးခဲ့သော အထွေထွေအစည်းအဝေး (၅) ကြိမ်မှ ဆွေးနွေးချက်များ နှင့် MJJI ဒုတိယအဆင့်၏ working group များကြောင့် ရလဒ်အနေဖြင့် မြန်မာနိုင်ငံရှိ ဂျပန်အစိုးရနှင့် ပုဂ္ဂလိက လုပ်ငန်းများအနေဖြင့် မြန်မာနိုင်ငံတွင် စီးပွားလုပ်ကိုင်ဆောင်ရွက်ရာ၌ လွယ်ကူ ချောမောစေရန် အလို့ငှာ အဓိကဦးစားပေး ရင်ဆိုင်ရမည့်ကိစ္စရပ်များကို ခွဲခြားဖော်ထုတ် နိုင်ခဲ့သည်။ ၎င်းကိစ္စရပ်များတွင် အောက်ပါအချက်များ ပါဝင်သည် -

- ၁။ တင်သွင်းမှုများပြုလုပ်ရာတွင် အဆင်ပြေလွယ်ကူစေခြင်း။
- ၂။ မော်တော်ယာဉ်လုပ်ငန်းတိုးတက်ရေး။
- ၃။ လျှပ်စစ်နှင့် လျှပ်စစ်သုံးပစ္စည်းလုပ်ငန်းတိုးတက်ရေး။
- ၄။ အခွန်စနစ်နှင့် အခွန်လက်တွေ့ကျင့်သုံးခြင်းဆိုင်ရာတိုးမြှင့်ရေး။
- ၅။ ဘဏ်လုပ်ငန်းကဏ္ဍ ကောင်းမွန်စွာဖွံ့ဖြိုးတိုးတက်ရေး။
- ၆။ မြန်မာနိုင်ငံတွင်အာမခံလုပ်ငန်းကဏ္ဍကောင်းမွန်စွာဖွံ့ဖြိုးတိုးတက်ရေး။
- ၇။ မြန်မာ့စီးပွားရေးပတ်ဝန်းကျင်တိုးတက်ရေး။
- ၈။ အလုပ်အကိုင်နှင့်ပတ်သက်သည့် ကိစ္စရပ်များတိုးတက်ရေး။

ဤအစီရင်ခံစာတွင် အထက်တွင်ဖော်ပြခဲ့သော ဦးစားပေးဆောင်ရွက်ရမည့် ကိစ္စရပ်များ ပါဝင်သကဲ့သို့ MJJI ၏ဆွေးနွေးချက်များကို ပြန်လည်ထင်ဟပ်စေပြီး မြန်မာနိုင်ငံရှိ အခက်အခဲများကို အကျဉ်းချုပ်ဖော်ပြကာ ထိုကဲ့သို့တူညီသော အခက်အခဲများအား အခြားနိုင်ငံများတွင် ဖြေရှင်း ဆောင်ရွက်ပုံများကို ဖော်ဆောင်ထားသည်။ ကျွန်ုပ်တို့၏ အဆိုပြုချက်များသည်လည်း ဤအစီရင်ခံစာတွင်ပါဝင်ပါသည်။ ထိုအဆိုပြုချက်များသည် မြန်မာနိုင်ငံ၏ နိုင်ငံတစ်ခုလုံး၏ ရေရှည်ဖွံ့ဖြိုးတိုးတက်ရေးနှင့် ခိုင်မာတောင့်တင်းရေးအား အရှိန်မြှင့်တင်ပေးသော စီးပွားရေး အသိုက်အဝန်းအဖြစ် ဖွံ့ဖြိုးတိုးတက်စေလိမ့်မည်ဟု ကျွန်ုပ်တို့ယုံကြည်ပါသည်။

Executive Summary

Myanmar is considered a highly promising country in terms of its potential and geopolitical position. Myanmar has a population of more than 50 million and is located between the huge markets of China and India with a long coastline on the Indian Ocean. Myanmar used to adopt an “isolationist policy” for a long time, but it opened its markets to foreign investors after 2011. In recent years, Myanmar has been called “Asia’s Last Frontier” by foreign investors, and the number of companies investing in Myanmar has been rapidly increasing.

However, the current business environment in Myanmar is not necessarily preferable for private companies. According to various economic indicators such as the Doing Business ranking, Myanmar is at the lowest level among the ASEAN countries. Private companies carefully analyze which country is the best for making profits in comparison with neighboring countries. Myanmar has to provide a more sound business environment and better incentives to attract foreign investment. Other ASEAN countries understand this situation and make much more of an effort to improve their business environment. Attracting foreign investment is a competition with other countries. In this context, Myanmar needs to improve the business climate to win the competition.

Meanwhile, there have been a large number of outstanding progresses in Myanmar. In May 2018, the Ministry of Commerce (MOC) opened wholesale and retail businesses to foreign companies. It aimed to encourage competition in trading business, which had been monopolized by local companies. The level of deregulation is unprecedented, and it is expected to provide incentives to foreign investors, including Japanese companies, to expand their businesses.

The Investment Law and the Companies Law, which had not been changed in over 100 years, were revised respectively. Under the new Investment Law, enacted in December 2016 and enforced in April 2017, the coverage of the Myanmar Investment Committee (MIC)’s permit became smaller, which contributes to reducing the burdens on foreign investors.

The revised Companies Law deems a company taking up to a 35% foreign stake to be a domestic company, while the previous Companies Act stipulated that a company with more than 0% foreign capital is considered to be a foreign company. The new law allows foreign investors to enter Myanmar’s market, which had been closed off to foreign companies under the previous investment law.

These laws are essential for a better business environment. We would like to pay tribute to the Government of Myanmar, for completing these economic reforms in a short period.

On the basis of these progresses, we should work to further improve the business environment in Myanmar. A large number of issues are still at the halfway point. We would like to encourage the Government of Myanmar and other relevant stakeholders to prioritize the following issues:

- ① Smooth Customs Clearance
- ② Development of Robust Domestic Industries, especially in the Automobile Industry
- ③ Introduction of Modernized Tax System and Appropriate Implementation
- ④ Revitalization of the Finance Market

① Smooth Customs Clearance

Without sound customs clearance processes, import facilitation cannot be achieved even if import businesses are opened to foreign companies. In November 2016, the Myanmar Automated Cargo Clearance System (MACCS) was introduced in order to make customs clearance smooth, quick and transparent. However, there remain several problems. For example, inefficient paper work is still required regardless of the introduction of the MACCS 'online system' and functions of the MACCS are not fully utilized because of the lack of deregulation and/or coordination by related ministries.

② Development of Robust Domestic Industries, especially in the Automobile Industry

Strengthening domestic industries is critical for the sustainable development of Myanmar. In this context, the manufacturing industry, especially the automobile sector, should be prioritized as the core industry in the future because it has a wide range of supporting industries which will produce parts and components and lead to job creation and technology transfer. With respect to the automobile sector, some foreign manufacturers, including Japanese companies, such as Suzuki and Nissan, have already started automobile assembly in Myanmar. In order to foster the automobile sector as a key industry of Myanmar, mid- to long-term policies are critically significant. The Government of Myanmar is currently drafting such policies. This work should be accelerated in close coordination among ministries.

③ Introduction of Modernized Tax System and Appropriate Implementation

It is fundamental for the nation to establish a fair, neutral and simple tax system and to implement it appropriately. In addition, the tax system can serve as either an incentive or disincentive, because every company chooses which country to invest in by comparing the taxation system of a country with those of neighboring countries. The current uncertain tax system and ineffective implementation also present themselves as a burden on tax revenue; as a result, Myanmar's tax revenue to GDP ratio is still about 7%, which is the lowest among the ASEAN countries. By introducing a modernized tax system and appropriate implementation, while referring to the situations of other ASEAN countries, Myanmar should increase tax revenue, improve predictability, and promote investment.

④ Revitalization of the Finance Market

Revitalizing domestic industries plays a crucial role in achieving sustainable economic growth. To achieve this goal, it is also imperative to develop healthy financial markets, which are the blood of the economy, and to improve the flow of funds. In particular, the improvement and implementation of the legal system hold the key in each of the banking, insurance and securities sectors. There are still several regulations on foreign banks in Myanmar that impede large-scale investments, such as new businesses and infrastructure projects. Deregulation of foreign banks should be promoted, thereby boosting Myanmar's economy.

In FY 2017, the amount invested by Japanese companies, which includes investments in the Thilawa Special Economic Zone and through third countries to Myanmar, is estimated at 1.488 billion USD. The investment size is at the top level by country. In this regard, Japanese investors play a significant role in investment promotion in Myanmar. We, Japanese public and private sectors in Myanmar, will spare no effort to attract further investment, while expecting further efforts by the Government of Myanmar. Although there are a large number of problems to be solved, there is no doubt that Myanmar has a high potential for further economic growth.

Executive Summary

ဂျပန်နိုင်ငံ၏ စီးပွားရေးလောက အနေဖြင့် မြန်မာနိုင်ငံ၏ စီးပွားရေးအလားအလာနှင့်စပ်လျဉ်း၍ အလွန်တိုးတက်ကောင်းမွန်လာမည်ဟု ခန့်မှန်းကြသည်။ တရုတ်ပြည်သူ့သမ္မတနိုင်ငံနှင့် အိန္ဒိယ နိုင်ငံ စသည့် ဈေးကွက်ကြီးများအကြားတွင်တည်ရှိကာ၊ အိန္ဒိယသမုဒ္ဒရာနှင့်ထိစပ်လျက်ရှိသော ရှည်လျားသည့် ကမ်းရိုးတန်းလည်းရှိပြီး၊ ပထဝီဝင်နိုင်ငံရေးအခြေအနေများရှိသည့်အပြင်၊ လူဦးရေမှာလည်း သန်း ၅၀ ကျော်ရှိသည်။ နှစ်ပေါင်းအတန်ကြာ စစ်အုပ်ချုပ်ရေးစနစ်ဖြင့် “တံခါးပိတ်ဝါဒ” ဖြစ်နေခဲ့သော်လည်း၊ ၂၀၁၁ ခုနှစ်တွင် အရပ်သားအုပ်ချုပ်ရေးသို့ပြောင်းလဲကာ နိုင်ငံတကာစီးပွားရေးအဖြစ်ဖွင့်လှစ်ခဲ့သည်။ ဤကဲ့သို့ ဖြစ်စဉ်များကိုဖြတ်ကျော်ကာ တစ်ချိန်တစ်ခါ က ဂျပန်နိုင်ငံတွင် “အာရှတိုက်၏ ဒေသသစ်” ဟုပင် ခေါ်တွင်ကြပြီး မြန်မာနိုင်ငံသို့ ဝင်ရောက်လာသော ကုမ္ပဏီအရေအတွက်မှာလည်း တစ်ဟုန်ထိုးတိုးတက်လာနေသည်။

သို့သော် မြန်မာနိုင်ငံ၏ လက်ရှိ စီးပွားရေးအခြေအနေသည် ဧကန်မုချ ကောင်းမွန်နေသည်ဟု မဆိုနိုင်သေးပေ။ Doing Business ၏ ranking တွင် ကိုယ်စားပြု စီးပွားရေးစံညွှန်းအသီးသီး တွင် အာဆီယံနိုင်ငံများနှင့် နှိုင်းယှဉ်မည်ဆိုပါက အနိမ့်ဆုံးအဆင့်သို့ရောက်ရှိနေသည်။ ကုမ္ပဏီတိုင်း သည် မည်သည့်နိုင်ငံတွင် ရင်းနှီးမြှုပ်နှံပါက အမြတ်အစွန်းရရှိနိုင်မည်ဖြစ်ကြောင်းကို အေးဆေး တည်ငြိမ်စွာဖြင့်အကဲခတ်လျက်ရှိပေသည်။ နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ဖိတ်ခေါ်လိုပါက ထိုကဲ့သို့သော ကုမ္ပဏီများ စိတ်ဝင်စား၍ ဝင်ရောက်လာကြစေရန်အလို့ငှာ လိုအပ်သော ပတ်ဝန်းကျင်အခြေအနေများကို ပြင်ဆင်ပေးဖို့လိုအပ်ပါသည်။ အခြားအာဆီယံနိုင်ငံများသည် ထိုသို့သော အခြေအနေများကို နားလည်ထားကြကာ နိုင်ငံအသီးသီးကို ဖိတ်ခေါ်ရန် လုပ်ငန်းပတ်ဝန်းကျင်အခြေအနေများကို ပြင်ဆင်ပေးခြင်း နှင့် အထူးခံစားခွင့်များကို ထားရှိခြင်းအား ဖြင့် အားသွန်ခွန်စိုက် ကြိုးပမ်းလျက်ရှိကြသည်။ နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုများကို ဖိတ်ခေါ်ခြင်းသည် နိုင်ငံအသီးသီးနှင့် ယှဉ်ပြိုင်နေခြင်းသာဖြစ်သည်။ မြန်မာနိုင်ငံသည် ယခု ကဲ့သို့သော ယှဉ်ပြိုင်မှု များတွင် အနိုင်ရရှိရန် လိုအပ်ပါသည်။

မြန်မာနိုင်ငံအစိုးရ၏ ချီးမွမ်းထိုက်သည့် စွမ်းဆောင်မှုများမှာလည်း ပြောစရာပင်မလိုလောက် အောင် မြောက်မြားစွာ ရှိပါသည်။

၂၀၁၈ ခုနှစ် မေလတွင် စီးပွားရေးနှင့် ကူးသန်းရောင်းဝယ်ရေးဝန်ကြီးဌာန က လက်လီလက်ကား ဖြန့်ဖြူးရောင်းချရေးလုပ်ငန်းအား နိုင်ငံခြားကုမ္ပဏီများလုပ်ကိုင်ရန် ဖွင့်လှစ်ပေးခဲ့သည်။ ယခုတိုင် ပြည်တွင်း ကုမ္ပဏီများကသာ လက်ဝါးကြီးအုပ်ထားခဲ့သော ကုန်သွယ်မှုလုပ်ငန်းကို နိုင်ငံခြားကုမ္ပဏီ များအား ဖွင့်လှစ်ပေးခြင်းအားဖြင့် ယှဉ်ပြိုင်မှုများကို တိုးတက်စေခဲ့ခြင်းပင်ဖြစ်သည်။ ယင်းကဲ့သို့ ကန့်သတ်မှုများကို ဖြေလျော့ပေးခြင်းသည် ယခုအချိန်အထိ မရှိခဲ့သော ကြိုးပမ်းမှုများပင်ဖြစ်ကာ ဂျပန်ကုမ္ပဏီများ၏ စီးပွားရေး တိုးချဲ့မှုများအတွက် မျှော်လင့်ချက်များရှိလာနိုင်ပြီဖြစ်ပါသည်။

နှစ်ပေါင်းတစ်ရာနီးပါး မပြောင်းလဲခဲ့သော ကုမ္ပဏီများဥပဒေနှင့် ရင်းနှီးမြှုပ်နှံမှုဥပဒေသစ်တို့ကို ပြဌာန်းနိုင်ခဲ့သည်။ ၂၀၁၆ ခုနှစ် ဒီဇင်ဘာလတွင် ပြဌာန်းကာ ၂၀၁၇ ခုနှစ် ဧပြီလမှစ၍ ကျင့်သုံးခဲ့သော ရင်းနှီးမြှုပ်နှံမှုဥပဒေအရ မြန်မာနိုင်ငံရင်းနှီးမြှုပ်နှံမှုကော်မတီ (MIC) ခွင့်ပြုမိန့်လိုအပ်သော ကန့်သတ်လုပ်ငန်းအမျိုးအစားများကို ဖြေလျော့ပေးခဲ့ခြင်းစသည်တို့ကြောင့် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံသူတို့၏ လုပ်ဆောင်ရမည့် လုပ်ငန်းစဉ်များကိုလည်း ရှေ့ချပေးနိုင်ခဲ့သည်။

