



# A2 Global Risk

## Country Risk Reports



# Myanmar

## Summary

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The actions of the military against the country's Muslim ethnic Rohingya minority, and failure of the civilian leadership to intervene or condemn what the U.N. termed an act of 'genocide,' has dominated the country's ties with much of the rest of the world in 2017-18. The forced expulsion of hundreds of thousands of Rohingya, and numerous deaths this involved, has led many Western countries to impose sanctions on senior military personnel and the widespread criticism of the de facto civilian leader Aung San Suu Kyi. Myanmar's economic and diplomatic future is now opaque, seemingly dependent on China's largesse rather than Western support and investment, eroding the country attraction and greatly increasing the reputational risk to foreign companies actively involved in or seeking opportunities in the country

Locations likely to be frequented by foreign nationals including major cities, popular tourist attractions and coastal resort areas present an elevated security risk to visitors. While crime rates are generally low, there is a moderate risk of ethnic and civil unrest. There is also a moderate risk of indiscriminate terrorist attack.

Other areas of Myanmar, notably the border regions with China, India, Laos and Thailand, are high-risk locations due to on-going insurgent activity and ethnically motivated violence. Foreign nationals visiting these regions are strongly advised to ensure appropriate security measures are in place.

## Political stability overview

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### Political structure

Under the 2008 constitution Myanmar is a multiparty democratic republic. However, all national institutions are dominated by the military. Following some liberalisation of the political system and a disbanding of the State Development and Peace Council (in power since 1988), a new executive came to power under President Thein Sein in 2011. Elections in March 2016 led to the restoration of civilian control over the legislature, albeit under the 'guidance' of the armed forces.

In both houses of the bicameral legislature, 25% of seats are reserved for military appointees, with the remaining seats directly elected. The president is indirectly elected by the Electoral College, which consists of three committees comprising members of the Lower House, the Upper House and a third consisting of military appointees.

### Political issues

Myanmar underwent an unprecedented period of political and economic reform as the Thein Sein administration implemented a transition from military rule to an ostensibly multiparty democracy in 2016. However, the military's pre-eminent role in government remains constitutionally enshrined and the military's business interests will continue to dominate large sections of the economy for the foreseeable future. The military's 2016-17 campaign against the Muslim Rohingya minority, who have long lived in Rakhine state bordering Bangladesh,

emphasised the power of the armed forces and the weakness of the civilian government and its de facto leader Aung San Suu Kyi, who is barred from the presidency on grounds of her British nationality.

In addition to the Rohingya crisis the corruption is endemic and the country continues to struggle with the consequences of decades of economic mismanagement by the military. Western investment is now declining due to human rights concerns, leaving Myanmar primarily supported by East Asian capital as many fellow Asean members with large Muslim populations have also criticised the government over its treatment of the Rohingya community.

Myanmar's political environment is further complicated by entrenched ethnic discord between the Buddhist majority and the country's numerous other minority groups which comprise 40 per cent of the population. Long-running insurgencies continue along Myanmar's borders and show no sign of being resolved.

#### International relations

The conduct of Myanmar's armed forces in seeking to expel the Muslim Rohingya population from the country in 2017-18 risks reversing the steady removal of sanctions that began in 2011 and culminated in their removal following the 2016 elections that led to the formation of multi-party civilian government – albeit under the military's continuing tutelage. Western powers have reimposed sanctions on named senior military officers, and may well extend them to a wider sector of the economy unless the government reverses its present policy toward the Rohingya community. However, East Asian nations – notably China, Japan and South Korea, as well as Singapore – continue to vie for business and compete for influence, greatly reducing Western government's ability to influence events within in the country.

Myanmar is also involved within the regional power struggles between China and India as they compete for economic and political influence, with both countries investing heavily in Myanmar's infrastructure sector.

## Business environment

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### Legal environment

Rule of law in Myanmar is extremely weak and the antiquated legal system cannot be relied upon to protect foreign investors. The judiciary is not independent and is routinely subject to external political influence. Myanmar's ill-defined laws are applied arbitrarily by a poorly trained, inexperienced and corrupt judiciary. Myanmar's legal environment is further weakened by an acute shortage of competent legal practitioners.

Well-connected members of the military, business and political elite are able to instigate and manipulate court procedures in order to harass and intimidate competitors, including foreign owned companies. Foreign organisations in disputes with domestic entities, particularly state owned companies, cannot expect to receive impartial judgements. Bribery is an accepted means of influencing decisions.

The 2012 Foreign Investment Law (FIL) offers some clarification for overseas investors, but fails to provide specific property and intellectual property protections. The FIL grants broad discretionary authority to the executive administered Myanmar Investment Commission (MIC) and maintains state monopolies in a number of sectors. Myanmar's membership in ASEAN,

WIPO and the WTO all require that the state update its extremely antiquated intellectual property laws. However, no definitive progress is likely in the near- to medium-term.

