



COVID-19 AND LABOUR-INTENSIVE INDUSTRY IN MYANMAR

On 8 May 2020, Julia Charlton spoke at a webinar on COVID-19 and the impact on labour-intensive industry in Myanmar, organised by the India Myanmar Chamber of Commerce¹ and Myanmar Hong Kong Chamber of Commerce and Industry.² Please find the speech below and a link to watch the webinar here.³

Myanmar has seen COVID-19 impact its people and economy in a number of ways. The impact has been direct in terms of actions taken in Myanmar and indirect as a consequence of conduct around the world.

A number of garment factories in Myanmar are shutting down or limiting their operations due to a shortage of raw materials, a consequence of the closure of factories in Mainland China and cancelled and reduced orders from Europe and elsewhere. Meanwhile, news emerged on 8 May that 622 SME factories and workplaces reopened in the Mandalay area.

The situation is therefore a mixed picture. Transport links within Myanmar such as buses are severely curtailed inhibiting and restricting internal commerce and the movement of people and travel for foreigners into Myanmar has been suspended as of late March and temporary entry restrictions have been extended to the 15 May and perhaps beyond.

Meanwhile, supply chain disruptions and other developments are factoring into the decision-making process of investors looking at Myanmar, which is compounded by the fact that 26 percent of Foreign Direct Investment (FDI) in Myanmar comes

from China. With Singapore, Thailand and Hong Kong also significant investors in Myanmar, and these countries similarly feeling the strain of COVID-19, the impact on Myanmar's economy is significant.⁴

As for projects under China's Belt and Road Initiative (BRI), it is likely that the four major Myanmar projects, for example the Muse Cross Border Trade Zone and the China-Myanmar Economic Corridor could be delayed or suspended depending on China's economic situation, with both the Chinese and Myanmar Governments focusing on tackling the pandemic and the social and economic impacts.⁵

There are however a few green shoots in China with businesses starting up and IPOs kicking off again. So China maybe will, to some extent, lead the way out of the current situation.

Considering the impact COVID-19 is having on Myanmar, the following considers the impact on labour-intensive industries in particular, measures taken by the Myanmar Government to support businesses and the economic outlook going forward.

1. Labour Intensive Industries in Myanmar – Implications of COVID-19 and Employer Liability

a. Labour Intensive Industries in Myanmar

1 <http://www.imccmyanmar.com>

2 <https://www.facebook.com/mhkcci.myanmar/>

3 <https://www.youtube.com/watch?v=RZkBBS5vAdQ>

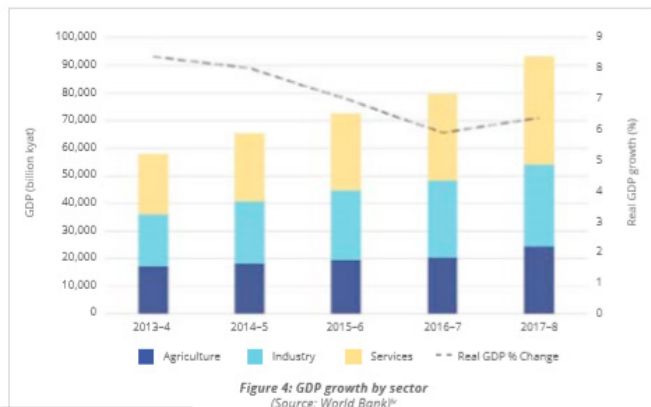
4 <https://www.mmtimes.com/news/covid-19-will-lead-slower-myanmar-economy-mic.html>

5 <https://jamestown.org/program/the-china-myanmar-economic-corridor-delays-ahead/>

Myanmar, with a labour force of 22.4 million,⁶ offers a large pool of low-cost workers for foreign manufacturers and has emerged as one of the most popular production bases in Southeast Asia for labour-intensive industries, namely industries that require substantial amounts of human labour to produce products,⁷ with notable examples being garment manufacturing and the assembly of toys and stationery articles.⁸

We can compare these to capital-intensive industries, such as automotive and land machinery, which require huge amounts of capital expenditure,⁹ mainly based in Special Economic Zones (**SEZs**), which have direct access to international and domestic markets.¹⁰

Myanmar's industrial policy prioritises labour-intensive industries with a view of attracting foreign investment and creating employment opportunities within the country,¹¹ and industry as a whole has grown to comprise 31.6% of Myanmar's GDP, of which manufacturing accounts for 75%.¹² Comparatively, services comprise 42.2% and agriculture 26.2%.¹³



6 https://www.ilo.org/wcmsp5/groups/public/---asia/--ro-bangkok/---ilo-yangon/documents/publication/wcms_622556.pdf

7 <https://www.economywatch.com/world-industries/labor-intensive.html>

8 <https://eurocham-myanmar.org/uploads/e1da0-manufacturing-guide-2019-web-.pdf>

9 <https://eurocham-myanmar.org/uploads/e1da0-manufacturing-guide-2019-web-.pdf>

10 <https://eurocham-myanmar.org/uploads/e1da0-manufacturing-guide-2019-web-.pdf>