ထို့အပြင် ယခင်ကုမ္ပဏီများဥပဒေတွင် နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုအချိုး သုည ရာခိုင်နှုန်းကျော် သည်နှင့်တစ်ပြိုင်နက် နိုင်ငံခြားကုမ္ပဏီအဖြစ် မှတ်ယူခဲ့ကြသော်လည်း ဥပဒေသစ်တွင်မူ “နိုင်ငံခြားရင်းနှီးမြှုပ်နှံမှုအချိုး ၃၅ ရာခိုင်နှုန်းအောက်” ရှိသော ကုမ္ပဏီများသည် ပြည်တွင်း ကုမ္ပဏီများဖြစ်ကြောင်းမှတ်ယူလာနိုင်ခဲ့သည်။ ထို့ကြောင့် မြန်မာနိုင်ငံကုမ္ပဏီများတွင် ထည့်ဝင် ရင်းနှီးခြင်းအားဖြင့် ရင်းနှီးမြှုပ်နှံမှုဥပဒေအရ နိုင်ငံခြားကုမ္ပဏီများကို ခွင့်ပြုထားခြင်းမရှိသည့် လုပ်ငန်းအမျိုးအစားများအား ထည့်ဝင်ရင်းနှီးမြှုပ်နှံမှုအခွင့်အလမ်းများရရှိလာနိုင်သည်နှင့်အတူ နိုင်ငံခြားကုမ္ပဏီများထံ မှ မြန်မာနိုင်ငံကုမ္ပဏီများထံသို့ နည်းပညာများလွှဲပြောင်းရယူနိုင်မည်ဟု မျှော်လင့်နိုင်ပြီဖြစ်ပါသည်။

ထိုသို့သော နည်းလမ်းများသည် စီးပွားရေး၏ အခြေခံအုတ်မြစ်များသာဖြစ်ပြီး၊ အလွန်များပြားလှသည့် စနစ်များပြောင်းလဲမှုကိုအချိန်တိုအတွင်း လက်တွေ့အကောင်အထည်ဖော်နိုင်ခဲ့သည့် မြန်မာနိုင်ငံအစိုးရအား လေးစားမိပါကြောင်းဖော်ပြအပ်ပါသည်။

ထိုကဲ့သို့လုပ်ဆောင်လျက်ရှိသော်လည်း ပတ်ဝန်းကျင်အခြေအနေများကို ပြင်ဆင်ပေးမှုများသည် လမ်းဆုံလတ်တွင်သာရှိပါသေးသည်။ အောက်ပါအတိုင်း အထူးသဖြင့် မြန်မာနိုင်ငံအစိုးရက သတိပြုသင့်သည့် အခက်အခဲများကို ဖော်ပြအပ်ပါသည်။

- (၁) အကောက်ခွန်နှင့်စပ်လျဉ်းသည့် လက်တွေ့လုပ်ဆောင်မှုများကို ချောမွေ့အောင်ပြောင်းလဲရန်
- (၂) ကြံ့ခိုင်မှုရှိသည့် ကုန်ထုတ်လုပ်မှုလုပ်ငန်းများ (အထူးသဖြင့် မော်တော်ယာဉ်သစ်ဈေးကွက်) ကို ပျိုးထောင်ရန်
- (၃) ခေတ်မီသော အခွန်စနစ်များအဖြစ်ပြင်ဆင်ခြင်းနှင့် သင့်တော်သည့် လက်တွေ့လုပ်ဆောင်မှုများကိုဆောင်ရွက်ရန်
- (၄) Finance ဈေးကွက်ကို လှုပ်ရှားသက်ဝင်စေရန်

(၁) ကုန်သွယ်မှုလုပ်ငန်းကို နိုင်ငံခြားရင်းနှီးမှုများအား ဖွင့်လှစ်ပေးခဲ့သော်လည်း လက်တွေ့တွင် အကောက်ခွန်နှင့်စပ်လျဉ်းသည့် လုပ်ဆောင်မှုများကို ချောမွေ့အောင် ပြုပြင်ပြောင်းလဲမှုများ မရှိပါက အမှန်တကယ် လွယ်ကူသည့် ကုန်သွယ်နိုင်မှုများအဖြစ်ရောက်ရှိလာမည်မဟုတ်ပေ။ မြန်မာနိုင်ငံ၏ အကောက်ခွန်နှင့်စပ်လျဉ်းသည့် လက်တွေ့လုပ်ဆောင်မှုများကို Digital စနစ် အဖြစ် ပြောင်းလဲခြင်း၊ လွယ်ကူချောမွေ့အောင်ပြောင်းလဲခြင်း၊ မြင်သာအောင်ပြောင်းလဲခြင်းအတွက်

MACCS စနစ်ကို ကျင့်သုံးခဲ့ပါသည်။ သို့သော် ဌာနဆိုင်ရာများ၏ အဓိကမူဝါဒများက မပြောင်းလဲဘဲ၊ စာရွက်စာတမ်းဖြင့်လုပ်ကိုင်သည့် လုပ်ငန်းစဉ်များကျန်ရှိနေပါသေးသည်။ ဌာနဆိုင်ရာအချင်းချင်း ချိတ်ဆက်မှုများမရှိသေးဘဲ MACCS ၏ စွမ်းဆောင်နိုင်မှုများ လျော့ကျနေသည် ဟူသော အခက်အခဲများ ကျန်ရှိနေပါသေးသည်။

(၂) ကြံ့ခိုင်မှုရှိသည့် ကုန်ထုတ်လုပ်မှုလုပ်ငန်းများကိုပျိုးထောင်ပေးခြင်းသည် မြန်မာနိုင်ငံ၏ စဉ်ဆက်မပြတ် တိုးတက်မှုအတွက် မရှိမဖြစ်လိုအပ်ခြင်းဖြစ်ပြီး၊ ကုန်ထုတ်လုပ်သည့် လုပ်ငန်းများ၊ အထူးသဖြင့် မော်တော်ယာဉ်ထုတ်လုပ်ခြင်းလုပ်ငန်းသည် ဆက်စပ်လုပ်ငန်းများကိုလည်း ကျယ်ပြန့်လာစေကာ၊ အလုပ်အကိုင်များပေါ်ထွန်းလာစေခြင်းနှင့် နည်းပညာများလွှဲပြောင်းရယူနိုင်ခြင်းအစရှိသည့် ဒီရေလှိုင်းများကဲ့သို့ အကျိုးဖြစ်ထွန်းခြင်းများအပါအဝင် အနာဂတ်၏ ကုန်ထုတ်လုပ်မှုလုပ်ငန်းများကို ပျိုးထောင်ပေးမည့် အနှစ်သာရရှိသည့် ထုတ်လုပ်မှုလုပ်ငန်းပင်ဖြစ်သည်။ ယခုအခါ SUZUKI နှင့် NISSAN ကဲ့သို့သော ဂျပန်ကုမ္ပဏီများ အစရှိသည့် မော်တော်ယာဉ်ထုတ်လုပ်သည့် နိုင်ငံခြား ထုတ်လုပ်သူအချို့က မြန်မာနိုင်ငံတွင် မော်တော်ယာဉ်ထုတ်လုပ်မှုကို စတင်လျှက်ရှိနေပြီဖြစ်သည်။ ဤကဲ့သို့သော ကုမ္ပဏီများကို ပံ့ပိုးပေးကာ၊ မော်တော်ယာဉ်ထုတ်လုပ်မှုကို မြန်မာနိုင်ငံ၏ ပင်မထုတ်လုပ်မှုလုပ်ငန်းအဖြစ် ပျိုးထောင်ပေးရန်အတွက် နှစ်လတ်၊ နှစ်ရှည်ကာလအနေဖြင့် မူဝါဒများ မဖြစ်မနေလိုအပ်ပါသည်။ မြန်မာနိုင်ငံတွင် ထိုကဲ့သို့သော မူဝါဒများကို ရေးဆွဲလျက်ရှိနေသေးသော်လည်း၊ အစိုးရဌာနအားလုံးက တစ်စည်းတစ်လုံးတည်း လုပ်ဆောင်သွားကြရန် လိုအပ်ပါသည်။

(၃) မျှတမှု၊ ကြားနေဝါဒဖြစ်မှု၊ မြန်ဆန်လွယ်ကူမှု ရှိသည့် အကောက်ခွန်စနစ်ကို တည်ဆောက်၍ သင့်တော်သည့် အခွန်ကောက်ခံခြင်းသည် နိုင်ငံတော်အစိုးရ၏ အခြေခံ စီမံခန့်ခွဲမှုတစ်ခုပင်ဖြစ်သည်။ ထို့အပြင် ကုမ္ပဏီအသီးသီးတို့သည် အိမ်နီးချင်းနိုင်ငံများ၏ အခွန်စနစ်များနှင့် နှိုင်းယှဉ်ကာ ရင်းနှီးမြှုပ်နှံမှုကို ဆုံးဖြတ်နေကြသည့်အတွက် အခွန်စနစ်သည် ရင်းနှီးမြှုပ်နှံမှု၏ Incentive အဖြစ်လည်းကောင်း၊ Disincentive အဖြစ်လည်းကောင်း ဖြစ်လာနိုင်ပါသည်။ မြန်မာနိုင်ငံ၏ အခွန်ကောက်ခံမှုသည် GDP အနေဖြင့် ခန့်မှန်းခြေ ၇ ရာခိုင်နှုန်းဖြစ်သောကြောင့် အာဆီယံနိုင်ငံများနှင့် နှိုင်းယှဉ်ကြည့်ပါကလည်း အလွန်နိမ့်ကျလျက်ရှိသည်။ မြင်သာမှုမရှိသည့် အခွန်စနစ်များ ကျန်ရှိနေကာ အခွန်ကောက်ခံခြင်းဆိုင်ရာ လက်တွေ့လုပ်ဆောင်မှုများကိုလည်း ပြုပြင်ပြောင်းလဲခြင်းမရှိခဲ့သည်မှာ ယနေ့တိုင်ဖြစ်သည်။ အခွန်များတိုးပွားလာအောင် ကြံရွယ်ကာ ကြိုတင် မှန်းဆနိုင်မှုများကို မြှင့်တင်ခြင်း၊ ရင်းနှီးမြှုပ်နှံမှုများပိုမိုတိုးပွားစေရန်အတွက် အာဆီယံနိုင်ငံအသီးသီးတို့၏ အခြေအနေများကို သုံးသပ်၍ အခွန်စနစ်နှင့် အခွန်ကောက်ခံခြင်းဆိုင်ရာ လက်တွေ့လုပ်ဆောင်မှုများကို ပြုပြင်ပြောင်းလဲခြင်းသည် မရှိမဖြစ်လိုအပ်ပါသည်။

(၄) အလိုအလျောက်နှင့် စဉ်ဆက်မပြတ် စီးပွားရေးတိုးတက်စေရန်အလို့ငှာ လက်တွေ့အကောင်အထည်ဖော်ရန်အတွက် မြန်မာပြည်တွင်း ကုန်ထုတ်လုပ်မှုများ၏ သက်ဝင်

လှုပ်ရှားမှုသည် မရှိမဖြစ် လိုအပ်သော်လည်း ယင်းအတွက် စီးပွားရေး၏ အသက်သွေးကြော ဖြစ်သည့် Finance ဈေးကွက်၏ စနစ်များပြင်ဆင်မှုကိုလည်း ဆက်လက်ဖော်ဆောင်ကာ၊ ရင်းနှီးမှုငွေကြေးများ သက်ဝင်လှုပ်ရှားကာ လည်ပတ်လာအောင်ပြောင်းလဲပေးရန်လိုအပ်သည်။ လက်တွေ့အားဖြင့် ဘဏ်များ၊ အာမခံများ၊ သက်သေခံလက်မှတ်များ အစရှိသည့် ကဏ္ဍအသီးသီးတွင် ယင်းတို့နှင့်သက်ဆိုင်သည့် ဥပဒေများကို ပြဌာန်းပြင်ဆင်ခြင်း၊ ဌာနဆိုင်ရာများ၊ ဘဏ်များ၊ အာမခံကုမ္ပဏီများ၊ သက်သေခံ လက်မှတ်ကုမ္ပဏီများ၏ လက်တွေ့စွမ်းဆောင်နိုင်မှုများ တိုးတက်လာအောင် ဆောင်ရွက်ခြင်းထက် Finance ကဏ္ဍ၏ အမှန်စင်စစ်အစိုးတန်သည့် ယုံကြည်မှုတည်ဆောက်ခြင်းနှင့် အိမ်တွင်းအသုံးစရိတ်များမှ လုပ်ငန်းကဏ္ဍများထံသို့ ငွေကြေးများစီးဆင်းလည်ပတ်မှုပေါ်ပေါက်လာအောင် လုပ်ဆောင် ရန်လိုအပ်ပါသည်။ ယခု မြန်မာနိုင်ငံ၏ ဘဏ်ဈေးကွက်တွင် နိုင်ငံခြားဘဏ်များအား ကန့်သတ် ထားမှု စသည့် အကြောင်းအရင်းတို့ကြောင့် လုပ်ငန်းသစ်များနှင့် အခြေအခံအဆောက်အအုံပိုင်းဆိုင် ရာလုပ်ငန်းသစ်များ စသည့်ကြီးမားသည့် ရင်းနှီးမြှုပ်နှံမှုများကို အဟန့်အတားဖြစ်နေစေသည့် ကိစ္စရပ်များကို တွေ့မြင်နိုင်ပါသည်။ နိုင်ငံခြားဘဏ်များ၏ ကန့်သတ်မှုများကို ဖြေလျော့ပေးခြင်း များကို ဆောင်ရွက်ကာ ပြည်တွင်းစီးပွားရေးကို တိုးတက်ပြောင်းလဲအောင် သုံးသပ်သင့်ပေသည်။

၂၀၁၇ ခုနှစ်တွင် ဂျပန်နိုင်ငံမှ မြန်မာနိုင်ငံသို့ ရင်းနှီးမြှုပ်နှံမှုငွေပမာဏသည် စင်္ကာပူနိုင်ငံစသည့် အခြားနိုင်ငံများမှတစ်ဆင့် နှင့် သီလဝါအထူးစက်မှုဇုန်မှတစ်ဆင့် စုစုပေါင်းရင်းနှီးမြှုပ်နှံမှုသည် အမေရိကန်ဒေါ်လာ ၁၄.၇၈ သန်းကျော်ရှိပြီး၊ အခြားနိုင်ငံများနှင့်နှိုင်းယှဉ်ပါက ထိပ်ဆုံးတွင် ရှိနေကြောင်း မြင်တွေ့နိုင်ပါသည်။ တစ်နည်းဆိုရသော် ဤကဲ့သို့သော ဂျပန်ကုမ္ပဏီများ၏ အသံကို နားထောင်၍ လက်တွေ့ဖော်ဆောင်ပေးခြင်းသည် ရင်းနှီးမြှုပ်နှံမှုများကို ဖိတ်ခေါ်သည့် ဖြတ်လမ်းပင် ဖြစ်သည်။ ဂျပန်နိုင်ငံတစ်ရပ်လုံး အနေဖြင့်လည်း ပြောစရာပင် မလိုအောင် ပူးပေါင်းဆောင်ရွက်သွားပါမည်။ အနာဂတ်တွင် မြန်မာနိုင်ငံအစိုးရ၏ ယခုထက်ပိုမို လုပ်ဆောင် နိုင်ခြင်းကို မျှော်လင့်လျက်ရှိပါသည်။

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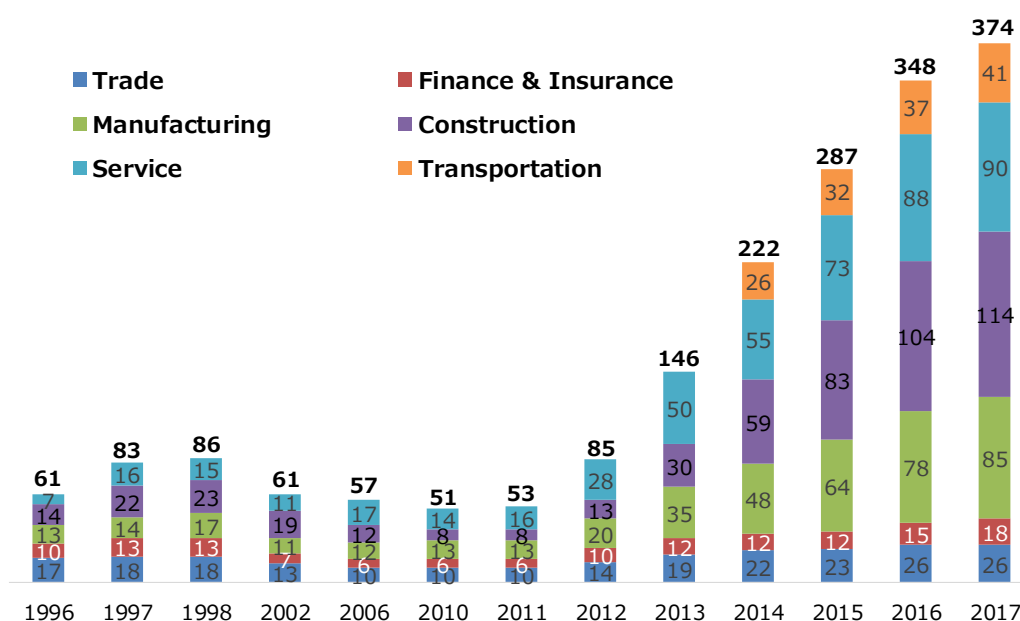
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1. Evaluation of the Myanmar Economy

1-1. Current situation of Japanese investment

After 2011, Japanese companies began rushing to Myanmar. As a result, JCCM member companies increased rapidly. At that time, Myanmar was regarded as a promising country and was called “Asia’s Last Frontier” in Japan.

