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Chapter 1: EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Burma's (Myanmar's) commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country commercial guides are prepared annually at U.S. embassies through the combined efforts of several U.S. Government agencies.

Economy Undeveloped and Troubled

Burma is a poor but resource-rich country with a population estimated at just over 50 million. Agriculture and natural resources extraction accounts for about 60 percent of GDP while the manufacturing sector remains relatively small, accounting for only 6.5 percent of GDP. Most of the population is located in rural areas and lives at subsistence levels. Nearly half of the children suffer from malnutrition, and social services delivery is nearly nonexistent. Many children never enter primary school. Drug use and HIV/AIDS are serious problems.

Economic information is difficult to obtain, as the government has ceased publishing most annual economic data. Infrastructure, particularly telecommunications, is weak. Internet access is severely limited and telephone service is abysmal. The government dedicates few resources to health or education. The ruling leadership closed universities for much of the past decade, fearing student unrest. As a result, human resources have been severely damaged, with potentially serious long-term consequences.

The economy suffers from serious economic distortions, including an official exchange rate that overvalues the Burmese kyat by about 100 times. Expansionary monetary policies and state deficit spending have contributed to inflation, which has averaged over 30 percent annually throughout the 1990's. Foreign exchange is in chronically short supply. In FY 99/00 net foreign reserves were reported as \$242 million, equivalent to less than 2 months of import cover.

Burma's principal exports are natural gas, garments, beans and pulses, prawns and seafood, teak, rice and other agricultural products. Burma is also one of the world's leading producers of opiates. U.S.-Burma trade is growing, but is heavily skewed in favor of Burma. Burmese garment exports, which more than doubled to \$415 million in 2000, dominate the trade relationship. In contrast, the top U.S. exports of machinery and transport equipment totaled only \$10 million last year.

The current business climate has little to recommend it. The military junta that governs Burma has handed out privileges to a small elite of favored companies and family members. This deliberate policy of corporate favoritism has created a business environment in which personal connections, rather than business skill or technical merit, are the most important factors for corporate success.

In addition, the military holding companies -- Myanmar Economic Corporation (MEC) and Myanmar Economic Holdings Ltd. (MEHL) -- are extensively engaged in the manufacturing sector and do exert increasing influence over business activities. The leadership has also tried unsuccessfully to adopt a policy of import substitution and self-reliance. The resulting socialist-style policies, including state monopolization of major exports, a large number of money-losing state economic enterprises, a bloated bureaucracy slow to make decisions, and a tendency to rely on administrative controls rather than market forces to steer the economy, have dimmed prospects for development. Policy shifts also tend to be ad hoc, capricious and inconsistent, while regulatory changes are often arbitrary and unannounced.

Military intelligence is omnipresent in Burma. Businesses should expect to have their activities and communications closely monitored. Foreigners' telephones are frequently tapped. The absence of a reliable rule of law in Burma implies that anyone doing business -- local or foreigner -- faces the possibility of arbitrary and capricious treatment. In the past few years a number of foreign businesses have been expropriated by either local partners or government entities.

Following the Asian financial crisis, new foreign direct investment (FDI) approvals in Burma virtually dried up and the trickle of new investment has come almost exclusively from neighboring Asian countries. In addition, many foreign firms have exited Burma after they learned they were unable to conduct business successfully.

The regime's economic mismanagement is the chief cause of the continuing downward spiral in Burma's economy. The ruling generals have demonstrated little will to implement economic reforms or to respond substantively to International Monetary Fund (IMF) and World Bank recommendations. As such, there is little likelihood of improvement in the business climate under the current regime.

Political Situation Oppressive

Burma is ruled by a highly authoritarian military regime. Repressive military governments dominated by members of the majority Burman ethnic group have ruled Burma continuously since 1962, when a coup led by General Ne Win overthrew an elected civilian government. Since September 1988, when the armed forces brutally suppressed massive pro-democracy demonstrations, a junta composed of senior

military officers has ruled by decree, without a constitution or legislature. Originally called the State Law and Order Restoration Council (SLORC), the junta re-organized itself and changed its name to the State Peace and Development Council (SPDC) in 1997. The government is headed by armed forces commander Senior General Than Shwe, although Ne Win, who retired from public office during the 1988 pro-democracy demonstrations, may continue to wield informal influence.