11 <https://consult-myanmar.com/2016/05/16/myanmar-prioritises-labor-intensive-agro-based-industries-for-fdi/>

12 <https://eurocham-myanmar.org/uploads/e1da0-manufacturing-guide-2019-web-.pdf>

13 <https://eurocham-myanmar.org/uploads/e1da0-manufacturing-guide-2019-web-.pdf>

This focus has been furthered by the Myanmar Investment Commission (**MIC**) who are now accelerating approvals for investments in labour-intensive (and infrastructure) projects in order to offset the impact of lay-offs in other sectors such as manufacturing and tourism.¹⁴ On 3 April 2020, the MIC approved \$ 555 million US dollars for 11 new projects in the manufacturing, construction and services sectors (estimated to create around 3,234 new jobs) and more capital was injected into 13 existing projects.¹⁵

The manufacturing sector alone has grown significantly in terms of value since 2013/2014 from 18.7 trillion Myanmar Kyat to 29.6 trillion in 2017/2018,¹⁶ with garment manufacturing alone growing rapidly, with exports up from less than \$349 million US dollars in 2010 to \$4.6 billion in the 2018/2019 financial year.¹⁷

Despite its growth over the past decade, the sector has however been particularly hard hit by COVID-19 with factory closures in Mainland China impacting the supply of raw materials and demand slumping in Europe (which accounts for 70% of the country's garment exports),¹⁸ the US and elsewhere as the pandemic sweeps the world.

Fruit exporters and tour operators have been equally hard hit however with garment factories Myanmar's leading export earner, it is a particular cause for concern.

b. Factory Closures

Since January, Myanmar has seen the closure of 38 CMP factories,¹⁹ of which 22 were garment factories. Meanwhile, industrial zones anticipated closures of at least 30 factories, which would leave around 30,000 people out of work. Elsewhere, workers at factories still operating saw their monthly wages drop owing to cutbacks on overtime, which can ordinarily account for up to one-third of their monthly wage.²⁰

14 <https://www.mmmtimes.com/news/mic-accelerate-approvals-labour-intensive-healthcare-investments.html>

15 <https://www.mmmtimes.com/news/mic-accelerate-approvals-labour-intensive-healthcare-investments.html>

16 <https://eurocham-myanmar.org/uploads/e1da0-manufacturing-guide-2019-web-.pdf>

17 <https://www.globalnewlightofmyanmar.com/myanmar-aims-for-5-bln-from-garment-export-in-2019-2020-fy/>

18 <https://www.mmmtimes.com/news/more-woes-myanmar-garment-industry-eu-cancels-orders.html>

19 <https://www.mmmtimes.com/news/more-woes-myanmar-garment-industry-eu-cancels-orders.html>

20 <https://frontiermyanmar.net/en/melons-rot-factories-shutter-myanmars-covid-19-fallout>

Further, a Chinese-owned garment factory, Myanmar Royal Apollo garment factory in Yangon, declared bankruptcy on 9 March 2020. The factory opened in May 2016 with an investment of 400 million Myanmar Kyat however had suffered net losses of 400 million as of 5 March 2020.²¹ Allegedly, the owners left without paying the workers any compensation, and while the factory has been sealed and equipment and assets are to be sold at auction to raise funds to compensate workers, this process may take many months.²²

c. Worker Strikes

The closures are coupled with increased tensions between factories and union workers, resulting in thousands of workers going on strike.

A notable example is the Myan Mode factory in Yangon, which on 28 March 2020 fired 520 union members and withheld the wages for March citing decreased orders due to the impact of COVID-19. All non-union workers (700) however retained their jobs.²³ In response, union workers set up a protest camp in front of the factory. They were offered compensation on the condition that they accepted termination and left the protest camp and while many took the compensation and left, a small number remained.

Meanwhile, workers from the General Enterprises Garment Factory, which laid off 8000 of its 10000 workers, and workers from the LoadStar Factory, which laid off 400 workers, began protesting at South Dagon Industrial Zone on 26 March 2020.²⁴ Workers emphasised that they were not protesting for compensation, but protesting against dismissal, with some citing factory owners were using the virus to lay off union workers.