The number of JCCM Member Companies



(Source) JCCM Secretariat

In Myanmar, statistics about Myanmar Investment Committee (MIC) permissions are used when measuring the amount of foreign investment. However, these statistics do not represent the actual situation because they cover only direct foreign investment.

A large portion of Japanese investment comes to Myanmar through Singapore, Hong Kong or Thailand. This means that many Japanese companies have regional HQs in those countries, and their subsidiaries or branches in Myanmar are invested in from such regional HQs. Thus, the investment from Singapore mentioned in the MIC’s statistics includes investment originally from Japan. We investigated how much such indirect investment was included in the statistics and found that if the indirect investment is regarded as Japanese investment, Japan was ranked as the No.1 investment country in Fiscal Year 2017.

Investment by country (2017FY)













































From DICA public data		After adjustment of MIC-related investment	
From	Amount (million USD)	From	Amount (million USD)
Singapore	2,164 (42)	Singapore	1,323 (35)
China	1,395 (65)	China	1,395 (65)
Netherlands	534 (6)	Netherlands	534 (6)
Japan	384 (12)	Japan	1,239(25)+148+91= 1,478
Korea	254 (14)	Korea	254 (14)
Hong Kong	252 (23)	Hong Kong	238 (17)
UK	211 (4)	UK	211 (4)
Thailand	124 (11)	Thailand	124 (11)
Malaysia	22 (6)	Malaysia	22 (6)
Others	378(39)	Others	378(39)
Total	5,718(222)	Total	5,718(222)

(Source) Directorate of Investment and Company Administration (DICA) Japan Desk

1-2. Evaluation of the Myanmar market

The Doing Business ranking is one of the most reliable indicators when evaluating a market. However, Myanmar's ranking continues to slide. Compared with other ASEAN countries, Myanmar's position is relatively low. Inviting foreign investment is a competition with other ASEAN countries. We understand Myanmar has potential but needs to catch up with these countries.

Myanmar's Doing Business Ranking

Topics	2018	2017	2016	2015	2014
Overall	171 	170 	167 	177 	182
Starting a Business	155 	146 	160 	189 	189
Dealing with Construction Permits	73 	66 	74 	84 	134
Getting Electricity	151 	149 	148 	154 	124
Registering Property	134 	143 	145 	145 	151
Getting Credit	177 	175 	174 	171 	169
Protecting Minority Investors	183 	179 	184 	184 	178
Paying Taxes	125 	119 	84 	73 	115
Trading across Borders	163 	159 	140 	140 	135
Enforcing Contracts	188 	188 	187 	187 	185
Resolving Insolvency	164 	164 	162 	162 	159

Topics	Myanmar	Malaysia	Thailand	Vietnam	Cambodia	Lao PDR
Overall	171	24	26	68	135	141
Starting a Business	155	111	36	123	183	164
Dealing with Construction Permits	73	11	43	20	179	40
Getting Electricity	151	8	13	64	137	149
Registering Property	134	42	68	63	123	65
Getting Credit	177	20	42	29	20	77
Protecting Minority Investors	183	4	16	81	108	172
Paying Taxes	125	73	67	86	136	156
Trading across Borders	163	61	57	94	108	124
Enforcing Contracts	188	44	34	66	179	97
Resolving Insolvency	164	46	26	129	74	168

Macro Economic Indicator

Topics	Myanmar	Malaysia	Thailand	Vietnam	Cambodia	Lao PDR
Economic Growth ※1	6.7%	5.9%	3.9%	6.8%	6.9%	6.8%
GDP (Billion USD) ※1	66.54	314.5	455.38	220.41	22.25	16.98
Population (million)	52.2	31.6	68.9	92.3	15.7	6.5
GDP/capital ※1	1,260	9,810	6,590	2,350	1,390	2,540
Inflation Rate ※2	5.3%	3.8%	0.7%	3.5%	2.9%	0.8%
Unemployment Rate ※3	4.0%	3.4%	1.0%	2.1%	1.0%	3.6%

※1 IMF(2017)

※2 ADB(2017)

※3 The ASEAN Secretariats "ASEAN Statistical Leaflet Selected Key Indicators (2017)"

2. Discussed Issues

2-1. Facilitation of Imports

2-1-1. Opening of foreign capital to import business

1) Problems

Previously, a company that wanted to operate import business needed to obtain “trade permission” from the Ministry of Commerce (MOC). However, foreign companies have been practically prohibited from obtaining the permission since 2002. Thus, foreign companies have not been able to operate import business for a long time.

In Myanmar, almost all raw materials for manufacturing or consumer goods are imported. If the import business is not in a competitive environment, companies enjoying an intermediate margin are not eliminated and end-users in Myanmar suffer as they have no choice but to buy from those suppliers. For that reason, this foreign capital regulation has been an obstacle in the Myanmar market for a long time.

For the past few years, some exceptions as follows were made to attract more foreign investment:

- new car import with showroom (Notification No. 20/2015)
- import of fertilizer, seeds, insecticide and medical equipment (Notification No. 96/2015)
- import of construction materials (Notification No. 56/2016)
- import of farming machinery (Notification No. 55/2017)
- import conducted by Thilawa SEZ companies

However, these exceptions were still limited, so we requested more relaxation at the MJJI repeatedly.

The New Investment Law came into force in April 2017, and it was made clear that the MOC’s approval is required for investment in wholesale and retail business. Finally, in May 2018, a new notification which stipulated the standard for approval of a foreign company’s wholesale and retail business was announced by the MOC. According to the notification, although there are certain conditions, such as the initial investment amount in products or the size of the store, even 100% foreign companies became able to operate import business.

Foreign capital	Initial investment	Area
80%~100%	Wholesale: more than 5 million USD Retail: more than 3 million USD	929 sqm (min.) (for retail)
0%~80%	Wholesale: more than 2 million USD Retail: more than 0.7 million USD	

2) Global Standard Measures

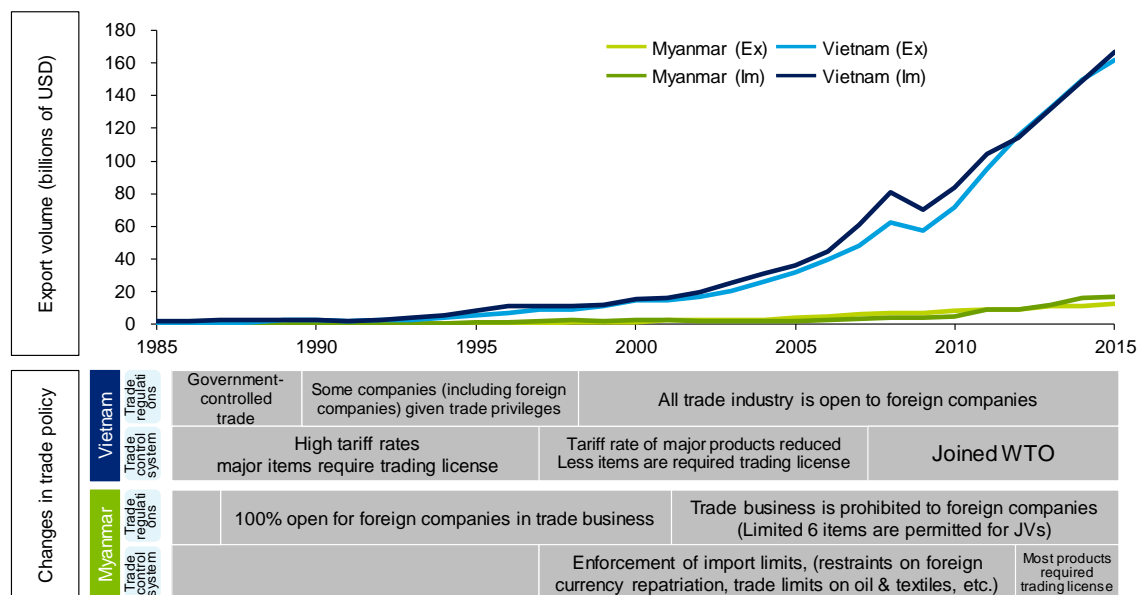
Some foreign investments are allowed to be regulated within OECD member countries. According to the “OECD Codes of Liberalisation of Capital Movements and of Current Invisible Operations,” member countries shall not be prevented from taking actions which they consider necessary for: i) the maintenance of public order or the protection of public health, morals and safety; ii) the protection of their essential security interests; and iii) the fulfilment of their obligations relating to international peace and security. When a company is established in Japan, foreign investment related to these three categories is subject to prior notification.

However, there is no possibility that trading business is recognized as falling under any of those three categories. There are no regulations for trading business in Japan.

3) Measures of ASEAN countries

In Thailand, based on domestic law, a foreign service industry, including wholesale and retail, is prohibited from acquiring more than 51% capital. However, if the investment amount exceeds 1 billion THB, such investment is permitted.

In Vietnam, there is no regulation on trading business. Previously, Vietnam had foreign investment restrictions in the trading industry, but they eliminated them in 1997. As a result, the import and export volume expanded dramatically and became 13 times larger than before.



4 Source: Euromonitor, newspaper & magazine articles, interviews

4) Future directions for Myanmar

The notification issued by the MOC in May 2018 is recognized as unprecedented deregulation. The deregulation is highly welcomed by every country and will have a positive impact on investment toward Myanmar. Japanese companies also welcomed this move and plan to expand their business in Myanmar. It is important not to retract the deregulation and to improve administrative procedures.

2-1-2. Deregulation of Import License

1) Problems

Even if import business is opened to foreign companies, an import license issued by the MOC is still necessary for actual import. An import license system is adopted in almost all countries as a trade control policy, but Myanmar has the following problems:

- i) There are many items requiring an import license
- ii) Procedures for issuing an import license are uncertain

- i) There are many items requiring an import license

The number of items requiring an import license in Myanmar is about 4,000. Myanmar is a member of the WTO. According to the WTO rules, member countries are prohibited from regulating imports except for security reasons; however, Myanmar still regulates them. In particular, most of the import restricted items are not currently produced in Myanmar, so it is meaningless to restrict imports in such areas.

ii) Procedures for issuing an import license are uncertain

Import licenses are issued by the MOC, but the procedures are uncertain and there is no predictability. In the past, for example, the MOC's self-investigation was a big problem.

When an importer applies for an import license, the importer has to fill in the import price in an application form and attach an invoice as evidence. However, previously, the MOC did not trust actual invoice values and calculated import prices using catalog information independently. The import prices calculated by the MOC were often different from the actual invoice values, but the Myanmar Customs Department (MCD) ordered importers to change the import prices to the actual invoice values. These were time-consuming but happened frequently. At the MJJI, we insisted that import prices were not essential for examination and that the MOC's self-investigation was irrational. As a result, this procedure was abolished in 2016.

However, shortly after the notification was announced, a new notification which enabled the MOC to investigate whether actual import prices are in accordance with those stated in applications for import licenses was issued. This post-check system was a duplicate of the MCD's Post Clearance Audit. We also requested its abolishment at the MJJI, and it was abolished in 2017.

2) Global Standard Measures

Internationally, the principle that trade should be free of encumbrance is well understood. Under this principle, there are no special restrictions on imports in most countries, while only exports, especially those related to security matters, are regulated.

In Japan, the Ministry of Economy Trade and Industry (METI) regulates imports, but regulated items are limited to, for example, cultural properties prescribed by international treaties, some marine products and weapons of mass destruction. In addition, import prices are not investigated by METI.

3) Measures of ASEAN Countries

In countries such as Thailand, Vietnam and Indonesia, import licenses are also required, but there are fewer[import restricted items than in Myanmar.

4) Future Directions for Myanmar

The number of import restricted items should be reduced. According to the WTO rules, non-automatic licenses are limited to security areas. Further improvement is necessary as a WTO member country.

In addition, administrative procedures should be more transparent, and in particular, the procedures mentioned in ii) above should be relaxed.

2-1-3. Improvement of Customs Clearance

1) Problems

Even if the import business is opened to foreign companies and the import license requirements are relaxed, unless customs clearance is improved, it will not lead to import facilitation.

