

Impact from the Lifting of US Economic Sanctions on Myanmar

10 November 2016

Myanmar economists and businessmen welcomed US President Barack Obama's announcement to lift US economic sanctions and restore long-lost trade benefits to Myanmar.

Experts hope that the lifting of sanctions will help with economic development in Myanmar, which was among the region's strongest economies in the early 1960s. They expect the end to sanctions to make it easier for US companies to invest and do business in the country, and that it will

- Increase trading and investment
- Lead to improvements in the banking sector
- Make Myanmar less dependent on regional trade

Moreover, it will benefit the Myanmar people and brings hope for Myanmar's economic development.

Impact thus far

- The US Treasury Department's "Burmese Sanctions Regulations" are no longer in effect and will be eliminated. All the restrictions involving new investment, financial services, and imports of jade and rubies, as well as the Specially Designated Nationals (SDNs) list under the Myanmar sanctions program, have been removed.
- Major US brands have established their presence in Myanmar:
 - KFC (three outlets in Yangon),
 - Coca-Cola (a factory producing for the local market),
 - Ball Corp (a factory in Yangon's Thilawa SEZ – making cans for Coca-Cola),
 - MasterCard (expanding in the area of ATM Cards) has established its presence in Myanmar.
- More European Union and the United States' jade traders are expected to attend the upcoming Gems Emporium in Nay Pyi Taw, Myanmar, from 20-29 November 2016 (*Around 6,000 jade lots and thousands of gem lots will be on display at the event and sold through an open tender process as well as through competitive bidding systems*)
 - Payments will be made in Euro this time and will be changed to US Dollar next year. The Myanmar Gems Enterprise earned around 668.3 million USD in July 2016 Emporium, which is less than the December 2015 event where sales generated around 1 billion USD.
 - The record high sales was in July 2014, when the government and private enterprises sold around 2.6 billion USD in jade to foreign traders, up from about 2.2 billion USD in 2013, according to the (now defunct) Ministry of Mines.
 - The National League for Democracy (NLD) government of Myanmar announced that all current jade mining licenses would expire in 2018. Licenses will only be considered for renewal after an environmental management plan is completed for the jade-rich areas of Kachin State.
- Foreign investment slowed earlier this year, as companies awaited changes in the investment law, company law and other regulations.
 - Trade with the U.S. has also been modest. Myanmar's imports from the U.S. totaled \$227 million in 2015, while exports from Myanmar to the U.S. amounted to \$142 million: mostly

dried peas, rattan and wood products and travel goods like backpacks (U.S. Trade Representatives website)

Potential

- Investment in natural resources, human resources, a desire to promote investments, the strategic location of Myanmar between China and India, the fast-growing economy, the lifting of sanctions, and GSP (generalised system of preferences) are all opportunities that are very attractive for investors. Moreover, the country's young, low-cost workforce compared to neighbouring countries, and low cost of living offer huge potential for growth.
- The garment industry could be one of the biggest beneficiaries of the end to US sanctions. The US stopped giving Myanmar special market access under the GSP in 1989 due to worker rights concerns. When those benefits are restored on 13 November 2016, it will regain the right to export about 5,000 products to the US duty-free.
- Tourism businesses, microfinance and retail-shops have high growth potential.

Constraints

- Complicated land rights, weakness in power generation and electrification, the need for capacity building throughout the workforce and government, lack of transparency and international standards, low enforcement of the rule of law and anti-corruption measures, outdated regulatory and tax structures, and decaying physical infrastructure.
- Banking and financial services have been particularly problematic, despite licensing efforts to prevent difficulties. No US banks and few US financial services providers have entered Myanmar.

Legal facilitation

- Myanmar Investment Law 2016
 - By-laws for the new investment law will be ready by the beginning of next fiscal year, in April 2017.
 - The law gives the government power to direct investment via tax incentives into specific sectors and underdeveloped areas of the country.
- The Myanmar Real Estate Services Association (MRESA) is discussing with the government's legal affairs commission for a formal draft of real estate service legislation
- Payment of Wage Law 2016
 - The government will soon issue by-laws for the implementation of key labour protection legislation.
- Condominium Law 2016
 - the rules and regulations for the law will be ready by the end of 2016
- The Ministry of Information proposed new rules for advertising aimed at cracking down on poor-quality products and fake promotions

Conclusion

The Myanmar government since taking office has repeatedly emphasized anti-corruption and transparency efforts, as well as its policy to improve the overall investment climate. The Union Minister for Planning and Finance has stated that economic growth is the priority, through improved access to finance, tax policy reform, and rural development. The State Counsellor H.E. Daw Aung San Suu Kyi will also be looking to the formerly sanctioned individuals and businesses to assist this process and help with Myanmar's economic growth. Myanmar's collective efforts, together with the US and international support, are the new way forward.

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