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**Insights**

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### New industrial zone law

On 26 May 2020, legislators approved the long awaited Industrial Zone Law (the "**Law**") which seeks to (among other things)

1. address the prevalent problem of land speculation (the purchase of and investment in industrial land for the sole purpose of on-selling for a profit)
2. increase accountability and penalty powers and
3. improve environmental governance and sustainability.

Prior to the Law being passed, there was no specific law governing the industrial zones in Myanmar and this uncertainty in the legal framework deterred foreign investment.

The Law now introduces a new central committee to regulate industrial zones, on top of existing regional and management committees, with a view to clearer hierarchy and governance structure in those areas. Investors who have acquired lands in designated industrial zones must obtain committee approval for the project timeline and action plan and thereafter implement the project in accordance with the above. If they fail to do so, they may be liable to pay fines of 10 per cent of the value of the acquired land every year. If such fines are not settled, their land grant or permit may be forfeited.

Investors and developers in the industrial zones are entitled to the same income tax benefits under the Myanmar Investment Law 2016, the amount of which depends on the zone (e.g. underdeveloped, developed) being invested in. They may be entitled to further incentives for investments in value-added export agriculture and product manufacturing as well.

Investors will also be required to comply with zone-level Environment Impact Assessments based on the Environmental Conservation Law of 2012. These assessments determine water usage, carbon emissions and other issues, and ensure that the cumulative impact of the factories is managed.

It is hoped that with the implementation of the Law, that this will create confidence and rejuvenate investment in the industrial sector. However, much will also depend on the utilities and infrastructure in place in and around the zones as these are crucial for operations. Nevertheless, this is an important step toward ensuring broader access to land and production, as well as creating job opportunities for the local population.

## Regulation of cryptocurrencies

In Myanmar, there is currently no regulatory framework to regulate cryptocurrency in comparison with countries such as the US, Singapore, Japan, Ukraine, the UK, Germany, Switzerland and Hong Kong SAR which officially allow transactions in digital currencies. These countries have already enacted laws to protect their investors from fraud and money laundering.

In the recent Central Bank of Myanmar announcement, the Central Bank stated that it does not recognize digital currency, including cryptocurrency, as legal tender nor has it given permission to financial institutions to buy/sell or exchange them.

With this, it's difficult to know what the future holds for Myanmar in terms of cryptocurrency and investment considering central banks and regulators around the world have come to grips with the new crypto paradigm. Whether the more restrictive regulatory regime in China or more open regimes such as those in Singapore and Japan are to be adopted, Myanmar will need to promote public awareness of crypto technology, its security, convenience and functionality before it is in a position to implement measures to develop the crypto industry in a steady manner.

## Extension of international flight restrictions

The Ministry of Transport and Communications announced on 12 June that the effective period of temporary restrictions on international commercial passenger flights will be extended until 30 June 2020, 23:59 Hours of Myanmar Standard Time, with the approval of the National Central Committee for Prevention, Control, and Treatment of COVID-19.

This was a renewal of the restriction directive 'Temporary Measures to Prevent Importation of COVID-19 to Myanmar through Air Travel' released by the Ministry of Health and Sports on 29 March 2020, and it was previously extended to 15 June 2020.

## Liquor import regulation

On 25 May 2020, the Ministry of Commerce ("**MOC**") issued Notification 38/2020 ("**Notification 38**"), permitting the importation of foreign liquor, thus ending a decades old ban in Myanmar. Along with Notification 38, the MOC also issued Notification 39/2020 ("**Notification 39**"), detailing the rules and procedures for importation of foreign alcohol.

Before Notification 38, import of alcohol was tightly restricted in Myanmar, where only hotels and duty-free outlets were allowed to import spirits and beer. It was only in late 2015 where some relaxation on restrictions were introduced to permit the import of foreign wine by domestic importers. With the current lift on the ban on the foreign liquor imports, beer still remains a prohibited item for importation into Myanmar.

According to MOC, the current relaxation efforts are intended to tackle illicit and counterfeit trade, address concerns about consumer safety, meet a growing market demand and improve tax revenues.

Under the newly released rules, importation of liquor can only be conducted through Yangon Port or Yangon Airport, with the cost, insurance and freight value per litre of alcohol being at least US$8 to protect local producers. Importers also need to comply with labelling requirements.

To qualify as a liquor importer, amongst various conditions, a company must be Myanmar owned, have an exporter and importer registration certificate issued by the MOC and be granted an exclusive distributorship with a foreign liquor manufacturer. While there is no clear definition as to what constitutes a Myanmar company under Notification 39, it is presumed that a company with up to 35% foreign shareholding can qualify as a liquor importer. This is much more liberal position compared to the previous position in respect to foreign wines, where only 100% locally owned companies could be importers.

The recent relaxation should pave the way for economic benefits as it presents potential investor opportunities in Myanmar. More direct foreign investment in the beverage industry is expected which could create more job opportunities for the local community and promote the sharing of best practices if responsible corporate practices are adopted by investors. It is likely to take some time to see the effects of such import policy reforms on illicit trade activities, however, with the appropriate enforcement measures and policy adjustments, it could be possible to observe improvements in the coming years.

## MEET THE TEAM


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