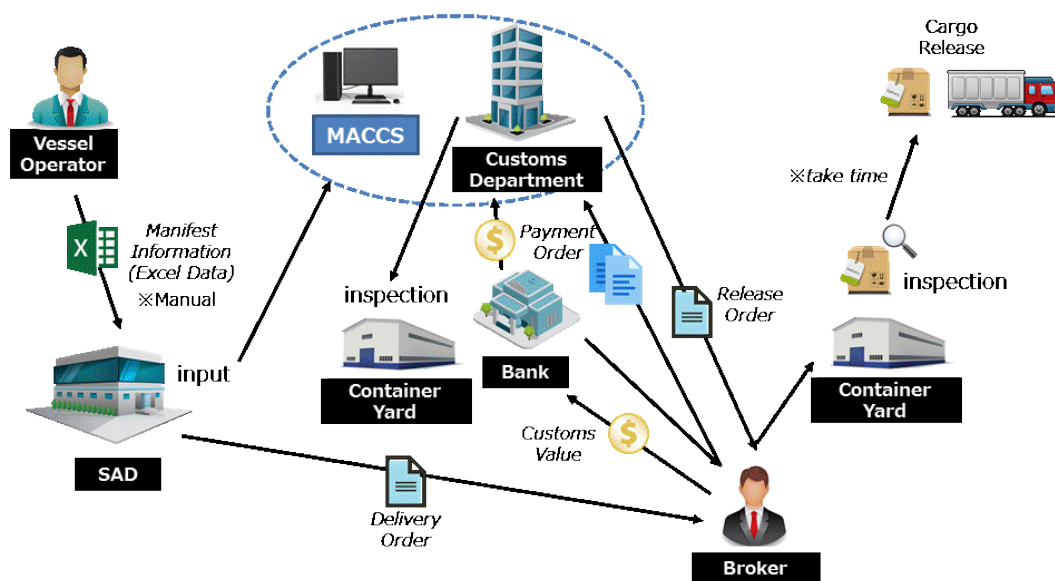
In November 2016, the MACCS , which is modeled after the Nippon Automated Cargo and Port Consolidated System (NACCS), was introduced. Previously, all customs clearance was preceded manually and took a lot of time. It was expected that customs clearance would become smooth, quick and transparent by the introduction of the MACCS and related rules. However, the situation has not changed and there are still many problems as follows:

- i) Ship Agency Department (SAD) shuts down the function of the MACCS from private users
- ii) Some cargoes are inspected even though they are classified as “green” on the MACCS
- iii) It takes a significant amount of time to import using Form-D at the land border
- iv) It takes a significant amount of time to pay customs duty at the border area
- v) Cargo transshipment is required at the border area
- vi) Issues related to counterfeit products
- vii) Traders and agents have to provide data to the MOC at the land border

- i) Ship Agency Department (SAD) shuts down the function of the MACCS from private users

In terms of the function of the MACCS, shipping companies are supposed to be able to input cargo information directly, but in fact, the SAD is blocking it. According to domestic law, the SAD is positioned as an agency for all ships, so shipping companies are required to submit cargo information to the SAD in paper form. Although shipping companies are able to process on-line with the MACCS, they are forced to process on paper. This results in increased burdens, costs and procedural delays. In addition, consolidation cargo import is not allowed to use House B/L because of SAD regulation, although the relevant ministries have determined to permit the use of House B/L.

Procedure at the Port (Yangon)



ii) Some cargoes are inspected even though they are classified as “green” on the MACCS

In the MACCS, applications are classified into three categories: green, yellow and red. Cargo classified as “green” is automatically accepted as long as deposits are made. The cargo classified as “green” on the MACCS is designed to be able to be released immediately, but some cargoes are still subject to inspection at the port. In the current operation, cargo which is subject to exemption or requires permission of other ministries and agencies is inspected by Customs on behalf of Other Government Agencies (OGAs).

iii) It takes a significant amount of time to import using Form-D at the land border

In order to enjoy preferential duties within ASEAN, importers need to submit an original paper-based certificate of origin, called “Form-D,” to the MCD, and the MCD needs to check its authenticity. The problem regarding Form-D is that importers are requested to submit the original paper-based Form-D to Myawaddy regional Customs when they import cargo through Myawaddy. According to the business practices, the original Form-D tends to be delivered to importers who reside in Yangon, and in such cases, the importers have to go through a time-consuming process to bring the document to Myawaddy. In fact, the MACCS has the function of sending data of attached files. If we can use that function, we do not have to bring the original Form-D to Myawaddy and can save time for customs clearance, but the MCD does not allow importers to use this system.

Customs duty is supposed to be withdrawn immediately as long as enough deposit remains on an MACCS account. However, although importers have a deposit account in the MACCS for Yangon, the MCD does not allow them to use Yangon's deposit account for Myawaddy's customs clearance. The MCD is ordered by the Auditor General in Yangon to distinguish accounts by area and to report how many accounts are used in each area.

Truck cargo imported from Mae Sot to Myawaddy must be transshipped at Myawaddy. If an MOU based on the Cross Border Transportation Agreement (CBTA) is concluded with Thailand, mutual transportation will be possible, which can reduce time and cost. We understand that the Ministry of Transportation and Communication (MOTC) is negotiating with Thailand and that the MOU will be concluded in the near future. But according to the current draft, the route where mutual transportation can be used is only from Mawlamyine to Mukdahan through Myawaddy and Mae Sot, while Japanese companies have an interest in the use of wider logistical routes to Yangon, Thilawa and to Bangkok.

[illegible]

We can also point out the problem of counterfeit products manufactured mainly in China being distributed in Myanmar in large quantities crossing borders without

inspections. The influx of counterfeit goods not only has a negative impact on the business of domestic and foreign companies but could also serve as a source of funds for terrorist organizations. According to the current Myanmar laws, regulations on inflows of such counterfeit products are limited and public awareness of the negative impacts from the use of counterfeit goods is also low.

vii) Traders and agents have to provide data to the MOC at the land border

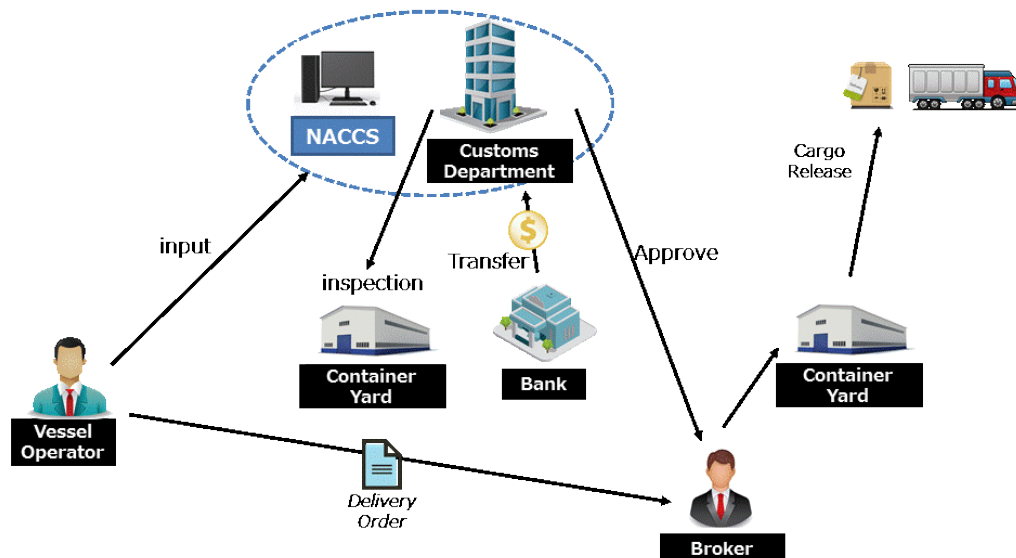
In addition to the information required by the MACCS, traders and agents are requested by the MOC to provide relevant information for the BTOS (Border Trade Online System). This procedure leads to delays in the release of imported cargoes at the land border. Therefore, BTOS procedures should be reviewed and then the BTOS should be integrated with the MACCS.

2) Global Standard Measures

In Japan, the NACCS has already been introduced. All procedures are completed online, and examination is completed quickly. X-ray inspection machines have also been introduced to shorten the inspection time, and the number and ratio of the cargoes which are subject to physical inspections are limited.

The countermeasures against counterfeit goods are also enforced under the laws of Customs and the police.

Procedure at the Port (Japan)



3) Measures of ASEAN

Almost all countries already allow transshipments at their border.

From/To	To/From	As-is container transport
Thailand	Vietnam	Possible (transship at Laos border)
Thailand	Laos	Possible (transship at Laos border)
Thailand	Cambodia	Possible (transship at Cambodia border)
Thailand	Myanmar	Impossible (transfer contents at Myanmar border)
Vietnam	Laos	Possible (transship at Laos border)
Vietnam	Cambodia	Possible (transship at Cambodia border)

4) Future Directions for Myanmar

First of all, the MACCS should be utilized more properly and effectively. Current problems regarding the MACCS are mainly caused by lack of inter-ministry collaboration and are not able to be solved by the MCD only. In order to realize smooth customs clearance, deregulation and coordination among the related ministries (such as the MOC, MCD, SAD and Auditor General Office) are needed.

The MOTC should conclude the MOU based on the CBTA as soon as possible. After the conclusion, the coverage of the MOU should be expanded from Thilawa to Bangkok.

Counterfeit goods should be cracked down on appropriately. We understand that intellectual property right laws (copyright, trade marks, designs and patents) regulate import, distribution and sales of counterfeit goods. We understand these laws are being discussed in parliament, but we hope they will be implemented as soon as possible.

2-1-4. Introduction of bonded warehouse and transportation system

1) Problems

In Myanmar, a bonded warehouse and transportation systems has not been introduced yet. The bonded system is a system that reserves customs duty payment for a certain period, and it allows storage and transportation of foreign cargoes without going through customs procedures. In Myanmar, the introduction of this system will make the whole logistics system very effective from the viewpoint of mitigating congestion of traffic near ports and reducing the lead-time for customs clearance. We understand that the MCD is drafting a notification for introduction of the bonded warehouse and transportation system, but it has not been issued yet.

2) Global Standard Measures

The bonded warehouse and transportation system is common internationally. It has already been introduced in Japan.

3) Measures of ASEAN countries

Almost all countries have already introduced it.

	Thailand	Malaysia	Vietnam	Singapore	Indonesia	Myanmar
Bonded Warehouse System	○	○	○	○	○	×
Bonded Transportation System	○	○	○	○	○	×

4) Future Directions for Myanmar

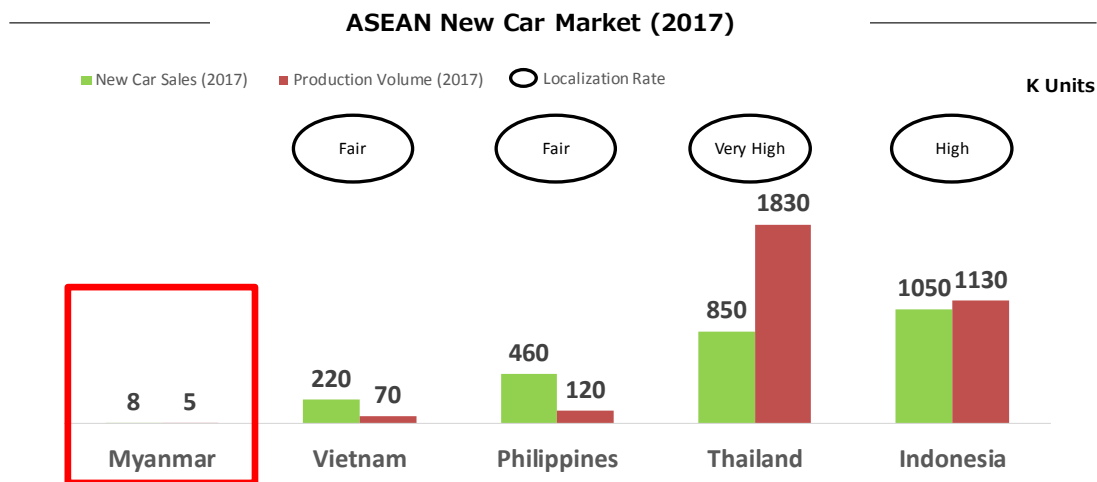
The notification of introduction of the bonded warehouse and transportation system should be published as soon as possible. We understand that even if the system is introduced, it will not be possible to quickly implement it across Myanmar. In this regard, we suggest that it should start from Yangon, especially in Thilawa, and then gradually expand the target area. Logistics is currently concentrated in Yangon, so demands in Yangon are high. If the system is installed in Yangon, imported cargo can be transferred immediately to the bonded facility without staying in the narrow Yangon Port, which contributes to shortening lead times in Yangon.

2-2. Development of the Automobile Industry

2-2-1. Healthy growth of the new car market

1) Problems

Generally, the number of new car sales is assumed to be the basis for measuring the scale of the automobile market in a country. Myanmar's new car market is about 8,000 a year, of which about 5,000 are locally produced. Compared with other ASEAN countries, the sales volume in Myanmar is very small, and it means Myanmar's automobile industry is still at the lower stage of development.



The reason why Myanmar's automobile market is so small is considered to be as follows:

- i) Income level
- ii) Acceptance of used car imports
- iii) De facto import restriction

i) Income level

Automobiles are luxury goods. As the economy is small, the new car market will not grow large either. Generally, it is said that if GDP/capital exceeds 3,000 USD, "motorization" occurs. Currently, the GDP/capital of Myanmar is about 1,300 USD and it has not reached that level. The Philippines (about 3,000 USD) is just on that level, and their sales are growing larger right now. Vietnam (about 2,300 USD) is recognized as a promising market and is estimated to reach that level within a few years.

ii) Acceptance of used car imports

Acceptance of used car imports is to be evaluated from the viewpoint of disseminating inexpensive vehicles. However, from the viewpoint of nurturing the new car market, it is a policy to be prohibited because imported used cars will deprive the market of imported new cars and domestically manufactured cars. In Myanmar, used car imports were accepted in 2012, and a lot of used cars were distributed, mainly in Yangon. At the MJJI, we have requested that used car imports be restricted, and in 2017, they were banned again from the viewpoint of traffic congestion control and domestic car promotion.

iii) De facto import restriction

The Yangon Regional Government (YRG) has suspended issuance of parking permits for imported cars since April 2016 to eliminate traffic congestion. As a parking permit is necessary to import new cars, the suspension is a de facto prohibition in Yangon. In addition, the Ministry of Commerce regulates the stock of imported cars at 300 units per showroom. When foreign companies import cars, they must establish a showroom, but the maximum inventory is set at 300 units by the Ministry of Commerce. Because importing new cars in Yangon is prohibited, we are trying to expand the sales network nationwide; however, the low stock ceiling became a bottleneck, and we cannot respond to sales orders quickly.

2) Global Standard Measures

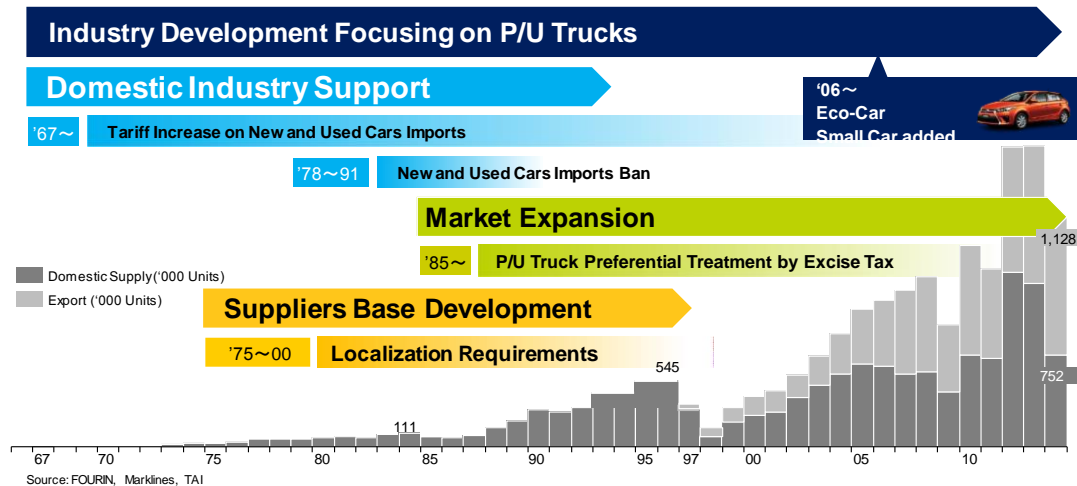
A lot of developing countries have restricted the import of used cars in order to promote the healthy growth of their new car markets, etc.

3) Measures of ASEAN Countries

Thailand has banned the import of used cars since 1980. At the same time, it has been obliging local procurement at a certain rate to protect its domestic automobile market and nurture related industries for a long time. In addition, specializing in pickup trucks, they have given incentives for domestic production such as tax relief.