## **Corruption**

Corruption is endemic at all levels of the government, military, civil service and domestic business community. Corruption is an accepted means of conducting business and foreign owned companies are particularly susceptible to demands for gifts, bribes and various forms of extortion. Patronage and nepotism are widespread and socially accepted.

The opaque structure of political power, coupled with multi-layered and often contradictory regulatory frameworks, allows for pervasive and often novel corrupt practices. It is rarely possible to obtain basic government services, essential operating and construction permits, or gain access to utilities without facilitation payments. Corruption is routinely conducted with impunity.

## **Taxation**

Myanmar's tax administration is opaque, arbitrary and riddled with corruption and inefficiencies. Nationally, tax collection is extremely limited but foreign companies are an easy target for the otherwise ineffective tax authorities.

In 2014 statutory corporation tax was reduced to 25 per cent of profits. However, the 2012 Foreign Investment Law stipulates foreign investors are eligible for a five-year tax exemption, with further deductions negotiable on a case-by-case basis. A variety of social security and other levies remain payable.

## **Labour issues**

The government's efforts to control the labour market cause large-scale inefficiencies and restrictive labour regulations can be burdensome for foreign investors. Foreign companies are subject to minimum employment quotas for local skilled labour. However, much of Myanmar's labour market is low skilled and poorly educated, particularly among the young. Skilled workers are in short supply and foreign organisations struggle to find competent local management.

Labour costs in Myanmar are extremely low, even in comparison to elsewhere in Southeast Asia. As of early 2012, unionisation, collective bargaining and industrial action may be legally practiced in Myanmar. However, organised labour activity remains extremely limited as a result of decades of repression.

Labour laws including the minimum wage and maximum working hours are poorly enforced and widely ignored within the private sector. Forced labour and child labour are widely practiced (including by the government), particularly in the construction, manufacturing and service sectors.

## **Reputational issues**

Foreign investors in Myanmar are subject to a broad range of potentially critical reputational risks. The Rohingya crisis has reversed much of the goodwill the country accrued following the 2016 elections are the notional resumption of civilian control, albeit under the military's constant surveillance. This, along with endemic corruption and the need for powerful patrons from within the military or their allies, exposes foreign investors to a high level of potential reputational risk.

# Security environment

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## Crime

Crime rates in Myanmar are low, particularly against foreign nationals. The most common threats to foreign nationals involve petty and opportunistic crimes such as pickpocketing and the theft of unattended property. While no official crime statistics are released, the incidence of violent or confrontational crime against foreign visitors or expatriate residents is generally very low.

Outside of Naypyidaw and Yangon there is a limited police presence and foreign nationals may be at increased risk of criminal activity. However, there is the widespread perception that scarce police resources will be directed to investigate and prosecute crimes committed against foreign nationals. Criminals targeting foreign nationals can expect to be treated far more harshly by the authorities.

Government authority is limited along large sections of Myanmar's international borders and instances of banditry and lawlessness occur with regularity. Organised criminal activity, particularly smuggling of narcotics, precious stones, arms and people, is widespread in boarder regions with China, India, Laos and Thailand. The risk of violent criminal activity in which foreign nationals may be targeted increases significantly in these areas.

## Terrorism and insurgency

There are on-going insurgencies in the northern states of Kachin and Shan. Much of the region remains outside of government control and clashes between government forces and a variety of rebel groups including the Kachin Independence Army (KIA), the Shan State Army North (SSA-N) and the Ta'ang National Liberation Army (TNLA) occur with regularity.

Anyone caught in the vicinity during a military offensive would be at extreme risk. The government routinely uses mortar fire, heavy artillery and air offensives against rebel groups. An estimated 100,000 people have been displaced since the collapse of the 2011 ceasefire agreement.

There is a high risk of terrorism in areas affected by the insurgency. Rebel groups, notably the KIA, have been responsible for numerous bomb and landmine attacks throughout the region. The KIA often targeted infrastructure including bridges, roads and the railway network, as well as government and military installations.

There is a minor risk of terrorism elsewhere in Myanmar. Sporadic, indiscriminate bomb and landmine attacks have occurred throughout the country, including in major urban centres. Responsibility for such attacks usually goes unclaimed by any credible group.

Foreign visitors and expatriates are unlikely to be specifically targeted by terrorist groups, unless they have been linked to the government or military by business or other means. However, attacks often target public spaces and locations that may be frequented by foreign nationals including supermarkets and market places, public transport, public open spaces and government buildings. There is an increased risk of terrorist activity during religious holidays.