This sentiment was evident previously in early March when 12 labour rights groups formed a committee to support demands that the government verify factories were closing or suspending operations for genuine reasons, particularly given the lack of a social safety net in Myanmar to support workers who have

21 <https://www.mmtimes.com/news/chinese-garment-factory-yangon-goes-bankrupt.html>

22 <https://frontiermyanmar.net/en/melons-rot-factories-shutter-myanmars-covid-19-fallout>

23 <https://www.solidaritycenter.org/myanmar-factory-uses-covid-19-to-union-bust/>

24 <https://www.mmtimes.com/news/thousands-myanmar-garment-workers-go-strike-save-jobs.html-0>

been laid off.²⁵

Elsewhere, Myanmar also saw garment workers staging demonstrations demanding factory owners to temporarily close factories and provide them with paid leave for the month of April owing to health concerns, with such workers supported by the Federation of Trade Unions of Burma.²⁶

d. Factories Ordered to Close

Subsequently, factories were then ordered to close until 30 April by an announcement on 19 April 2020 by the Ministry of Labour, Immigration and Population.²⁷ It was noted that inspections were to be carried out to assess whether appropriate measures to prevent the spread of COVID-19 had been adopted, with inspections carried out by the Ministry of Health and the Ministry of Labour, Immigration and Population, together with experts over the period of 20 to 30 April 2020, with those with approval allowed to re-open.²⁸

The following factories were prioritised for inspection:

- Pharmaceutical factories;
- Food production factories; and
- Factories and workshops with a workforce of more than 1000.²⁹

While most factories are complying with the regulation, it was reported by the Confederation of Trade Unions of Myanmar that several garment factories were still open on 22 April and the State Counsellor emphasised that the Government would take action against these factories in accordance with the law.³⁰ It is yet to be seen what sanctions they face.

25 <https://frontiermyanmar.net/en/melons-rot-factories-shutter-myanmars-covid-19-fallout>

26 <https://www.rfa.org/english/news/myanmar/workers-strike-04032020185349.html>

27 <https://www.globalnewlightofmyanmar.com/factory-inspections-for-complying-with-health-guidelines-begin-20-april-before-permission-to-reopen/>

28 <https://www.irrawaddy.com/specials/myanmar-covid-19/myanmar-says-factories-must-take-covid-19-precautions-reopen.html>

29 <https://www.mmtimes.com/news/update-factories-myanmar-close-mandatory-covid-19-inspections.html>

30 <https://www.mmtimes.com/news/dassk-chastises-factory-owners-staying-open-despite-instructions-not.html>

e. Question of Workers' Salaries

As for factory owners complying with the regulation, the main problem was the question of workers' salaries during the period of closure as the Government announcement did not provide details or recommendations on whether salaries should be paid and if so, by who.³¹

This follows a previous deadlock between Labour Unions and the Ministry of Labour, Immigration and Population over the proposal to close factories for 1 month, with the Labour Unions proposing the Social Security Board pay 60 percent of salaries and employers, the remaining 40 percent.³²

With few employers able to pay 40 percent of salaries in the current climate, coupled with fears of factories not surviving beyond April, employers' concerns are significant, particularly in light of the importance of the garment manufacturing industry to Myanmar's economy. A balance between the needs of workers, the interests of factory owners and the long-term health of the economy is therefore highly desirable.

The Ministry of Labour then announced it would pay 40 percent of workers' salaries where factories have been closed since 20 April 2020 for inspection, however workers must be registered with the Government social safety net.³³

Meanwhile, the Ministry of Social Welfare, Relief and Resettlement was reported to be providing support for workers registered with the Social Security Board, totaling more than 1.5 million nationwide, through provision of certain social security benefits.³⁴

f. EU Funding

Garment workers have also recently received support from the EU's 7.9 billion Myanmar Kyat Emergency Cash Fund. The first payments were made on 4 May 2020 to Myanmar's garment

sector workers who have been terminated, suspended or have faced significantly reduced hours and pay (less than half of regular).³⁵

g. Factories Re-opening and Implications for Workers

Looking forward, a further issue facing workers at a shoe factory (and perhaps more factories as they begin to re-open) is the prospect of eviction from their accommodation. The factory was recently given permission to reopen on 7 May following inspection. Prior to closing, a worker tested positive for COVID-19 and another worker is now suffering symptoms. Given the factory is crowded and a majority of workers live in dormitories, they have allegedly been told they face eviction if they go to work. Alternatively, they will lose their jobs.³⁶

h. Labour Laws in Myanmar and Employer Liability

In view of the mass layoffs, suspensions and otherwise, it is important to consider the legal framework which employers are navigating in this very difficult period of social and economic disruption.

Based on the standard employment contract, the employer must have a basis for termination and give one month notice to the employee.