Thailand Automotive Industry Development

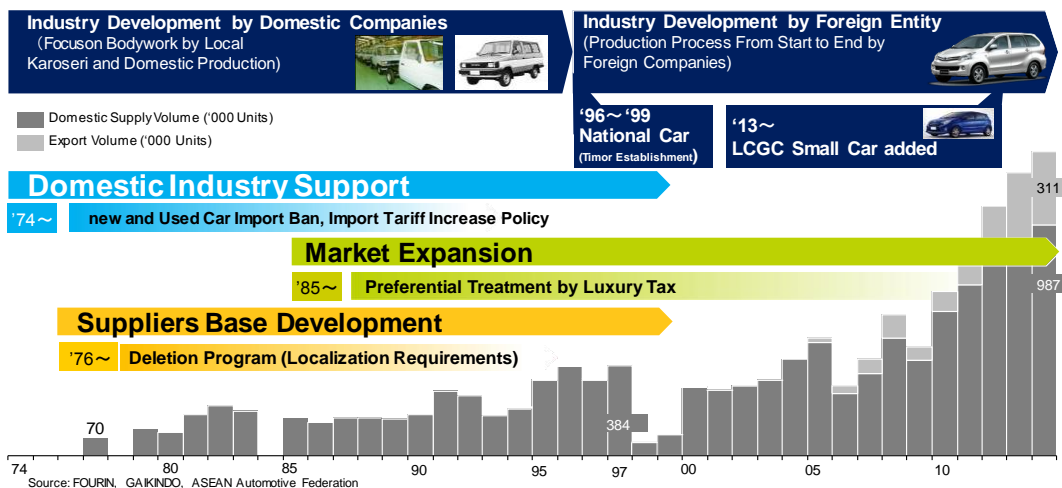
- **Thailand, by focusing on Pick-up**, promoted the automotive industry development
- Over 50 years, Thailand implemented **domestic industry support, market expansion and Suppliers Base Development**
- In recent years, in addition to Pick-up, **Eco-car policy** was introduced, adding small cars to promoted models



Even in Indonesia, the import of used cars has been banned since before 1980. At the same time, it has given incentives to the domestic auto industry to protect and nurture it.

Indonesia Automotive Industry Development

- Over 40 years, **Indonesia focused on MPV**, and targeted national automakers development unlike Thailand
- Automotive industry development was initially led by domestic companies up to mid-90s, became led by foreign companies
- Industry development achieved by **domestic industry support, market expansion and suppliers base development**



4) Future Directions for Myanmar

First, the problem of stopping the issuance of parking permits by the YRG and the stock ceiling issue should be solved as soon as possible. These are the current obstacles. The YRG's policy of restricting imported cars in Yangon from the viewpoint of relaxing traffic congestion is contrary to the national policy which nurtures the automobile market. These governments should discuss earnestly and ensure consistency between the national and regional policies. Of course, it is necessary for the YRG to take measures to solve the congestion problem, but in order to solve this problem, there are other ways that do not involve limiting imports as follows:

i) Crackdown on illegal parking

Current traffic congestion is mostly caused by illegal parking on the street.

ii) Improvement of traffic light system

Although traffic lights have been introduced, almost all of them stay green for a long time in one direction, which is very inefficient. Manual guidance by police officers also contributes to the inefficient situation.

iii) Development of appropriate traffic rules

Inexperienced driving is also one cause of traffic congestion. Traffic rules for controlling such driving behavior should also be developed.

Second, medium to -long term policies should be formulated. We understand that the Ministry of Industry is drafting an automobile policy. Its policy should be based on "enlarging the new car market" as the first priority.

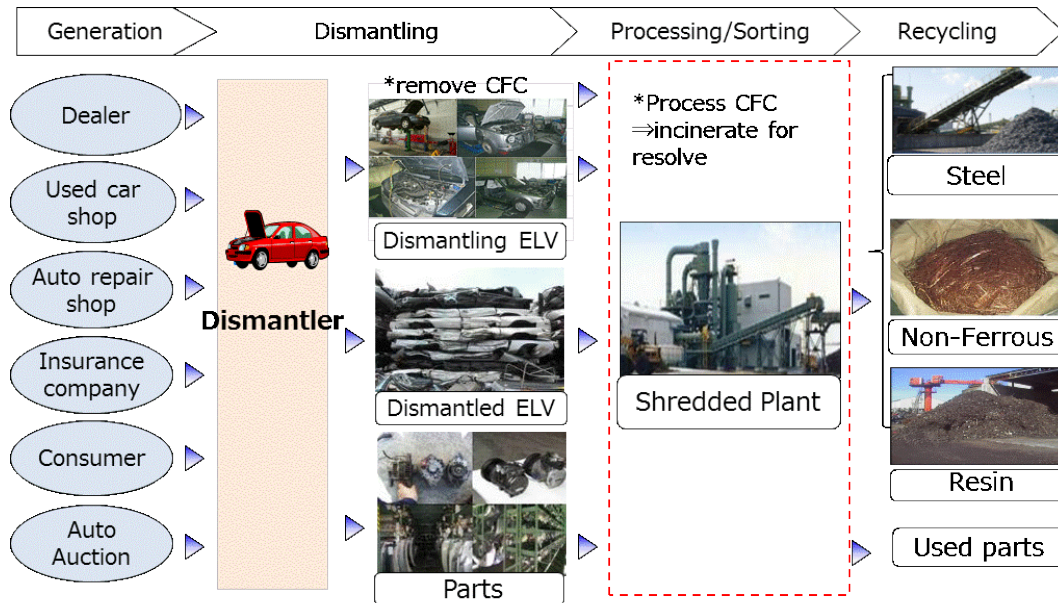
2-2-3. Establishment of automobile recycling system

1) Problems

While promoting the automobile industry, it is also important to dispose of and re-use old vehicles properly in accordance with environmental protection rules. However, in Myanmar, no automobile recycling system has been established. At present, scrapped automobiles are brought to the state-owned factory in Myingyan or MEC (Myanmar Economic Corporation) factory in Yangon. Main body parts are re-used as raw steel materials at these two factories, but other easily reusable parts such as engine parts are just removed without permission while other parts are not collected. These remaining parts are not even disposed of properly and are left untouched. Some automobile parts contain substances that are harmful to the environment, such as chlorofluorocarbons contained in air conditioners. Automobiles also contain a lot of valuable materials such as rare metals which can be re-used, but, unfortunately, such re-use is not conducted in Myanmar.

2) Global Standard Measures

In Japan, an automobile recycling system has already been introduced, and there are also operators who have relevant technology and knowledge.



3) Measures of ASEAN countries

There are no standards or rules for automobile recycling systems in ASEAN. This means that Myanmar could be a pioneer if Myanmar were to introduce such system.

4) Future Directions for Myanmar

Although automobile recycling has not been introduced as a system, there is an established procedure where scrapped cars are brought to a factory in either Myingyan or Yangon. In automobile recycling, the process of dismantling automobiles and sorting of parts is important. In that process, parts to be re-used and parts to be discarded are separated. It takes a lot of time to establish automobile recycling as a system, but by utilizing Japanese technology, it is possible to establish a vehicle recycling system in practice.

2-3. Development of the Electric and Electronics industry

2-3-1. Establishment of appropriate standard

1) Problems

The Japanese electric and electronics companies has not started to produce in Myanmar yet. Like the automobile industry, it is important to enlarge the domestic market to invite manufacturing-related investment. Many electronic instruments/devices currently sold in Myanmar are imported. However, most of them are inexpensive and of low quality. These inferior goods threaten not only the safety and security of domestic consumers but also healthy market growth. It is necessary to introduce standards and rules to exclude them.

For example, air conditioners sold in Myanmar are mostly imported. Air conditioners require electric power and refrigerant gases for their operation, but because of a lack of rules from the points of i) energy efficiency, ii) materials used as refrigerant gases and iii) materials used in dry cell batteries, some low-quality devices are still sold in Myanmar.

i) Energy efficiency

It is said that air conditioner power consumption currently accounts for the majority of the private sector's electricity consumption in Myanmar. If a large number of non-power efficient air conditioners are circulated, it causes wasted power consumption. Currently, the Ministry of Industry is drafting the development of energy efficiency policy and is trying to eliminate equipment that does not meet the minimum energy efficiency performance, but enforcement is supposed to start around 2020.

ii) Materials used as refrigerant gases

Chlorofluorocarbon (CFC) gas or Hydro chlorofluorocarbon (HCFC) gas, which are considered to cause ozone depletion, are used as refrigerant gas. In Myanmar, a lot of air conditioners using HCFC gas as a refrigerant are sold in Myanmar. Developing countries are obliged by the Montreal Protocol to abolish HCFC by 2030. The Ministry of Natural Resources and Environmental Conservation is attempting to regulate import and sales of HCFC equipped devices but has not begun to do so yet.

iii) Materials used in dry cell batteries

Regarding dry cell batteries, while batteries include a variety of harmful substances such as mercury, lead and cadmium, there is no regulation to exclude products containing such harmful substances. It is hard to grasp how many harmful substances

are contained. In particular, in the case of disposable dry batteries, if proper disposal is not performed, it causes environmental pollution and damage to the human body.

2) Global Standard Measures

i) Energy efficiency

In Japan, manufacturers are responsible for performance indication and inspection of product safety. If an accident occurs, the Government of Japan investigates the causes and determines whether manufacturers are at fault or not. On the other hand, for energy efficiency matters, unified energy efficiency labels have been established by the government. The government is responsible for certifying energy efficiency, and only products which are authorized by the government can display such labels.

ii) Materials used as refrigerant gases

Japan has already decided to prohibit production of HCFC gas by 2020. HCFC equipped air conditioners have not been sold since 2007. Some Japanese manufacturers have developed new refrigerant gases which are more efficient and have less of a negative impact on the environment than HCFC.

iii) Materials used in dry cell batteries

Japan and the EU have already enforced rules to limit hazardous substances (mercury, cadmium and lead) per dry cell. These rules are almost similar, and upper limits are set respectively at 5 ppm for mercury, 20 ppm for cadmium and 40 ppm for lead.

3) Measures of ASEAN countries

With respect to materials used as refrigerant gases mentioned in ii) above, import and production of HCFC equipped products in Indonesia have been prohibited since 2015. The same regulation was also introduced in Malaysia in 2016 for small capacity products. In Thailand, import and production were banned in 2017, and sales are now prohibited in 2018.

Regarding materials used in dry cell batteries mentioned in iii) above, in Vietnam, the upper limit of hazardous substances per dry cell is regulated at 5 ppm for mercury, 20 ppm for cadmium and 100 ppm for lead.

4) Future directions for Myanmar

The Ministry of Industry and Ministry of Natural Resources and Environment Conservation should introduce i) and ii) as soon as possible.

As for dry cell batteries mentioned in iii) above, since the method of limiting harmful substances per dry cell is widely adopted in other countries, it would be advisable for Myanmar to follow it. It would be better to set upper limits at the same level as Japan

and the EU (namely, 5 ppm for mercury, 20 ppm for cadmium and 40 ppm for lead), as the matter concerns the health of Myanmar citizens.

2-4. Enhancement of the Tax System and Tax Practices

2-4-1. Corporate Income Tax/Clear definitions for taxable income and deductible expenses

1) Problems

In Myanmar, the Income Tax Law, which covers both corporate income tax and personal income tax, does not clearly define taxable income and deductible expenses.

Clear definitions are crucial to increasing public trust in the tax system and laying the foundations for the Self-Assessment System (SAS). Tax officers, particularly those under the Office Assessment System (OAS), do not necessarily provide clear explanations on the tax offices' adjustments, partly because of the lack of such clear definitions.

Predictability of tax burdens plays a critical role in motivating businesses to invest, so the lack of such provisions has a negative impact on domestic and foreign direct investment; ultimately detrimental to the Myanmar economy.

The Internal Revenue Department (IRD) is now trying to increase the number of companies to which the IRD applies SAS. We are appreciative of the IRD's efforts to transition from OAS to SAS. We are also grateful for the IRD's decision to use Medium Taxpayers' Office 2 as the competent office for foreign companies as the first step of the transition. As a result of these efforts, the number of tax filings the IRD will receive is expected to increase, and under those circumstances, it would be very helpful for the IRD to receive tax filings with clear evidence. However, without clear definitions of taxable income and deductible expenses, taxpayers would not be able to calculate and submit tax returns with enough evidence.

2) Global Standard Measures

Advanced countries apply SAS to all taxpayers, and the taxpayers submit their tax filings based on detailed definitions of taxable income and deductible expenses stipulated in the tax laws in each country. Each countries' provisions vary slightly based on their culture and business practices.

3) Measures of ASEAN countries

In Thailand, its tax law defines non-deductible expenses, such as estimated expenses and capital nature expenditures. Also, it stipulates criteria for the deduction of ambiguous expenditures, such as provisions for losses from accounts receivable, entertainment expenses, and gifts.

In Vietnam, its tax law stipulates clearly non-deductible expenses, such as estimated expenses and unrealized loss. It also states general conditions for deduction.

4) Future directions for Myanmar

We understand and appreciate that the IRD is working hard to modernize tax laws, including the Income Tax Law (MSDP Strategy 2.3.4). In drafting the Income Tax Law, the IRD should include clear definitions of taxable income and deductible expenses by using other countries' tax laws as a reference.

2-4-2. Personal Income Tax/Clear definitions for taxable income

1) Problems

In Myanmar, the Income Tax Law, which covers both corporate income tax and personal income tax, does not clearly define taxable income, such as various fringe benefits. Thus, it is unclear to taxpayers whether what they receive from their employers, say travel allowances, will be taxable or not. In practice, each professional tax firm communicates separately with the IRD to determine their clients' taxable income.

2) Global Standard Measures

Advanced countries clearly define what kinds of benefits are taxable, not taxable, or partially taxable. Each countries' provisions vary slightly based on their culture and business practices.

3) Measures of ASEAN countries

The table below shows how the ASEAN countries define taxable fringe benefits.

Fringe Benefits		Thailand	Malaysia	Vietnam	Philippine	Indonesia
Tax Paid by Employer		Tax on Tax	Taxable as Bonus	Tax on Tax	Tax on Tax	Tax on Tax
House Rent		Taxable	Taxable Max: 30% of Total Salary	Taxable Max: 15% of Basic Salary	Taxable	Taxable
Annual Leave		Not taxable for one time a year	Not taxable up to RM 3,000 once a year	Not taxable for one time a year	Taxable	Taxable
Company Car	For Employee	Not Taxable	Taxable with prescribed amount by class	Taxable, except for common use car	Taxable as fringe benefit	Taxable on 50% car rental
	For Family	Taxable	Taxable with prescribed amount by class	Taxable, except for common use car	Taxable as fringe benefit	Taxable
Tuition fee for Children		Taxable	Taxable	Taxable	Taxable as fringe benefit	Taxable
Insurance	Required by Law	Not taxable	Not taxable	Not taxable	Not taxable	Not taxable
	Medical	Not taxable	Not taxable	Not taxable	Taxable	Taxable

4) Future directions for Myanmar

We understand and appreciate that the IRD is working hard to modernize tax laws, including the Income Tax Law (MSDP Strategy 2.3.4). In drafting the Income Tax Law, the IRD should include clear definitions of taxable fringe benefits by using other countries' tax laws as a reference.

2-4-3. Withholding Tax/Revision of transactions with non-residents from withholding tax

1) Problems

In Myanmar, a much broader range of transactions are subject to withholding tax than those in other countries.

We understand that withholding tax is an important measure to ensure collection of corporate income tax and personal income tax by levying tax upon payments. However, the range of transactions should be narrowed taking into consideration other countries' practices. In this regard, we are appreciative that the IRD narrowed the range of domestic transactions subject to the withholding tax by the notification in April 2018, but the scope of the withholding tax with regard to transactions with non-residents should still be considered.

