

# Burma News – January 2014

## FDI/Trade

The World Bank's annual "Doing Business" report placed Myanmar at 182nd out of the 189 countries surveyed, showing that it is still among the very worst countries in the world to do business.<sup>1</sup> Maplecroft's annual Legal and Regulatory Environment Risk Atlas also rates Burma as an "extreme risk", even as it indicated that Burma was the most-improved country in the global business environment. However, current levels of corruption, lack of rule of law and interference in business by a wide range of powerful and vested interests, including the military, continue to create a very uneven playing field for foreign investors.<sup>2</sup> As such, experts are predicting that 2014 will be a year of waiting for the Burmese business community, with potential investors taking a cautious approach, and waiting for the outcome of the 2015 elections.<sup>3</sup>

Economic growth is set to continue at 7-8 percent over the coming three years, according to the World Bank, with inflation continuing at 6 percent – price rises which would likely have a greater impact on the country's less well-off.<sup>4</sup> The World Bank also announced a \$2 billion aid package, of which half of the funds will go to expanding electricity generation, transmission and distribution, and \$200 million will go toward making access to health care universal in Burma by 2030.<sup>5</sup> At the Second Myanmar Development Cooperation Forum, President Thein Sein announced the government aimed for 9.1 percent growth in GDP for the 2014-15 year, compared with the IMF projection of 7.75 percent growth, and called for continued cooperation with development partners.<sup>6</sup>

A new Special Economic Zones law has been enacted, revoking the Dawei Special Economic Zone Law and Myanmar Special Economic Zone Law (2011). This new law allows for income tax exemptions for up to seven years for local and foreign investors and up to eight years for construction in "exemption areas". A management committee will be responsible for setting wage levels and monitoring the ratio of local and foreign labour. Local skilled labour should compose a minimum 25 per cent in the first year, 50 per cent in the second year and 75 per cent in the third year.<sup>7</sup>

## Investor country initiatives

On 17 January, the US signed a law authorising \$1.1 trillion US spending until October 2014. The law delineates wide-ranging conditions for engagement with the Burmese government including the

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<sup>1</sup> The Economist, "Myanmar's economy - Reality check", 4 January 2014, <http://www.economist.com/news/asia/21592658-optimism-about-business-prospects-final-frontier-may-be-overblown-reality-check>

<sup>2</sup> Democratic Voice of Burma, "Risky Business - Burma improving but still ranked low, say analysts", 9 January 2014, <http://www.dvb.no/news/risky-business-burma-improving-but-still-ranked-low-say-analysts/35870>

<sup>3</sup> Irrawaddy Magazine, "A Waiting Game for Burma's Business Community in 2014", 29 January 2014, <http://www.irrawaddy.org/business/waiting-game-burmas-business-community-2014.html>

<sup>4</sup> Irrawaddy Magazine, "Burma's Inflation Pains Sharpest for Poor Majority: World Bank", 23 January 2014, <http://www.irrawaddy.org/burma/burmas-inflation-pains-sharpest-poor-majority-world-bank.html>

<sup>5</sup> Irrawaddy Magazine, "World Bank Pledges \$2B for Burma's Health, Energy Sectors", 27 January 2014, <http://www.irrawaddy.org/burma/world-bank-pledges-2b-burmas-health-energy-sectors.html>, BBC News, *World Bank pledges \$2bn development aid for Burma*, 26 January 2014, <http://www.bbc.co.uk/news/business-25903687>; World Bank, "Emerging Myanmar Aims to Catch Up to Its Neighbors", 26 January 2014, <http://www.worldbank.org/en/news/feature/2014/01/26/emerging-myanmar-aims-catch-up-neighbors>.