Grounds for termination include liquidation of the company or winding up of the business due to force majeure, with grounds for termination for cause typically listed in the "work rules" annex to the employment contract.³⁷

As for mass layoffs, an employer may terminate an employee as a result of closure or necessary change or restructuring of the business and any workforce reductions or terminations must be effected in coordination with a workplace union and the Workplace Coordinating Committee (**WCC**), or where no union exists in the workplace, coordination should be directly with the WCC.³⁸

Where an employee has worked continuously, severance payments must be made on the basis of his/her last salary in accordance with the following, as prescribed by Notification

31 <https://www.mmtimes.com/news/more-clarity-coordination-between-ministries-needed-covid-19-policymaking.html>

32 <https://frontiermyanmar.net/en/deadlock-over-april-factory-shutdown-plan-as-garment-orders-dry-up>

33 <https://www.irrawaddy.com/news/burma/myanmar-govt-of-fers-pay-factory-workers-40-covid-19-inspection-closures.html>

34 <https://www.irrawaddy.com/news/burma/myanmar-govt-of-fers-pay-factory-workers-40-covid-19-inspection-closures.html>

35 https://eeas.europa.eu/delegations/myanmar-burma/78261/garment-workers-receive-first-payment-eus-myanmar-ku-emergency-cash-fund_en

36 <https://www.mmtimes.com/news/tsang-yih-factory-re-open-may-7.html>

37 Settlement of Labour Dispute Law, 2012

38 Settlement of Labour Dispute Law, 2012

84/2015 by the Ministry of Labour.³⁹ Where however an employee is dismissed for misconduct, a severance allowance is not payable.

Employment Period	Severance Allowance
6 months – less than 1 year	Last basic salary for ½ months
1 year – less than 2 years	Last basic salary for 1 month
2 years – less than 3 years	Last basic salary for 1 ½ months
3 years – less than 4 years	Last basic salary for 3 months
4 years – less than 6 years	Last basic salary for 4 months
6 years – less than 8 years	Last basic salary for 5 months
8 years – less than 10 years	Last basic salary for 6 months
10 years – less than 20 years	Last basic salary for 8 months
20 years – less than 25 years	Last basic salary for 10 months
25 years or more	Last basic salary for 13 months

Whether or not employees receive the requisite compensation is unclear. While some factories have committed to ensuring their workers receive what they are entitled to, others have left their workers without a job or an income.

2. Measures to Support Businesses in Myanmar

a. First Round of Measures

Bearing in mind the impacts of COVID-19, the working committee to remedy economic repercussions caused by COVID-19 (“**the Working Committee**”) was formed to consider measures to address the negative impacts of COVID-19 on the country’s economy.

That same day, the Ministry of Investment held a coordination meeting of the working committee.⁴⁰ The Ministry of Planning then announced it would take the

³⁹ Ministry of Labour, Notification 84/2015

⁴⁰ <https://www.dica.gov.mm/en/news/monitoring-group-meeting-address-impact-coronavirus-diseases-2019-covid-19-was-held>

following steps to resolve the effects on the economy:

- CMP businesses, hotels and tourism companies and small and medium enterprises (**SMEs**) will be categorised as priority sectors for remedial solutions; and
- A COVID-19 Fund will be established at the Myanmar Economic Bank with a capital of 100 billion Myanmar Kyat (72 million US dollars), composed of 50 billion from the national Resolving Fund approved by the Government and 50 billion from the Social Security Fund.

Priority Sectors

Notification No. 1/2020, issued by the Ministry of Planning on 18 March 2020, announced that CMP businesses, hotels and tourism companies and SMEs owned by Myanmar nationals, of which are suffering the most negative economic consequences of the pandemic, would be entitled to tax assistance and loan entitlements.

This came in the form of an extension of the payment periods for income tax and commercial tax for quarters ending 31 March 2020 and June 30 2020, to 30 September 2020. And further, it was announced on 17 March 2020 that the 2 percent income tax levied in advance for exports would be waived until the end of the 2019-2020 fiscal year on 30 September 2020.⁴¹

Covid-19 Fund

As for the latter, loans were made available from the fund to local businesses in key sectors, with the Union of Myanmar Federation of Chambers of Commerce and Industry (**UMFCCI**) and its state and regional offices accepting loan applications from 30 March 2020 to 9 April 2020.

The loans were available to CMP businesses, hotels, tourism companies and SMEs owned by Myanmar nationals, with a loan period of 1 year and an interest rate of 1 percent (subject to adjustment depending on the severity of the economic loss incurred). As of 4 May, the Government had approved loans for 200 affected businesses,⁴² however over 4000 had applied which indicates a discrepancy in the provisions and demand

⁴¹ The Global New Light of Myanmar, the Government Newspaper, released on 19 March, 2020, p-4; <https://www.globalnewlightofmyanmar.com/>

⁴² <https://www.mmtimes.com/news/myanmar-economy-unlikely-recover-year-mifer.html>

for the emergency loan and speaks to the need for Myanmar to urgently scale up its fiscal response, of which will be touched on later.⁴³

The small number of approved loans may also be attributed to the discrepancies in the applicants' financial reports and the loan amounts they are applying for, according to Chair of the Myanmar Tourism Entrepreneurs Association, and such discrepancies have made it difficult for the authorities to approve loans. Additionally, the following criteria must be met in order to be eligible for a loan, of which may also factor into the relatively small number of approvals:

To be eligible, the company must:

1. be local-owned and negatively impacted by COVID-19;
2. be a currently running business;
3. have been established prior to 31 March 2018;
4. have earned annual income over the last two years;
5. be in a possible situation to return the loan;
6. use the loan only for the payment of salaries to staff and employees and the running of the current business;
7. not be suspended or struck off the registration list of the Directorate of Investment and Company Administration (DICA);
8. pay income tax;
9. not be permanently or temporarily shut down;
10. regularly pay social security contributions; and
11. have the loan guaranteed by the board of directors.⁴⁴

As for the companies eligible, it is reported that only 20 qualify for funding of more than 100 million Myanmar Kyat, including firms in manufacturing, trading and industry. Of the tourism and hotel-related companies that qualify for financing, only one, Inle Princess, was eligible for a loan in excess of 100

million Myanmar Kyat.⁴⁵

b. Foreign Companies

The first condition relating to foreign companies is significant as it excludes any foreign businesses and currently there are no plans to extend loans to such businesses. In response, South Korean and Chinese stakeholders in particular have urged authorities to provide a stimulus package for foreign investors, particularly in the garment industry. This has regard to not only the stall of the supply of raw materials but also the sharp drop in orders from the West.⁴⁶

European companies in Myanmar have also expressed their concern, evident from a survey of Yangon-based EuroCham Myanmar in March 2020, which looked to gauge the expected economic impact on European businesses operating in Myanmar and address investor concerns.

The results indicated that the majority are either significantly or moderately affected, with forecasted losses of revenue ranging from 30 percent to over 50 percent, with SMEs and those in manufacturing most severely impacted.⁴⁷

European businesses also expressed their desire to see the Myanmar Government take the following actions:

- Faster import and customs clearance procedures;
- Subsidies and relief for importers and exporters; and
- A corporate tax rebate for 2020.⁴⁸

c. Additional Measures

The following measures have also been announced to aid businesses and boost investor interest:

⁴³ <https://www.mmtimes.com/news/myanmar-under-pressure-scale-covid-19-stimulus-measures.html>

⁴⁴ <https://www.mopfi.gov.mm/my/blog/45/11282>

⁴⁵ <https://www.mmtimes.com/news/too-few-are-getting-access-myanmar-govts-emergency-covid-fund-businesses.html>

⁴⁶ <https://www.mmtimes.com/news/provide-aid-foreign-owned-garment-businesses-also-ambassador.html>

⁴⁷ <https://www.mmtimes.com/news/european-companies-myanmar-feel-heat-covid-19.html>

⁴⁸ <https://www.mmtimes.com/news/european-companies-myanmar-feel-heat-covid-19.html>

- The Central Bank of Myanmar (**CBM**) cut interest rates by 0.5 percent on 12 March 2020, announcing a further 1 percent cut effective as of 1 April 2020 and on 27 April a further 1.5 percent cut was announced, bringing the total rate cuts to 3 percent within two months;
- The Ministry of Hotels and Tourism (**MOHT**) announced licence fee exemptions for tourism businesses (including hotels, tour agencies, tour guides and hostels) from 1 April 2020 to 31 March 2021 in order to ensure the sustainable development of the hotels and tourism sector.⁴⁹
- The MIC announced on 6 April 2020 that it will accelerate approvals for healthcare and medical equipment businesses, including those involved in manufacturing supplies such as face masks, in addition to the acceleration of approvals for labour-intensive projects, as mentioned previously;
- On 6 April 2020, Microfinance and other non-bank financial institutions were instructed by the Ministry of Planning and Finance's Microfinance and Business Supervisory Committee to allow borrowers to defer repayments, with the majority consisting of small businesses and low-income workers hit by the economic fallout;
- The MIC announced car dealers would be granted a two month import licence extension, allowing them to better manage the drop in demand for new imported vehicles. Typically, import licenses are renewed every three months, with a maximum of two one-month extensions;
- On 11 April 2020, the MIC exempted traders from import licence fees for all medicines and medicinal raw materials which took immediate effect;
- The MIC announced that application fees for investors wishing to apply for permission to invest would be halved, with the new fee structure taking effect from 20 April 2020 onwards and remaining effective until otherwise revised;
- And on 3 May 2020, the Ministry of Labour announced a list of 21 business which need to continue operations during the pandemic as they provide essential, public or necessary services. These businesses include –
 1. State-owned factories and enterprises;
 2. Businesses that supply water;
 3. Businesses involved in electricity, fuel energy production and transmission;
 4. Providers of fire services;
 5. Private hospitals, clinics and healthcare service providers,
 6. Telecommunication service providers; and
 7. Information providers and technology businesses.
 8. Transportation;
 9. Warehousing and wholesale;
 10. Port services;
 11. Logistics and freight;
 12. Export and import;
 13. Municipal services;
 14. Banking and finance;
 15. Insurance;
 16. Toll-collections;
 17. Printing and publishing businesses;
 18. Mining and resources;
 19. Chemical-related firms;
 20. Construction businesses;
 21. Fisheries.