Also, as suggested by the characteristics of withholding tax, taxpayers are to be allowed to deduct the amount of withholding tax paid from their annual tax amount

when filing their income tax returns, and if their annual tax amount is less than the amount of their withholding tax, the exceeding amount should be allowed to be carried forward. However, some companies are opposed to carrying it forward to credit their withholding tax to their corporate income tax in the next tax year or afterward.

2) Global Standard Measures

Advanced countries usually levy withholding tax only on passive income. Also, they permit carrying forward the amount of withholding tax which exceeds a company's annual tax amount to the next tax year or later.

3) Measures of ASEAN countries

The table below shows how the ASEAN countries levy withholding tax on the income of non-residents.

Income of Non-residents		Thailand	Malaysia	Vietnam	Philippines	Indonesia	Myanmar
Interest		10%	15% (10%)	10%	20% (10%)	10%	15%
Dividend		10%	—	—	30% (10% : more than 10% shareholder)	20% (10% : more than 25% shareholder)	—
Royalty		15%	10% [§ 109]	10%	30% (10%)	20% (10%)	15%
Services	Technical Services		10% [§ 109B]	5%	30%	20%	2.5%
	Construction Contract	15% (PE only)	10% [§ 107A] (PE only)	2% · 5%			
Lease payment		15%	10% [§ 109B]	5%			
Capital Gain	Listed Shares	15% on capital gain	—	0.1% of sales value	0.5% of sales value	0.1% of sales value	No W/H tax but taxable at 10% of CIT
	Non-listed shares			20% on capital gain	10% on capital gain	5% of sales value	
All other services							2.5%
Import of certain goods							2%

4) Future directions for Myanmar

We understand and appreciate that the IRD is working hard to modernize tax laws, including the Income Tax Law (MSDP Strategy 2.3.4). In drafting the Income Tax Law, the IRD should revisit how to impose withholding tax on transactions accruing income of non-residents by using other countries' tax laws as a reference.

2-4-4. Commercial Tax/Smooth conversion to Value-Added Tax System

1) Problems

In Myanmar, as for commercial tax, not all input tax is allowed to be offset against output tax. This has posed a burden on businesses.

Also, to claim input tax credit from output commercial tax, taxpayers need to submit Kha Tha Ka 31 as evidence of their paying input tax. At this moment, taxpayers should submit this form for every single transaction. However, taxpayers can only obtain Kha Tha Ka 31 after their counterparty pays their commercial tax to the IRD, which means that it takes a long time to get Kha Tha Ka 31. Thus, it is burdensome for taxpayers to have to manage and submit the Kha Tha Ka 31 as proof of their input tax credit.

Another problem regarding commercial tax is related to taxation on export or import of services. The Commercial Tax Law does not define what kind of import/export of services will be taxable. Such definition is necessary to improve taxpayers' predictability.

2) Global Standard Measures

Advanced countries usually allow almost all input tax to be eligible for input tax credits. Also, they allow taxpayers to use tax invoices issued by their counterparties as evidence for the input tax credits. Many countries also use the deemed profit method as a preferential treatment for small and medium-sized enterprises.

3) Measures of ASEAN countries

In ASEAN countries, as in advanced countries, all input tax is allowed to be used for input tax credits. They also allow taxpayers to use tax invoices issued by their counterparties as evidence for the input tax credits. In Vietnam, pre-printed and pre-numbered tax invoices were used as a transitional method. Vietnam also uses the deemed profit method as an option for calculating VAT.

The table below shows how the ASEAN countries define taxable import or export of services.

■ Taxable “Import of Services”

Thailand	Vietnam	Philippines	Indonesia
Services provided by Non-resident which is used in Thailand	All services which are subject to Foreign Contract Tax (Services rendered in Vietnam)	Services rendered in Philippines	Services provided by Non-resident which is used in Thailand

■ 0% Rate Taxable “Export of Services”

Services rendered and used outside of Thailand	Services provided to Non-residents	<ul style="list-style-type: none"> • International freight/air freight charges • Manufacturing services to Non-resident • Other services provided to Non-resident 	<ul style="list-style-type: none"> • Manufacturing services to Non-resident • Repair/maintenance services to property in overseas • Construction services in overseas
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4) Future directions for Myanmar

We are appreciative of the IRD’s effort to smooth the conversion to the value-added tax (VAT) system from the current commercial tax system, and the above problems will be solved under the VAT system. However, the IRD should provide transitional measures.

It is not practical to require Ka Tha Ka 31 for every single transaction. Ka Tha Ka 31 should be replaced with a tax invoice issued by suppliers.

Also, principally all input tax, including 0% taxable transactions, general and sales expenses, and capital investments, should be eligible for input tax credits as in other countries. The Commercial Tax Law or its bylaws should also stipulate clear definitions of 0% taxable transactions and exempt transactions.

2-5. Sound Development of the Banking sector

2-5-1. Single Lending Limit

1) Problems

Myanmar has adopted the so-called “Single Lending Limit” regulation. Section 59 (a) of the Financial Institutions Law stipulates that “a bank shall not take on financial exposure in respect of a person or a single counterparty or group of connected counterparties which constitutes in the aggregate a liability amounting to more than twenty per centum of the core capital of the bank.”

As for the meaning of “core capital” stated in this subsection, the Q&A that the Central Bank of Myanmar (CBM) distributed at the time of opening foreign bank branches said that “core capital” for foreign banks means “the equity capital plus reserves of the Myanmar Branch.” Thus, foreign banks operating in Myanmar comply with this regulation by setting 20% of their paid-up capital for their operation as a branch (USD 75 million or more) as the limit of the loan amount to a person or a single counterparty or group of connected counterparties. This meaning of “core capital” for foreign banks is not defined in laws or regulations, but is decided by a verbal instruction based on the Q&A. When it comes to local private banks, the limitation of the loan amount is 20% of their headquarters’ capital. It seems unfair to us that the calculation method for local private banks is so different from that for foreign banks. Also, the definitions of “company” and “group” are not clearly defined in laws or regulations.

As a result of this regulation, foreign banks are forced to decline their clients’ requests to borrow money; thereby having an adverse effect on the implementation of large-scale investment, such as infrastructure projects, which are indispensable for Myanmar’s development. It seems that local banks are still unfamiliar with lending money to foreign companies, and, judging from what we have seen, local banks do not provide loans to the foreign companies who have been refused loans from foreign banks due to the Single Lending Limit. Foreign companies that are not able to expect loans from banks must resort to other options, such as borrowing from their parent companies, and using their own money, say their capital. If the CBM continues to apply the Single Lending Limit to foreign banks in the same way, foreign companies might need to consider downsizing their businesses, which may decelerate Myanmar’s economic growth.

2) Global Standard Measures

As in Myanmar, in Japan, the maximum amount of a loan to a group is limited to 25% of the consolidated capital of each bank, and other developed countries have

introduced similar regulations. However, they do not use the paid-up capital of a branch operating in the countries when calculating the maximum amount. They calculate it by using the capital of headquarters.

3) Measures of ASEAN countries

It is true that many of the ASEAN countries, such as Vietnam, have adopted the Single Lending Limit, and they use the paid-up capital for their operation as a branch as the limit for the calculation of the maximum loan amount, just like Myanmar. However, ASEAN countries have made exceptions to the Single Lending Limit where credit risk of a certain loan is not borne by a bank. Such exceptions include loans under a Standby L/C issued by the headquarters and loans collateralized by the HQ's deposits, because the credit risk of such loans is borne by foreign countries.

Also, many countries set different limits on loans to one company from loans to one group. For example, in the case of Vietnam, while the restriction on loans to one company is set at 15%, that on loans to one group is set at 25%. Furthermore, the meanings of "company" and "group" are clearly defined in their laws and regulations.

4) Future directions for Myanmar

Because the current Single Lending Limit is an obstacle to significant large-scale investment, the CBM needs to change the way the Single Lending Limit is applied to foreign banks immediately. It may be a good idea to exclude the Single Lending Limit from applying to loans guaranteed by an investment grade bank.

Such change will not have a big impact on local private banks considering the current situation. That is because, while the main clients of foreign banks are foreign companies, those of local banks are local companies and individuals.

It is also important to clarify the definitions of "company" and "groups" by rules or regulations.

2-5-2. Interest payment to foreign banks for their capital blocked by CBM

1) Problems

In Myanmar, foreign banks do not receive interest from their capital blocked by the CBM (USD 40 Million). The CBM has not kept the promise that it made in the Q&A distributed at the time of opening foreign bank branches, which clearly stated that the interest would be paid. In particular, because Japanese banks started their operation earlier than other foreign banks, lost profits amount to about USD 0.9 Million, which is a major obstacle to earning profits for foreign banks.

If the CBM continues not to pay interest and foreign banks continue to suffer a loss, this will discourage not only existing foreign banks from expanding their business but also other foreign banks from entering this market.

2) Global Standard Measures

In Japan, the Bank of Japan keeps reserve deposits from private banks and repays the principal and interest to private banks. The interest rate on the reserve deposits is reviewed continuously taking into consideration the economic situation.

3) Measures of ASEAN countries

The central banks of other ASEAN countries also keep reserve deposits for settlements from private banks and repay the principal and interest to private banks. Just like in the case of Japan, they continuously review the interest rates considering the economic situation of each country.

4) Future directions for Myanmar

The CBM, just like other countries, should pay back deposit from private banks with interest in USD, and constantly review the interest rate in light of Myanmar's economic situation.

It is said that the CBM is considering lending Myanmar kyat (MMK) by deeming blocked capital to be collateral. However, given their promise made in the above Q&A and the past lost profits in USD, the CBM should pay interest in USD. This will further accelerate the flow of funds, leading to economic development.

2-5-3. Business with local companies

1) Problems

Foreign banks are not allowed to provide services to local companies according to the license issued to foreign banks by the CBM.

It is commendable that the CBM has recently eased this regulation. In December 2017, the CBM issued Instruction 9/2017, permitting foreign banks to provide export finance and export-related finance to local companies. As a first step, the CBM has started the relaxation from trade finance, which local banks are not familiar with and is strongly requested by local export companies.

However, it is not expected that this deregulation will lead to a situation where many transactions are made between foreign banks and local companies, because the details, such as the scope of export finance, of the instruction are unclear, and the

lifting is not comprehensive; thus, the eligible local companies and transactions will be limited.

The most desirable situation is where, without any regulation, local companies are able to freely pick up good services from either local or foreign banks, thereby expanding their businesses and contributing to economic growth. In addition to the effect on local businesses, such competition between local and foreign banks will make local banks more competitive.

2) Global Standard Measures

Even in Japan, foreign banks' businesses are regulated to a certain extent. Foreign banks are required to obtain approval in advance when dealing with foreign companies (including local Japanese companies) in Japan. However, if the conditions are met, and the approval is obtained, the transactions are allowed without any restrictions. Also, there are no regulations on counterparties.

3) Measures of ASEAN countries

Similar regulations are not found in other ASEAN countries.

4) Future directions for Myanmar

There are no justifications for regulations on business with local companies other than ensuring the interests of existing local banks. This should be deregulated as soon as possible. With such deregulation, local companies will be able to freely choose local and foreign banks, and the flow of funds to local companies will be improved, thereby boosting Myanmar's economy.

Moreover, examples of other ASEAN countries teach us that a country's competitiveness will be improved by eliminating the regulations on the scope of business permitted for foreign banks. The provision by foreign banks of financial services not only to foreign companies but also to local companies will stimulate economic activities. Also, other ASEAN countries have shown that such deregulation does not mean that local banks will lose their clients. This is because local banks with branch networks and a customer base excel in settlement convenience, and they are better at credit screening of local companies based on the information they have accumulated.

We also understand that deregulation should be carried out step by step. In this regard, it might be a good idea to start deregulation from settlement services to large local enterprises.

2-5-4. Deregulation of interest payments on MMK liquidity deposits to foreign bank customers

1) Problems

In Myanmar, regarding MMK deposits, foreign banks' customers are allowed to open only current accounts, and it is not permissible to open savings deposit accounts and other deposit accounts. Also, the CBM does not permit foreign banks to pay interest on such deposits to their customers. Local banks, on the other hand, are allowed to pay interest on their customers' MMK deposits.

This regulation does not have a legal basis, and even worse, it is inconsistent with the license issued to foreign banks by the CBM. This regulation is imposed by a verbal instruction from the CBM based on the Q&A that the CBM distributed at the time of opening foreign bank branches, which stated that foreign banks could provide only liquid deposits. On the other hand, a provision in the license clearly mentions that one of the permitted businesses is "Acceptance of deposits."

Furthermore, the fact that interest payments on MMK deposits are only allowed to be made by local banks will have an adverse effect on the CBM's mission to facilitate the use of MMK. This regulation stops MMK deposits from flowing into foreign banks, making it difficult for foreign banks to lend MMK to their clients, mainly composed of foreign companies. Also, as foreign companies do not want to possess currencies that do not accrue interest, this will increase the value of the USD in Myanmar.

2) Global Standard Measures

In Japan, it is possible for local and foreign banks to provide the same products to customers on the condition that a bank has sufficient capacity to provide good services. Foreign banks are not discriminated against in comparison to local banks simply because they are foreign companies.

It is true that some developed countries have regulations on foreign banks regarding the provision of certain types of deposits. However, such rules have been introduced from the perspective of protecting depositors, because foreign banks are not covered by the deposit insurance system.

3) Measures of ASEAN countries

No other ASEAN countries have imposed similar restrictions only on foreign banks regarding deposit types.

4) Future directions for Myanmar

This regulation should be lifted as soon as possible to encourage foreign companies to enter Myanmar, and to promote settlement in MMK facilitated by the

CBM. Lifting this regulation does not mean that local banks will lose MMK deposits, because local banks excel in the convenience of MMK settlement because they have branch networks, many individual employee accounts, and local company accounts.

It may be a good idea to deregulate step by step, by at first allowing foreign banks to pay interest at a lower rate than local banks.

2-5-5. Credit Guarantee Insurance/Credit Guarantee Corporation

1) Problems

Small and medium-sized enterprises (SMEs) play a crucial role in achieving sound economic growth. One of the challenges that SMEs in Myanmar are facing is the lack of access to finance. Credit Guarantee Insurance (CGI) helps to overcome this situation by decreasing the credit risks borne by local banks.

Since the launch of the CGI system in 2015, more than 800 customers have applied for CGI. It is estimated that more than 50,000 customers would like to use CGI, but many local banks are reluctant to use this scheme because of the fear of taking risks.

The main reasons for such hesitation include (a) CGI is just one of the insurance products that the state-owned Myanma Insurance sells; (b) Myanma Insurance does not accumulate enough funds for the insurance payments of CGI; (c) necessary legal frameworks for ensuring procedures, such as the insurance payments, have not been developed, (d) the CBM has not yet sufficiently provided incentives to local banks to facilitate SME finance.

In this regard, it is commendable that the CBM issued an instruction on 2 July 2018, setting the capital adequacy ratio at 40% for private bank loans to be covered by CGI. However, with more incentives, SME finance will be further improved.

Also, local companies might not be aware of CGI. Currently, the Ministry of Industry is working hard to advertise the scheme by conducting seminars in urban and local areas, but sometimes the information provided in the seminars is inaccurate.