<sup>6</sup> Irrawaddy Magazine, "Myanmar Government Growth Target Overshoots IMF Forecast Amid Calls for Aid", 27 January 2014, <http://www.irrawaddy.org/burma/govt-growth-target-overshoots-imf-forecast-amid-calls-aid.html>

<sup>7</sup> The Nation, "Several Tax Incentives for Special Economic Zones", 29 January 2014, <http://www.nationmultimedia.com/aec/Several-tax-incentives-for-Special-Economic-Zones-30225446.html>

unconditional release of all political prisoners, a constitutionally enshrined fair electoral process and observable efforts to bring rights violators to justice.<sup>8</sup>

EU investment in Burma came under scrutiny from the International Federation of Human Rights (FIDH). Noting that investment projects in Burma have been linked to violent repression of peaceful demonstrations and detentions of protestors and human rights defenders, as well as forced evictions and land confiscations, FIDH argues that without reforms and adequate guarantees, EU investments may exacerbate human rights violations in the country and render investors complicit in human rights violations. FIDH recommends that the EU conclude a time-bound and benchmarked roadmap that identifies priority reforms needed to create a business environment that is conducive to the fulfilment of human rights, before concluding an investment agreement. It also recommends the development of a binding normative framework for EU companies engaged in business activities in Burma/Myanmar in order to ensure that they respect human rights, as set forth in the UNGPs and OECD Guidelines for Multinational Enterprises.<sup>9</sup>

### **Political reform**

In early January, President Thein Sein gave his backing to amending the military drafted Constitution, saying that the Constitution could help national reconciliation and that he did not support laws that bar anyone from becoming president.<sup>10</sup> The US Ambassador also indicated his support for Constitutional reform, calling Article 59F, which states that a president's spouse or children cannot be citizens of a foreign country, "a relic of the past".<sup>11</sup>

However, on 31 January the Constitutional Review Joint Committee in Burma's Parliament put forward proposed draft amendments to the Constitution, which did not include amendments to Article 59F, nor to the article that reserves 25 percent of seats in Parliament for the military, not to the chapter of the that grants immunity for members of the former regime who committed crimes while carrying out their duties. However, committee did recommended changes to allow greater power sharing between the government and ethnic groups.<sup>12</sup>

### **Labour issues**

The government announced a US\$20 raise for civil servant salaries and government pensions, which have risen by approximately 190 per cent since 2011. The latest raise has been introduced because of an improved government budget and robust economic growth, as well as seeking to address a rise in inflation. Commentators fear that it will actually lead to a rise in commodity prices. However, it is hoped that the increase will help to combat low-level corruption, reports the Irrawaddy Magazine, as the low earnings of Burma's civil servants has created an ineffective government workforce, prone to demanding bribes for performing public services.<sup>13</sup>

Myanmar's parliament enacted the minimum wage law in March 2013 and the government approved the related by-laws in July 2013. The Nation reports that Minister of Labour Aye Myint announced that

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<sup>8</sup> Democratic Voice of Burma, "US spending bill adds 'new restrictions' on Burma", 18 January 2013 <http://www.dvb.no/analysis/us-spending-bill-adds-new-restrictions-on-burma-myanmar/36183>

<sup>9</sup> International Federation of Human Rights, "FIDH/ALTSEAN BURMA Recommendations concerning EU-Burma investment relations", 29 January 2014, <http://www.fidh.org/en/asia/burma/14543-burma-fidh-altsean-burma-recommendations-concerning-eu-burma-investment>

<sup>10</sup> New York Times, "Myanmar President Supports Changing Army-Drafted Constitution", 2 January 2014, <http://www.nytimes.com/reuters/2014/01/02/world/asia/02reuters-myanmar-politics.html>

<sup>11</sup> Irrawaddy Magazine, "US Ambassador Supports Constitutional Reform, Calls Article 59F 'Relic of the Past'", 10 January 2014, <http://www.irrawaddy.org/burma/us-ambassador-supports-constitutional-reform-calls-article-59f-relic-past.html>

<sup>12</sup> Irrawaddy Magazine, "Burma Parliament Committee: Keep Main Points of Constitution", 31 January 2014, <http://www.irrawaddy.org/burma/burma-parliament-committee-keep-main-points-constitution.html>

<sup>13</sup> Irrawaddy Magazine, "Thein Sein Plans \$20 Salary Increase for Civil Servants, Pensioners", 8 January 2014, <http://www.irrawaddy.org/burma/thein-sein-plans-20-salary-increase-civil-servants-pensioners.html>

the government would announce an official minimum wage for workers before the end of 2014. Researchers are conducting an extensive survey across the country, with canvassing on the issue in Yangon, Mandalay and Bago reportedly complete.<sup>14</sup> On 16 January the government met with workers' representatives and the International Labour Organization to discuss proposals for the minimum wage for other industries. Data presented during the negotiations showed that basic monthly salaries in the manufacturing sector range from 21,000 kyat (US\$25) to 120,000 kyat, depending on bonuses and overtime. On average, workers in the sector can expect to earn about 80,000 kyat a month, or 2,400 to 4,000 kyat a day – higher than in Vietnam, Laos, Cambodia and Bangladesh. However, the meeting did not address working hours or overtime.<sup>15</sup>