⁴⁹ <https://www.mmtimes.com/news/govt-expands-list-relief-measures-businesses-investors.html>

d. Calls for Expansion of the Stimulus Package and Concerns

Despite the measures, Myanmar's Government was under increasing pressure as of late April to scale up the stimulus package and mitigate economic fallout, with the emergency fund of 100 billion being seen as not nearly sufficient and the policies generally not meeting the expectations of the business community.⁵⁰

The fund accounted for less than 0.1 percent of Myanmar's GDP and by comparison, neighbouring Cambodia, which has a smaller economy, pledged up to \$2 billion US dollars and Bangladesh pledged \$ 8.5 billion US dollars (3 percent of its GDP).⁵¹

e. Comprehensive Economic Stimulus Plan (CERP)

On 27 April 2020, the Ministry of Planning, Finance and Industry then announced a comprehensive COVID-19 Economic Stimulus Plan to mitigate economic impact and build foundations to facilitate rapid economic recovery. The plan consists of seven goals, mainly:

1. Improve the macroeconomic environment through monetary stimulus;
2. Ease the impact on the private sector through improvements to investment, trade and banking sectors;
3. Ease the impact on labourers and workers;
4. Ease the impact on households;
5. Promote innovative products and platforms;
6. Strengthen healthcare systems; and
7. Increase access to COVID-19 response financing.

Importantly, it is noted that the plan may be revised as circumstances and events demand, a much needed flexibility in this uncertain time.

Private Sector – Loans and Guarantee Schemes

In order to ease the impact on private sector firms, a number of measures were outlined, notably the increase of the COVID-19 fund from 100 billion to 200 – 500 billion before the end of the year, which had previously been called upon.

As for guarantee schemes, Government guarantees are to be available before the end of the year to 50 percent of any new loans made by banks to Myanmar enterprises, which are generating a turnover of up to 1 billion Myanmar Kyat, who are not beneficiaries of other Government spending schemes and on the condition of the maintenance or rehiring of staff as employed on 1 February 2020. Government guarantees are also to be extended to firms in high-growth sectors who have been negatively impacted by COVID-19.

Agriculture Sector

The plan also details specific measures to support the agricultural sector, including cash or lending support for smallholder farmers who have lost revenue in order to support input purchases in time for monsoon planting, the establishment of rural cash-for-work programs, to be implemented by the end of the year, and the facilitation of rice exports to maintain incentives for farmers to plant this season.

The facilitation of rice exports, is a significant area for focus. Over the past month more than 5,000 tonnes of rice have piled up at the Myanmar-China border with the Chinese authorities temporarily suspending imports without certificates from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (**AQSIQ**).

Similar scenes were occurring in a town in Myanmar near to Yunnan province, with Chinese authorities restricting drivers from entering and preventing the transport of some 300 trucks that ordinarily transport bananas and watermelons to China each day.⁵²

Looking forward, it is however anticipated that rice exports are to resume at near regular volumes in May, as according to the Myanmar Rice Foundation (**MRF**). 100,000 tonnes are to be shipped overseas with the remainder to be traded at the border.

⁵⁰ <https://www.mmmtimes.com/news/myanmar-under-pressure-scale-covid-19-stimulus-measures.html>

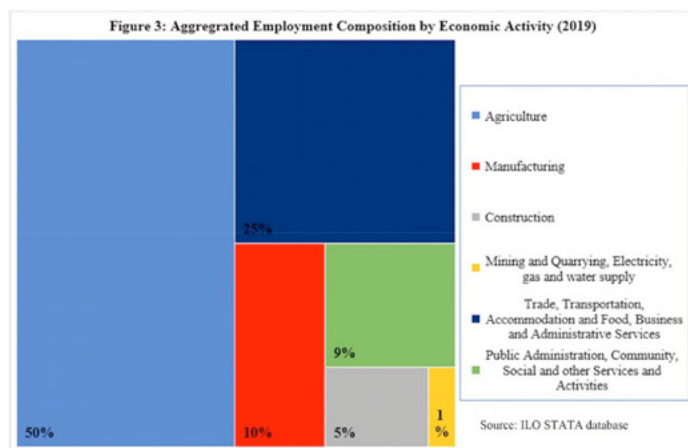
⁵¹ <https://www.mmmtimes.com/news/myanmar-under-pressure-scale-covid-19-stimulus-measures.html>

⁵² <http://mizzima.com/article/myanmar-cargo-trucks-prevented-crossing-chinese-border>

China has also recently issued letters to Chinese companies permitting them to import up to five times more rice than the amount purchased last year,⁵³ an increase from 50,000 tonnes to 250,000 tonnes.

Additionally, the MRF is also reportedly in negotiations with ASEAN countries regarding export arrangements.⁵⁴

Measures aimed at supporting the agricultural sector are therefore welcomed, particularly given that Myanmar is largely an agricultural country. Economists have however pushed for more focus on the agriculture and livestock sectors which affect long term food security. Not to mention, the sector comprises around 25 percent of Myanmar's GDP and employs a majority of the population.⁵⁵



Investment and Trade

As for promoting investment, plans to expedite the solicitation of projects, expedite the investment approval process, simplify the procurement process and expedite Government spending are outlined.