2) Global Standard Measures

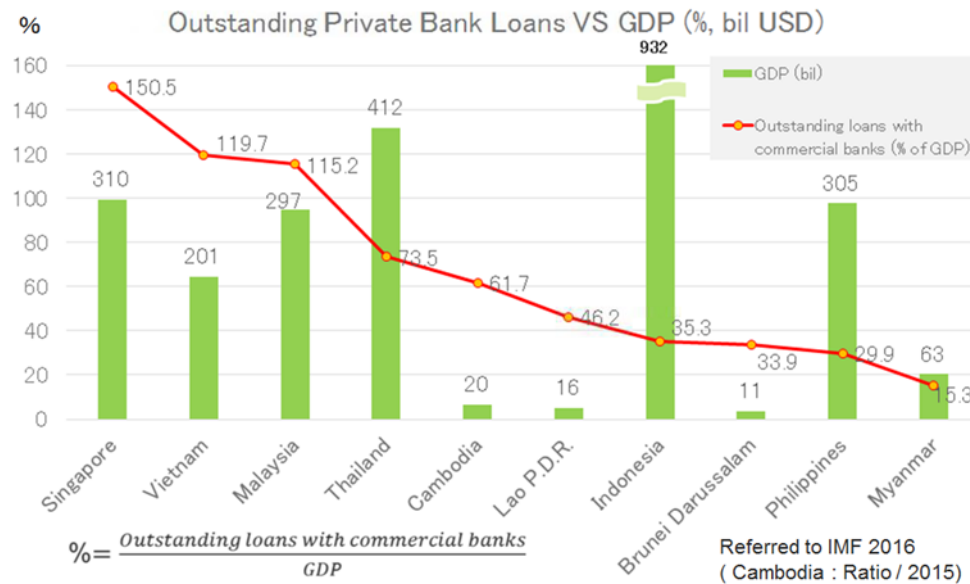
Japan, Europe, and the United States have established an independent legal institution the objective of which is to provide guarantees for SME finance as a national policy. Also, they have introduced incentives for SME loans, such as formulas to calculate risk-weighted assets, and goals of SME finance amounts.

3) Measures of ASEAN countries

Even in the ASEAN countries, all the institutions are independent.

4) Future directions for Myanmar

According to the survey conducted by the IMF in 2016, the rate of SME loans to GDP in Myanmar is 15.3%, which is the lowest among the ASEAN countries.



To tackle this issue, it may be a good idea to take the following measures:

- (a) to establish an independent exclusive institution (e.g., drafting a law and a standard operating procedure, developing human resources, getting funds, etc.);
- (b) to have the CBM or other government institutions provide incentives to local banks (e.g., announcing how many CGI loans have been provided by each local bank at the end of each fiscal year); and
- (c) to advertise CGI more actively and accurately.

2-5-6. FX issues

1) Problems

MMK stabilized at around 1330 - 1360 MMK/USD until May 2018, but MMK continued to depreciate by about 15% between May and September 2018, reaching 1550 MMK/USD. It is commendable that the CBM and responsible government agencies started to intervene in the market through various measures, such as the FX auction, bilateral currency swap facilities, and ban on issuance of re-export licenses for sugar and diesel. However, it still seems challenging to stabilize MMK.

One of the reasons for the difficulty is that the informal market is still dominant and the CBM is not able to fully control and manage the whole foreign exchange market. On 2 April 2012, the CBM shifted to the floating exchange rate system with the aim of eliminating the exchange rate spread between the formal and informal rates. Under the floating exchange rate system, state-owned banks and private banks join the FX

auction each morning, where the CBM reference rate of the day is determined. Under regulations issued in 2012, the buying/selling prices commercial banks offer to customers needed to be set within $\pm 0.8\%$ of the CBM reference rate. Under this currency band regulation, private banks were not able to decide the OTC rate by fully reflecting demand and supply, such as daytime trade transactions. The CBM issued a notification on 13 August 2018, abolishing the currency band regulation. It will help private banks to set more freely their OTC rate. However, it seems that the informal market is still dominant, and the CBM does not fully control and manage the whole foreign exchange market.

Another reason is that it is not easy to effectively implement foreign exchange intervention operations with the current foreign reserve amount.

Furthermore, the CBM does not fully utilize methods to affect supply and demand. Although the CBM urges companies and individuals to use MMK for transactions in Myanmar, such instruction is not legally binding. Also, it is not possible to buy and sell MMK through the offshore market.

2) Global Standard Measures

In Japan, there were restrictions on the payment of foreign currency for ordinary transactions during the transitional period after World War II, but such exchange control has been abolished except in special cases, such as dealings with sanctioned countries. Liberalizing foreign capital transactions and abolishing the authorized foreign exchange bank system have helped to achieve liberalization of foreign exchange operations.

Under such circumstances, the bank OTC rate is freely set by each bank/trader based on actual market trends, and the government grasps and manages all transactions, thereby making it possible to make the most of the intervention mechanism.

3) Measures of ASEAN countries

We cannot find any cases where bank rates cannot reflect actual market trends and the formal rate diverges from the informal rate in other ASEAN countries.

4) Future directions for Myanmar

In light of the detrimental effect that the informal market has on the economy and the function of the financial market, the CBM should strengthen the monitoring and control of the foreign exchange market. It would be a good idea to issue a regulation which obliges all foreign exchange transactions to be made through banks. This will enhance the effect of the foreign exchange intervention operations, such as the FX

auction. With that regulation, the outcome of developing a more effective exchange rate intervention mechanism will be much better.

To stabilize the volatility of the exchange rate by affecting demand for MMK and USD, one solution would be to allow non-residents to buy MMK through the offshore market. Also, it may be a good idea to strengthen the regulation requiring that MMK be used in transactions in Myanmar by introducing penal provisions in the regulation.

2-6. Sound Development of the Insurance Sector in Myanmar

2-6-1. Insurance market liberalization

1) Problems

It is expected that the government of Myanmar will announce its liberalization roadmap very soon. The roadmap and the licensing criteria should be published as soon as possible to provide clarity, obtain trust from stakeholders, build credibility in the market, and develop the insurance market to meet customers' needs.

The interests of policyholders should be the top priority in the liberalization. This can be achieved only through sound development of the market. The liberalization roadmap and licensing criteria should be set on the basis of these objectives.

It is important for the Myanmar authorities to prioritize and allocate sufficient resources to regulatory and market reforms of Myanmar's insurance sector. If the outdated supervisory system and market practices remain the same, foreign insurers may not enter into the market even if Myanmar opens it. For example, if insurance companies are not permitted to directly access the reinsurance market, it will significantly hinder the risk management ability of insurance companies and make it hard for them to do business in an ordinary and appropriate way. To address this, Myanmar needs to adopt international practices and update its regulations and market practices on reinsurance.

Another example is product regulations. The Myanmar insurance authorities have not reviewed the current list of insurance products to meet the needs of business owners and retail customers. As a result, sufficient insurance coverage is not available for foreign investors except for some occasions. Even after the market liberalization, the Myanmar insurance authorities should keep the current treatment until access to the reinsurance market is permitted and better products are made available. Otherwise, it may cause a negative impact on existing business activities and foreign investment. The Myanmar authorities should bring an appropriate level of competition and innovation in insurance products by introducing a more updated and internationally acceptable product regulatory scheme to support economic activities of business owners and foreign investors, and provide better insurance coverage for policyholders.

2-6-2. Removal of restrictions on reinsurance

1) Problems

Myanmar potentially faces high risks of large-scale natural disasters, such as cyclones, floods and earthquakes. In order for domestic insurance companies to

maintain sufficient underwriting capacities and solvency and for the insurance market to keep functioning, insurers need to be able to transfer these risks through appropriate reinsurance contracts. To that end, domestic insurance companies should be allowed to have access to the reinsurance market and to acquire satisfactory knowledge of and expertise in international reinsurance business practices.

Under the current laws and regulations, only Myanma Insurance is allowed to transfer risks outside of the country through reinsurance contracts. As for private insurance companies, they are currently required to organize co-insurance with other insurance companies and Myanma Insurance when an insurance cover exceeds certain levels. This current co-insurance scheme may give rise to concerns over risk accumulation and chain-reaction of risk as this practice accumulates large natural disaster risks within the insurance companies in the country and involves a risk for an insurer of participating in a co-insurance coverage that that insurer declines to accept due to its underwriting criteria if it is not a co-insurance arrangement.

While the Myanmar insurance authority is set to give private insurance companies access to the foreign reinsurance markets after the opening of the domestic insurance market to foreign players, the authority plans to require any insurer in Myanmar to cede 30% of a reinsurance contract to Myanma Insurance when the insurer transfers risks to a foreign reinsurer through reinsurance. A similar scheme to retain a certain portion of risk (30% or USD2.5M, whichever is less) within Myanma Insurance in the case of facultative reinsurance transactions with foreign reinsurers was introduced in November 2017.

2) Global Standard Measures

In many countries, insurers are not restricted from accessing the reinsurance market, which is a global business by nature.

The co-insurance scheme that is in place in Myanmar is a legacy measure to deal with economic isolation at the time and is no longer necessary today. Conversely, it is not consistent with the international standards (i.e., the International Core Principles (ICPs) set by the International Association of Insurance Supervisors (IAIS)) by restricting risk management capacity of insurers that as a result negatively affects the stability of the whole market.

The compulsory reinsurance policy deviates from an international trend. There are a few countries, such as Cambodia, Indonesia, Malaysia, and the Philippines, that still maintain this policy, but the portion of the compulsory reinsurance is limited in accordance with the underwriting capacity of a national reinsurance company, so the compulsory reinsurance policy does not affect the stability of the market.

3) Measures of ASEAN countries

In all the ASEAN countries other than Myanmar, access to the reinsurance market is allowed.

As for the compulsory reinsurance policy, as mentioned above, some of the ASEAN countries, such as Cambodia, Indonesia, Malaysia, and the Philippines, have adopted the compulsory reinsurance policy. However, the portion of the compulsory reinsurance is limited; i.e., Cambodia (20%), Indonesia (2.5%), the Philippines (10%). Also, other countries, such as Singapore, Thailand, Vietnam, Lao and Brunei, have not imposed any restrictions on the reinsurance cession.

4) Future directions for Myanmar

Access to overseas reinsurance markets should be granted to local private insurers as soon as possible to maintain their solvency and manage risks.

The compulsory co-insurance scheme should be abolished as soon as possible. It hazardously accumulates risks within the domestic market.

In addition, the compulsory reinsurance policy of Myanma Insurance should be carefully reconsidered in view of risk management of Myanma Insurance and the sustainability of the entire market. We recommend appointing a professional reinsurance broker to examine the underwriting capacity of Myanma Insurance and possible portfolio and to figure out a financially secure compulsory reinsurance scheme, if the government believes it is inevitably necessary.

2-6-3. Product development

1) Problems

Myanmar's insurance sector has not experienced major revisions and updates of the insurance policy terms, including terms and conditions of each policy and ratemaking, for decades. This has caused products to deviate from the needs of customers today. Also, there is a lack of data, insurance statistics, and specialist expertise necessary for an analytical review. Furthermore, the current insurance laws and rules do not have clear provisions on criteria in reviewing and approving a product design.

As of March 2017, Myanma Insurance is allowed to sell 29 products and private insurance companies are allowed to sell 9 out of the 29 products. An insurance company is required to seek approval from the Insurance Business Regulatory Board (IBRB) in advance to sell any insurance product. In practice, the products, including the policies and premium rates, are the same among Myanma Insurance and other private insurance companies.

An appropriate product design is a must to protect the interests of customers, maintain financial soundness of insurance companies, and promote the development of the insurance market.

2) Global Standard Measures

The current product approval system in Myanmar is not consistent with any international standards. The product oversight scheme should contribute to policyholder protection, and the stability of the market, including better meeting customers' needs and promoting an appropriate level of competition and innovation. Each country introduces its own revision and approval scheme based on its culture and business practices.

In most advanced markets, an insurance company does not need approval from a government authority for product development. In Australia, an insurance company is required by the regulator to obtain sign-offs from appointed actuaries and the board of directors of the company only for product development. In such case, a regulator secures a healthy competition environment by introducing a solvency scheme which requires an insurance company to have sufficient financial soundness to be able to endure a critical situation such as a financial crisis, natural disaster and so on in order to prevent insurance companies from dumping, thereby protecting consumers.

On the other hand, it is still common in the Asian region for an insurance company to be required to obtain approval from a government authority with regard to product development, including product design and product prices.

In Japan, an insurance company is required to obtain approval from the FSA for insurance product development; however, a part of the regulation has been relaxed, and an insurance company is allowed to decide expense assumptions in pricing by itself without any approval from a government authority, which is aimed to promote competition among insurance companies.

In most developing Asian countries such as Thailand, Vietnam, Indonesia and India, an insurance company is fully required to obtain approval from a government authority for insurance product development, including design and price, and some regulators implement additional restrictions (e.g., a cap on commissions paid to the sales agencies and a cap on surrender charges in India, designated mortality assumptions by government authorities applied to product pricing for some sort of products in Thailand, etc.).

Other than the above, regulatory authorities generally have requirements for document submission for approval of product development (policy document, sales promotion materials, including benefit illustrations, etc.) and the duration from acceptance of submitted materials to a request for additional information (e.g., 45

days (90 days for a brand new product in the market) in Japan, 30 days in India, 10 working days in Indonesia, etc.).

3) Measures of ASEAN countries

See above.

4) Future directions for Myanmar

Premium rates and terms and conditions of the existing outdated products need to be reviewed. The General Insurance Association of Japan (GIAJ) and General Insurance Rating Organization of Japan (GIAJ) will make efforts to contribute to the revision in cooperation with the Myanmar Insurance Association and Japan International Cooperation Agency (JICA).

New and more attractive products need to be developed based on actuarial science and the market needs. JICA brought in a life actuary and general insurance product expert to the Ministry of Planning and Finance.

At the stage of approval of new products and revision of products by IBRB, insurance products for individual clients should be treated in a different way from insurance products for corporate clients according to the characteristics of each product. While the main purpose of insurance products for individual clients is to protect these end users, the main purpose of insurance products for corporate clients is to offer various and competitive coverage options.

2-6-4. Solicitation and sales

1) Problems

In Myanmar, solicitation of insurance is now being conducted mainly by individual insurance agents, employees of insurance companies and through referrals from banks. Insurance agents are all individuals, and corporate agents are not allowed yet.

2) Global Standard Measures

See ICPs 18 (Intermediaries) and 19 (Conduct of Business). The current insurance laws and regulations as well as the current market practices in Myanmar are not consistent with these provisions.

3) Measures of ASEAN countries

There are some types of distribution channels for insurance business in ASEAN countries such as individual agency, bancassurance, direct sales and so on. In most ASEAN countries such as Cambodia, Indonesia, Malaysia, Singapore, Thailand and

Vietnam, bancassurance business is officially allowed by each country's regulator. In terms of the approval from the regulator for conducting bancassurance business, each country has different rules. In Vietnam and Cambodia, a bank must obtain approval from the Central Bank (Vietnam: State Bank of Vietnam, Cambodia: National Bank of Cambodia). In Thailand, a bank must obtain an insurance brokerage license from the insurance regulator (Office of Insurance Commission). In Singapore and Malaysia, there are no specific approvals from authorities, but an insurance company and/or a bank is required to notify its regulators before the agreement comes into effect. Most ASEAN countries do not define the type of bancassurance under the regulation, but as each country's practice, an insurance company can operate a referral model (which is where a bank staff generate leads, while sales are conducted by insurance company's wholesalers) and direct sales model (which is where bank staff directly sell insurance products). In some countries, the bank staff for the direct sales model must be trained and issued an insurance agent license individually.

4) Future directions for Myanmar

Introducing corporate agents and bancassurance to Myanmar is essential to facilitate the growth of the insurance industry in Myanmar. The Myanmar authorities should put appropriate regulations in place. In addition, the Myanmar insurance authorities should transfer the role and responsibilities for agent training and the qualification examination to the Myanmar Insurance Association (MIA) to improve the quality of training and examination, and enhance professional knowledge, skills and competence of agents.