Workers in a labour dispute at a factory in Mandalay are planning to file a lawsuit against the factory owner, who they accuse of breaching a labour condition agreement and forcing them to work long hours and on holidays. After protesting in early December to demand better working conditions, workers reached an agreement with management for better pay for working overtime and time off during national holidays and on Sundays. However, in early January protests resumed as labourers claimed the factory had failed to keep to the agreement and had fired 26 workers who did not come to work on Sunday.<sup>16</sup>

### Human rights

Amnesty International called into question the credibility of the Presidential pardon of political prisoners issued at the end of 2013 in the light of a further 2 arrests during January under the anti-protest laws, including two land rights activists and a Buddhist monk on hunger strike.<sup>17</sup> On 5 January, thousands of protesters in Yangon demanded the repeal of Section 18 of the Peaceful Assembly and Procession Law, which requires prior police permission for gatherings and marches, and Section 505 (b) of the Penal Code, relating to offences deemed by the authorities to be against public tranquillity. The protest was one of the biggest since the monks' protests in 2007 that were crushed by the then military junta, known as the "Saffron Revolution".<sup>18</sup>

Meanwhile at least 33 political prisoners remain behind bars, according to the Committee for Scrutinizing Political Prisoners, despite an announcement by a Presidential spokesperson on 31 December announcing that the President had fulfilled his promise to release all remaining political prisoners.<sup>19</sup> The Assistance Association for Political Prisoners (Burma) reported that there may be as many as 46 political prisoners in jail, with around 70 others awaiting trial and another 148 sentenced, some in absentia, during 2013.<sup>20</sup>

The UN reported that in January the Burmese army released 96 children from its service, according to the United Nations. The army has released a total of 272 children and youth over the past 18 months,

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<sup>14</sup> The Nation, "Parliament to discuss minimum wage issue in June", 28 January 2014,

<http://www.nationmultimedia.com/aec/Parliament-to-discuss-minimum-wage-issue-in-June-30225308.html>

<sup>15</sup> Mizzima, "Not So Fast", 26 January 2014, <http://www.mizzima.com/opinion/features/item/10848-not-so-fast>

<sup>16</sup> Irrawaddy Magazine, "Myanmar Workers to Sue Mandalay Factory in Labour Dispute", 3 January 2014, <http://www.irrawaddy.org/burma/workers-sue-mandalay-factory-labor-dispute.html>

<sup>17</sup> Amnesty International Press Release, "Myanmar: Fresh charges under draconian anti-protest law", 22 January 2014, <https://www.amnesty.org/en/for-media/press-releases/myanmar-fresh-charges-under-draconian-anti-protest-law-2014-01-22>

<sup>18</sup> Mizzima, "Big Yangon demonstration calls for repeal of laws that violate rights", 6 January 2014

<http://www.mizzima.com/mizzima-news/politics/item/10786-big-yangon-demonstrations-calls-for-repeal-of-laws-that-violate-rights>

<sup>19</sup> Mizzima, "33 prisoners still in jail, says committee", 21 January 2014, <http://www.mizzima.com/mizzima-news/myanmar/item/10834-33-political-prisoners-still-in-jail-says-committee>

<sup>20</sup> Al Jazeera, "Freeing Myanmar's political prisoners", 7 January 2014, <http://www.aljazeera.com/indepth/features/2014/01/freeing-myanmar-political-prisoners-201416125914314741.html>

but has not completely stopped its use of children. No record of verifiable figures exists to prove how many children currently serve in Burma's military.<sup>21</sup>

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<sup>21</sup> Al Jazeera, "*Myanmar releases child soldiers from service*", 18 January 2014, <http://www.aljazeera.com/news/asia-pacific/2014/01/myanmar-releases-child-soldiers-from-service-2014118103450393981.html>