With a view of promoting international trade, the plan aims to establish a 100 billion Myanmar Kyat fund to designated commercial banks to promote trade financing and the facilitation of the import process for medical-related products

⁵³ <https://www.mmtimes.com/news/myanmar-rice-traders-anticipate-losses-despite-higher-imports-allowed-china.html>

⁵⁴ <https://www.mmtimes.com/news/myanmar-rice-exports-resume-may.html>

⁵⁵ <https://www.mmtimes.com/news/ceip-should-focus-more-agriculture-livestock-sectors-businesses.html>

and the waiver of FDA requirements (provided they are FDA approved in another country) and the review of all export applications, licenses and permits.

Labourers and Workers

Goal three aims to ease the impact on labourers and workers.

In addition to the extension of labour benefits for the unemployed, the plan outlines the intention to implement labour-intensive community infrastructure projects for those laid off or returning migrants, with the intention to implement such before the end of 2020.

As noted previously, the Myanmar Government has also recently approved a number of labour-intensive industry projects which are anticipated to create thousands of new jobs.

Innovative Products and Platforms

Goal 5 aims to promote innovative products and platforms, mainly mobile payment services and local and overseas e-Commerce and Social-Commerce systems.

Additionally, the plan sets out the intention to develop a central e-commerce website for retail businesses before the end of the year.

This is also a welcome development given many retail business owners have expressed concerns over the rental fees in Yangon malls which they say remain high despite the drop in footfall and demand. Some malls have reduced rent by 20 percent, 25 percent and even 80 percent in some cases, however many retailers are still pushing forward with plans to sell via online platforms.⁵⁶

f. External Support

World Bank Support

The World Bank announced on 20 April 2020 the approval of 50 million US dollars of loans for the Myanmar COVID-19 Emergency Response Project, which focuses on upscaling Intensive Care Units (ICUs), capacity building and community engagement activities.

⁵⁶ <https://www.mmtimes.com/news/retail-businesses-lament-high-rental-fees-now-going-online.html>

The Project complements the World Bank-financed Myanmar Essential Health Services Access Project (**EHSAP**), which has been supporting over 12,000 primary health care facilities across Myanmar since 2015.

Further, the World Bank Group is taking action to assist developing countries generally to strengthen their pandemic response, increase disease surveillance, improve public health interventions, and help the private sector continue to operate and sustain jobs. It is deploying up to 160 million US dollars in financial support over the next 15 months to help countries protect the poor and vulnerable, support businesses, and bolster economic recovery.⁵⁷

IMF

According to CBM Governor, while domestic demand is sufficient to support the economy in the short term, the CBM and the Ministry of Planning were considering applying for financing options by the International Monetary Fund (**IMF**), with applications being prepared for the IMF's Rapid Credit Facility (**RCF**) and Rapid Financing Instrument (**RFI**).⁵⁸

3. Economic Outlook for Myanmar

Undeniably, the effects of COVID-19 will be long felt in Myanmar and around the world. With travel and border trade restrictions in place, the impact will be felt most significantly by tourism-related services, agricultural exports to China and the garment manufacturing sector, which accounts for 13% of Myanmar's exports.

While the manufacturing sector is anticipated to restart as soon as the crisis recedes, the tourism sector will take longer to rehabilitate, with bookings already down by 50 percent as of 27 February 2020.⁵⁹ With tourism an important part of sustainable development, and moreover SMEs making up a majority of the sector, this will be an important area of focus for Myanmar to recover.

To support the hard hit industry, the UN World Tourism Organisation (**UNWTO**) is providing support and guidance

for recovery measures,⁶⁰ and preparations are also underway to revive the industry post COVID-19, with for example the Community Based Tourism Program in the Ayeyewady Region, which is preparing to provide better quality services to visitors.⁶¹

The International Monetary Fund (**IMF**) forecasts Myanmar's economy will still grow, with a growth forecast of 1.8 percent, down from a forecast for 2020 of 6.4 percent, taking into account the widespread factory closures and the number of workers out of jobs.⁶² It is important however to remember that this is relatively positive picture as most economies in the world are forecast to be contracting for 2020. Hong Kong for example has already suffered a nearly 9% contracting in its economy in the first quarter of 2020.