When a bank wishes to provide insurance products to its customers, a bank should be registered as a corporate agent. Staff of such a bank should be required to take MIA's training and pass the examination to be an insurance agent.

2-6-5. Investment opportunities

1) Problems

The investment options of insurers are limited in Myanmar. The longest maturity of Myanmar's government bonds is only five years. In addition, only five companies are listed on the Yangon Stock Exchange (YSX). Asset management in foreign currencies involves exchange risks. Thus, insurance companies in Myanmar, particularly life insurance companies that provide long-term insurance coverage, have only a few suitable options, such as government bonds and bank deposits for insurers' asset management corresponding to insured risks.

2) Global Standard Measures

Insurance laws and regulations should support appropriate asset liability management of insurers, in accordance with ICPs.

In Japan, long-term government bonds (10 year) and super long-term government bonds (20 year, 30 year and 40 year) are issued by Ministry of Finance (MOF). Life insurance companies positively purchase these bonds so that they execute asset liability management and occupy the main position in the Japanese government bond (JGB) market.

In order to secure stable financing and to implement appropriate policies to enhance market liquidity of JGBs, the MOF regularly holds various meetings with primary dealers, investors, retail brokers and private sector experts. Life insurance companies participate in these meetings as major institutional investors. In addition, the MOF enhances relations with foreign investors through overseas investor relations activities for the purpose of diversifying JGB holders and grasping foreign investors' needs accurately.

3) Measures of ASEAN countries

In most ASEAN countries such as Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, long-term government bonds (10 year) and super long-term government bonds (over 10 years) are constantly issued. On the other hand, in Brunei, Cambodia and Lao PDR they are not.

As for efforts to grasp market needs, in Singapore, the Monetary Authority of Singapore decides the timing and amount of government bonds in consultation with the primary dealers before seeking approval from the Minister for Finance for issuance. In Thailand and Vietnam, self-regulatory organizations like the Thai Bond Market Association and Vietnam Bond Market Association provide a forum for exchanging and updating bond information between regulatory authorities and market institutions.

4) Future directions for Myanmar

It is essential to improve the investment environment for insurers, particularly life insurers, for their asset-liability management. The Myanmar government, particularly its financial authorities, has a dialogue to exchange views on needs for longer-term government bonds and appropriate bond design.

2-7. Improvement of Myanmar's Business Environment

2-7-1. Myanmar Investment Law

1) Problems

Since the introduction of the Foreign Investment Law in 2012 and its upgrading to the Myanmar Investment Law in 2016, we have been observing significant development and liberalization in the foreign investment regulation regime in Myanmar. We highly respect the Myanmar government's efforts in continuously tackling major issues related to foreign investment regulations, specifically, the lack of transparency and stability of the regulatory structure.

While we see strong improvements in this area, there still remains some room for upgrading.

2) Global Standard Measures

We observe that the current global standard of doing business in a country is to treat foreign investors no less favorably than domestic investors. Generally, investors, both foreign and domestic, are allowed to conduct business without obtaining licenses or notifying authorities except for businesses which require specific licenses, which both foreign and domestic investors are equally required to obtain.

Exceptions to such general concept that is commonly observed" are restrictions to foreign investments which acquire existing businesses that relate to national security. It is worth noting that it is uncommon that an investment is actually prohibited due to such restrictions.

3) Measures of ASEAN countries

Many ASEAN countries restrict foreign investments through measures similar to those in Myanmar, by setting a wider range of restricted business compared to global standards and reflecting the different market situations in each country.

4) Future directions for Myanmar

Aiming at global level relaxation should be a long-term target for Myanmar.

Under the current situation of the country, it is worth considering making Myanmar's investment-related regulations more "investor oriented" to attract further foreign investments. While Myanmar's regulatory framework is basically similar to those of neighboring countries, the difference we observe is the remaining uncertainty of restricted areas of business. For example, MIC notification No.15/2017, which provides a list of business activities prohibited or restricted to foreign investors, does not seem to cover all restricted areas of business (in other words, there are

businesses that are not fully allowed to be engaged in by foreign investors, but are not listed in the notification). In addition, for businesses which require specific approval of the relevant ministries, the criteria for obtaining such approvals remains unclear in many types of business. We understand that the MIC is aware of this issue and is endeavoring to improve the above matter (e.g., issuance of standard criteria for particular areas of business). We hope that such improvement continues in all areas of business so that potential investors can be fully aware of detailed restrictions imposed on doing business in Myanmar.

In addition to the above, we expect that the procedure for issuance of MIC endorsements, especially related to obtaining long-term land lease approvals, will be processed in a simplified manner consistent with the concept of endorsement and to the provisions of relevant laws and regulations.

2-7-2. Myanmar Companies Law

1) Problems

The Myanmar Company Act of 1914 (the “Act”), which was promulgated more than 100 years ago, was not entirely consistent with the way companies are operated nowadays. In addition, there appeared to be some rigidity in the way the Act was actually operated, and the disclosure of company information was insufficient compared to the global standard.

2) Global Standard Measures

Company laws at the global standard level are continuously updated so that they can deal with the latest corporate governance requirements, funding needs and other demands of shareholders and other stakeholders of companies. Furthermore, there are developed “eco-systems” of the laws which complement the laws themselves, such as by-laws, regulations, case laws, academic articles and commentaries, which are critical for mature operation of the laws and to encourage investors to invest in each jurisdiction.

3) Measures of ASEAN countries

We observe that most ASEAN countries have company laws at a sufficient level, although only a few countries have sophisticated and developed “eco-systems” as described above.

4) Future directions for Myanmar

The new Myanmar Company Law (“MCL”) introduced in August 2018 made a huge development in this area, not only by the introduction of the new law itself, but together with the introduction of the Myanmar Companies Online (MyCo) system, which enables convenient registration and disclosure of company-related information.

For the future, we expect that the Myanmar people will deepen their understanding of corporate governance by the introduction of the MCL and that Myanmar companies will be operated in compliance with the MCL. In addition, it is important that the law be operated as written in the law and that transparency and predictability be secured in the future development of the MCL.

2-8. Improvement of Employment Related Matters

2-8-1. Improvement of conditions to enable foreign investors to comply with the latest labor-related laws and regulations

1) Problems

Sometimes, foreign investors find it difficult to understand labor-related laws and regulations because, in some cases, labor laws and relevant regulations, especially in English, are not thoroughly disclosed.

In addition, it appears that foreign investors are not given the opportunity to express their opinions during the making of labor-related laws that could significantly affect them. Further, we have observed that in some situations a sufficient preparation period for the launch of new labor-related laws and regulations has not been given.

2) Global Standard Measures

Valid labor-related laws and regulations, including not only laws but also rules and notifications, are comprehensively published on the websites of the relevant ministries or by other means. For the latest labor-related laws and rules, English translations are disclosed on those websites; moreover, for those laws and regulations that are relevant to foreign companies, English translations are prepared at the level of notifications and circulars.

When laws and regulations are established or revised, public comments are solicited and the relevant stakeholders are given an opportunity to express their opinions.

When new or revised laws and regulations take effect, initiatives for smooth enforcement are thoroughly taken by setting the necessary public notice and preparation periods and holding training sessions and explanatory meetings for administrative officers in the field, employers' and workers' organizations, and workplace personnel.

3) Measures of ASEAN countries

We have observed that the standards of ASEAN countries regarding these measures vary on a country-by-country basis. There are some countries that have implemented measures that are in line with global standards, while other countries are still in the process of developing these measures.

4) Future directions for Myanmar

First, transparency should be secured by comprehensively publishing all labor-related laws and regulations (including English translations of major

labor-related laws and regulations), covering not only laws but also rules and notifications on the website of the MoLIP or by other means and ensuring that there are no laws, regulations, or the like that investors are not aware of. In addition, it would be helpful if information concerning anything that is not posted on the website is shared through JICA experts in a timely manner.

When laws and regulations that are important for foreign investors are established or revised, an opportunity for public comment should be provided, as was the case with the Investment Law and the Companies Law. In particular, MoLIP's continuous support, such as its proactive communication with JICA experts, and its provision of opportunities to exchange opinions on the proposed laws and regulations at the WG of the MJJI, would be helpful.

Laws and regulations should expressly provide that a sufficient public notice period be set in order to allow investors to have enough time to prepare before new or revised laws and regulations take effect. In addition, opinions should be collected through public comments or other methods concerning how long the public notice period should be.

Since foreign investors have great interest in the Occupational Safety and Health Law, the Foreigner Law, and the Foreign Worker Law, which are expected to be enacted in the near future, the measures stated above, especially for these laws, would be welcomed for the better understanding of foreign investors.

2-8-2. Procedure of individual approval by a township labor exchange office based on the new employment contract template

1) Problems

Under the Employment and Skill Development Law, when an employer employs a worker, the employer is obliged to execute an employment contract in writing within 30 days and receive confirmation from a township labor exchange office.

The procedure of receiving confirmation of individual employment contracts from a township labor exchange office each time a worker is employed imposes a heavy burden on employers and township labor exchange offices; therefore, there is a concern that this procedure could increase the strain on other active operations or the like.

Furthermore, for the employment contract stated above, in general, a template designated by the Ministry of Labor, Immigration, and Population in August 2017 is required to be used, which sometimes causes a difficult situation for investors to execute diverse employment contracts that reflect various needs depending on each company's situation.

2) Global Standard Measures

Regulations concerning employment contracts in Japan are outlined as follows:

(1) A labor contract (an employment contract) that is orally made is valid and need not be executed in writing.

(2) When an employer employs a worker, the employer is obliged to notify the worker of the working conditions in writing; however, prior confirmation or the like from an administrative agency is not required.

(3) When a business operator has established rules of employment, the employer is obliged to inform its workers of those rules, and workplaces regularly employing ten workers or more are obliged to file them with the relevant labor standards office in charge of the workplace.

(4) Individual employment contracts can be freely executed to the extent that they do not contravene laws, regulations, or rules of employment.

3) Measures of ASEAN countries

There are differences among the regulations governing employment contracts in ASEAN countries; for example, “written execution is required,” “unwritten execution is possible in the case of a short-term contract or employment for an indefinite period,” or “execution is possible either in writing or orally,” but as is the case in Japan, no countries require that confirmation of an individual employment contract be obtained from an administrative agency.

4) Future directions for Myanmar

With the objective of reducing the burdens on companies and administrative agencies and substantially realizing worker protection, the use of a template created by each individual investor developed specifically to adapt the employment rules in line with the actual situation of each investor should be permitted. In addition, if such template has been confirmed by a relevant township labor exchange office, obtaining individual endorsement for each employment contract should no longer be required as long as an employment contract is executed using the template.

Considering the actual situation where labor-management conflicts in connection with labor conditions occur frequently, we understand that there may be a demand by an administrative agency, at a certain level, to be kept updated on the terms of the employment contracts. To mitigate such demand, the submission of the abovementioned template to the labor exchange office on an occasional basis could be a possible option to be considered.

2-8-3. Strengthening of public job matching functions

1) Problems

We have observed that public job placement is conducted at a number of township labor exchange offices nationwide.

However, in reality, individual township labor exchange offices prepare job introduction lists by matching job posting sheets, conditions stated in the job posting sheets, requests, and the like just for form's sake, and broad-area introduction through collaboration among township labor exchange offices is not conducted. It is difficult to say that job placement is conducted truly in line with the "demands of companies seeking workers" and the "requests and aptitude of job applicants."

Further, collaboration with vocational training institutions appears to be incomplete and there is room for improvement for developing vocational capabilities in accordance with the requests and aptitude of job applicants, in order to provide sufficient employment opportunities.

Employment candidates who have completed technical intern training in Japan and returned home should be given more opportunities to utilize their acquired skills.

2) Global Standard Measures

ILO Convention No. 88 (Employment Service Convention) provides that a free public employment service organization should be maintained, and its offices should be established and operated nationwide in order to assist workers in finding proper jobs and employers in obtaining suitable workers (Myanmar has not ratified this convention).

Public employment security offices in Japan provide job applicants vocational guidance or career counseling as well as arrange public vocational training for them in order to make it easy for them to choose a job according to their aptitude and capabilities.

Vocational training facilities in Japan conduct regionally required training and assist trainee graduates in gaining employment through collaboration with public employment security offices, their unique networks, and the like.

3) Measures of ASEAN countries

In each ASEAN country, services such as public job placement are being provided in a manner that matches the actual circumstances and employment conventions of each country. Major services are as follows:

In Indonesia, under segregation of duties by country, province, regency, and city, regencies and cities conduct specific operations such as job placement.

In Malaysia, an online portal enabling registration of both job vacancies and employment applications on the website is operated, and career counseling, job placement, or the like is conducted at offices located in core cities.

In Thailand, nationwide job vacancy information can be searched for and vocational consultation sessions, etc. are organized at employment offices.

In Vietnam, for job applicants, advice, job placement, and vocational training are provided; and for business operators, job applicants are introduced, and labor market information is provided.

4) Future directions for Myanmar

Capacity building of officers should be pursued by setting the development of job vacancies at places of business; vocational guidance, career counseling, and arrangements for vocational training for job applicants; and the like as operations of township labor exchange offices.

Broad-area job placement in response to the needs of job applicants should be achieved by creating a framework for information sharing among township labor exchange offices with reference to the details of the way that databases are constructed in Thailand and Malaysia.

As part of their operations, vocational training facilities should provide training based on industrial needs through closer collaboration with township labor exchange offices, networks established with regional industries, and the like, and provide employment support to trainee graduates.

Especially for persons who have completed technical intern training in Japan and returned home, job matching events and the like should be organized in order to help them gain employment by leveraging their acquired skills. When those events are organized, the Overseas Employment Agencies responsible for dispatching intern trainees should play a central role with the cooperation of JICA experts, embassies, and the JCCM under the direction of the Ministry of Labor, Immigration, and Population.

In order to hold job matching events efficiently and effectively, a framework should be created to ensure an accurate understanding of the actual results of dispatchment by the Overseas Employment Agencies in Myanmar, the timing of repatriation, and the utilization of the framework. When those events are organized, it would be helpful to use private companies with the know-how to organize matching events.

In parallel with strengthening job matching functions, it is necessary to improve the facilities that can provide vocational education and training to connect job applicants and students with employers to gain employment and enhance the quality of the education and training.

Reference

Our WG members

WG	Role	Member	
		JCCM	EoJ
Import & Export	Head	Mr. Nakagawa (Trade)	Mr. Takimi
	Sub	Mr. Hashimoto (Trade) Mr. Takashima (Logistics) Mr. Shimoda / Mr. Yukawa (Secretariat)	Mr. Noda Mr. Ishimaru
Industrial Policy	Head	Mr. Tonozuka (Automobile) Mr. Maeda (Electric)	Mr. Takimi
	Sub	Mr. Asano (Automobile) Mr. Ye Tun (Automobile) Mr. Yoshinari (Electric) Mr. Shimoda / Mr. Yukawa (Secretariat)	Mr. Noda Mr. Kasai
Tax Affairs	Head	Mr. Fujii (All))	Mr. Takimi
	Sub	Mr. Okada (All) Mr. Hora (All) Mr. Shimoda / Mr. Yukawa (Secretariat)	Mr. Ishimaru
Finance & Insurance	Head	Mr. Akagi (Finance) Mr. Ishizuka (Insurance)	Mr. Takimi
	Sub	Mr. Kitao (Finance) Mr. Kanesaki (Finance) Mr. Ichikawa (Insurance) Mr. Shimoda / Mr. Yukawa (Secretariat)	Mr. Ishimaru
Investment Promotion	Head	Mr. Nakagawa (All) Mr. Kitayama (Labor)	Mr. Takimi
	Sub	Mr. Miwa (Labor) Mr. Shimoda / Mr. Yukawa (Secretariat)	Mr. Isozaki Mr. Noda