## Ethnic and sectarian tensions

Entrenched ethnic discord permeates Burmese society, as the Rohingya crisis in Rakhine state highlighted in recent years. Before many of the Rohingya were forced to leave the country in

2016-17 following a campaign involving the military and Buddhist militias and described by the U.N. as ‘genocidal,’ there was widespread intercommunal violence in the state.

Sporadic outbreaks of intercommunal violence occur elsewhere in Myanmar, often with little or no warning. Seemingly spontaneous confrontations between Buddhists and Muslims in other regions and cities, as well as more deliberate provocations from nationalist Buddhist monks may trigger outbreaks of internecine unrest. Foreign nationals are unlikely to be targeted in ethnic violence but would be at risk of caught in the vicinity of it.

Ethnic tensions and instances of intercommunal violence have also increased in areas close to the borders with China, Laos and Thailand. The military has increased its presence in Kachin, Karen and Shan States, in part as a response to violent unrest among ethnic minority groups.

### **Civil unrest**

Protests and demonstrations occur with increasing frequency in cities throughout Myanmar. Most demonstrations are peaceful, though there is the potential for even small public gatherings to escalate into confrontation. In the event of escalation the authorities can be expected to respond with force.

The willingness of the government to use indiscriminate force against protestors has been repeatedly demonstrated. In 2007, at least 30 people were killed, including one foreign journalist, and hundreds injured, during an anti-government protest. It remains unclear the extent to which the government maintains control over aspects of the security forces. Moves towards seemingly greater economic, political and social liberalisation do not necessarily preclude continued abuses by government forces.

### **Kidnapping and extortion**

There is a limited risk of kidnap to foreign nationals in Myanmar. However, a financially motivated opportunistic abduction by organised criminal elements in Myanmar’s border regions with China, India, Laos and Thailand cannot be entirely ruled out.

There is a high risk of kidnap to Myanmar nationals in the border regions. Myanmar’s insurgent groups routinely use kidnap as a means of forcibly recruiting local fighters.

### **Unexploded ordnance**

There is a high risk from unexploded ordnance and unmarked landmines in the border regions with China, India, Laos and Thailand. The risk from unexploded ordnance in these regions is magnified by almost non-existent medical facilities.

### **State security / Surveillance**

The security services in Myanmar frequently engage in a variety of abuses including arbitrary arrest and detention, beatings, torture and extra-judicial killings, usually with impunity. The national police force, responsible to the Ministry of Home affairs, and the Office of the Chief of Military Security Affairs (OCMSA), responsible to the Ministry of Defence, are jointly responsible for maintaining law and order. Myanmar’s security forces are poorly trained and underpaid. Corruption is endemic and conducted with impunity.

Foreign nationals should have no expectation of personal privacy while in Myanmar. Foreign nationals may be subject to surveillance by security services for the duration of their stay. Hotels are required to inform the authorities of the identities and activities of foreign guests, and foreign nationals may have their hotel rooms and personal possessions searched. Locals seen to be interacting with foreign nationals may be ordered to report on the nature and details of any contact. Telephones, fax machines and emails are routinely monitored.

## Health issues

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Healthcare facilities in Yangon and Mandalay are adequate for routine procedures and emergency stabilisation, but any serious condition would require evacuation by air ambulance. Outside major urban areas, healthcare is poor and in remote areas effectively non-existent.

Sanitation and hygiene standards are frequently inadequate and present a significant risk to anyone receiving medical care.

Mosquito-borne diseases including malaria, dengue fever, chikungunya fever and Japanese encephalitis are endemic below 1,000m. Infectious diseases including hepatitis, typhoid, rabies and tuberculosis are also prevalent. There is a very high risk of typhoid and cholera among refugee populations in Kachin and Rakhine.

For up to date information on health and recommended vaccinations see the website below.

<https://wwwnc.cdc.gov/travel/destinations/traveler/none/burma>

## Natural hazards

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### Cyclones

During the cyclone seasons, typically from May to June and October to November, storms can cause severe flooding, significant destruction to property and loss of life. Coastal regions are particularly vulnerable. In 2008, Cyclone Nargis was responsible for almost 130,000 deaths.

### Monsoons

The monsoon season typically extends between June and September and can cause flooding and landslides, significant destruction of property and severe disruption to local services.

### Earthquakes

Myanmar lies in an active seismic zone and experiences frequent earthquakes and tremors. Seismic activity has the potential to cause severe destruction to property and pose a risk to life. In 2011, an earthquake in Shan State was responsible for over 150 deaths. Parts of southern Myanmar were also seriously affected by the December 2004 tsunami, although the government failed to produce an accurate assessment of casualties and damage.

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