How the situation will in fact transpire does largely depend on a number of factors including:

- the extent of fiscal measures, which will determine how far any permanent damage is offset, with the IMF emphasising the need for "large, timely, temporary and targeted fiscal measures";⁶³ and
- the extent to which major economies of the US, Europe and China will have their outbreaks under control in the next 3 to 6 months.⁶⁴

Therefore, the economic outlook is far from certain, but strong, coordinated efforts (as suggested by ADB Chief Economist, are key to minimising economic impact.⁶⁵

Support from abroad and investment are also important factors for Myanmar's economic outlook. On one hand, we have seen delays in projects such as:

- the extension of the Request for Proposal deadline to April 30 2020 for the 1 billion US dollar Yangon Elevated Expressway project owing to bidders in China, Japan

57 <https://www.worldbank.org/en/news/press-release/2020/04/20/myanmar-50-million-in-fast-track-financing-for-national-covid-19-coronavirus-emergency-response>
 58 <https://www.mmtimes.com/news/myanmar-considers-applying-imf-financing-get-through-covid-19.html>
 59 <https://www.mmtimes.com/news/covid-19-expected-cut-tourism-revenue-half.html>

60 <https://tourism.gov.mm/convid-19-lated-news/>
 61 <http://www.thaibizmyanmar.com/en/news/detail.php?ID=3013>
 62 <https://www.mmtimes.com/news/myanmar-economy-still-forecast-grow-despite-global-recession-imf.html>
 63 IMF semi-annual fiscal monitor 2020
 64 <https://www.mmtimes.com/news/myanmar-growth-rebound-next-year-if-virus-confined-quickly-ADB.html>
 65 <https://www.mmtimes.com/news/myanmar-growth-rebound-next-year-if-virus-confined-quickly-ADB.html>

and South Korea dealing with domestic COVID-19 outbreaks;

- and the withdrawal of the Wuhan-based Consortium from the bidding of the project;⁶⁶
- the delay of the 8-10 billion US dollar development of the Dawei Special Economic Zone; and
- the delay of the 137.1 million US Dollar Road linking Myanmar and Thailand.

However, there is also room for optimism, with commitments to developments reiterated and support from foreign institutions, including:

- a 5.46 million US dollar aid package for garment workers from the European Union announced on 9 April 2020, in light of the collapsed demand for products, with previously 70 percent of exports going to European countries;
- the Japan International Cooperation Agency (**JICA**) announcing plans on 25 March 2020 to move ahead with infrastructure, urban, sewerage and power distribution projects for which a 1.1 billion US dollar loan agreement was signed for in January 2020;
- the anticipated completion of an airport in Chin State this month, with 300 workers being retained and currently isolating at the construction site;⁶⁷
- the Chinese Foreign Ministry announcing 6.78 million US dollars to be provided for 22 Myanmar projects under the Beijing-led Cooperation Initiative;
- the announcement by Chinese Ambassador to Myanmar, Chen Hai, that the 33 agreements signed during President Xi's visit in January under the China-Myanmar Economic Corridor and BRI would continue to implementation stage; and
- South Korea's reiteration of commitment to infrastructure projects in Myanmar post-COVID-19, which notably

includes the 154 million US dollar Yangon-Dala Bridge, 125 million US dollar Railway upgrade and South Korea-Myanmar Industrial Complex.

While the Myanmar Government appear to be working to ensure that foreign investment continues to flow into the country, it is important that a medium-term economic plan is also formulated, particularly in light of the uncertainty of the months to come.

4. Concluding Remarks

Ultimately, the impact of COVID-19 on Myanmar and Myanmar's labour-intensive industries is significant. The Government initially took incremental action however it soon became clear that a more sweeping fiscal response was necessary to offset any long term economic damage.

With monsoon season approaching in Myanmar, bringing with it public health challenges on top of COVID-19, Myanmar will likely see its health system and disaster response systems tested further, and this will no doubt necessitate further responses from the Government.

As mentioned, the situation in Myanmar is a mixed picture with Myanmar by no means amongst the countries worst affected countries by COVID and it seems that the measures taken to date are being relatively effective. Certainly considering the reported figures of COVID cases being relatively under control and with the Government stepping up with response measures.

⁶⁶ <https://thediplomat.com/2020/04/covid-19-could-leave-myanmars-economy-in-ruins/>

⁶⁷ <https://www.mmtimes.com/news/serp-should-focus-more-agriculture-livestock-sectors-businesses.html>

CHARLTONS

Award winning Hong Kong law firm

This newsletter is for information purposes only.

Its contents do not constitute legal advice and it should not be regarded as a substitute for detailed advice in individual cases.

Transmission of this information is not intended to create and receipt does not constitute a lawyer-client relationship between Charltons and the user or browser.

Charltons is not responsible for any third party content which can be accessed through the website.

If you do not wish to receive this newsletter please let us know by emailing us at unsubscribe@charltonslaw.com

Hong Kong Office:

Dominion Centre
12th Floor
43-59 Queen's Road East
Hong Kong
Tel: + (852) 2905 7888
Fax: + (852) 2854 9596

Myanmar Office:

161, 50th Street
Yangon, Myanmar
Tel: + (95) 1 8203898
Email: enquiries.myanmar@charltonslaw.com

www.charltonslaw.com / www.charltonsmyanmar.com