In 1990 the junta permitted a relatively free election for a parliament to which it had promised to transfer power. Voters overwhelmingly supported anti-government parties with the National League for Democracy (NLD) winning more than 60 percent of the popular vote and 80 percent of the parliamentary seats. Faced with this defeat, however, the junta refused to allow the elected parliament to convene. Instead, the junta convened a government-controlled "National Convention" intended to approve a constitution that would ensure a dominant role for the armed forces.

Beginning in October 2000, Burma's military government has moved from a consistent policy of confrontation with the National League for Democracy (NLD) to one of negotiation and dialogue with the NLD's General Secretary, Aung San Suu Kyi. While both sides have held the substance of this dialogue in strictest confidence, there have been a number of good will gestures, including the release of some political prisoners and a halt to the vicious attacks on Aung San Suu Kyi and the NLD by the government-owned press. Aung San Suu Kyi remains in detention in her home, but has told visitors from the United Nations, the European Union and the United States that she supports the current dialogue.

The quality of life in Burma has continued to deteriorate. Poverty is widespread, and the economy has begun to show the stresses of a severe foreign exchange shortage. Human rights abuses have also continued. Burma's citizens live subject to the arbitrary and sometimes brutal dictates of military regime. In ethnic minority areas, there were continuing reports of extrajudicial killings, rape and disappearances. Prison conditions are harsh and life-threatening, and arbitrary arrest and detention for the expression of dissenting political views are a common occurrence.

Forced labor also continues to be a serious problem. In November 2000, the Governing Body of the International Labor Organization (ILO) concluded that the Government of Burma had not taken effective action to deal with the "widespread and systematic" use of forced labor in the country. For the first time in its history, the ILO called on all ILO members to apply sanctions to Burma. The United States strongly supported this decision.

U.S. goals in Burma include progress towards democracy, improved

human rights and a more effective counter-narcotics effort. The United States supports the on-going dialogue between Aung San Suu Kyi and the military and hopes that it will eventually lead to meaningful democratic change. It also consults regularly, at senior levels, with countries with major interests in Burma and/or major concerns regarding Burma's political situation and its human rights practices.

Public concern in the U.S. and other countries about the Burmese military's human rights abuses, oppression of the pro-democracy movement, and failure to address narcotics production and trafficking, has led to an anti-Burma activist movement. Since the military violently crushed pro-democracy demonstrations in 1988, the Government of Burma (GOB) has lost access to most foreign aid, including financial assistance from the international financial institutions. The governments of the U.S. and of EU member states grant no generalized system of preferences (GSP) tariff preference to imports of Burmese origin, provide no preferential financing in support of exports to or investments in Burma, and grant no licenses to export military equipment. The U.S. Government has banned new U.S. investment in Burma since May 1997. The National League for Democracy officially discourages tourism.

Chapter 2. ECONOMIC TRENDS AND OUTLOOK

(Note: Statistical data in Burma is limited. Official statistics are often unreliable and may be misleading. The highly overvalued official exchange rate understates the role of foreign transactions in the national accounts, and reduces economic transparency. Most statistics for FY 00/01 were not available. Except where otherwise stated, the following figures are based on an April - March Burmese fiscal year.)

A great deal of economic activity in Burma is unrecorded. Some analysts believe the informal economy is larger than the formal economy. This gray economy includes private banking networks, smuggling, barter trade, unrecorded agriculture production, corruption, and illicit activities, such as narcotics production. Burma remains one of the world's largest producers of opiates and amphetamine-type stimulants. Narcotics production and trafficking plays a major role in the economy. Money laundering is also common.)

Naturally Rich But Undeveloped and Impoverished

Burma (Myanmar) is a poor but resource-rich country with a population estimated by the government at about 52 million. After decades of poor governance, Burma has not developed to its potential. In fact, Burma's economic position relative to its neighbors has weakened considerably under the past four decades of military rule. Agriculture and natural resources extraction dominate the

economy, accounting for 60 percent of GDP. Most of the population is rural and living at a subsistence level. The World Bank has estimated annual per capita income at about \$300 (based on 1997 figures), though the GOB has sometimes claimed that it is over \$3000, a figure repeated by the WTO (i.e., \$3657 for 1997) at the May 2001 Least Developed Countries (LDC) Conference in Brussels.

Despite moderate growth throughout the past decade, economic gains have not been shared by the majority, which continues to live in severe poverty. According to studies conducted by the World Bank, nearly 23 percent of Burma's population lives below minimum subsistence levels. Only 40 percent of its inhabitants have access to safe water. Average life expectancy is 60 years; infant and maternal mortality remains high by developing country standards. UN agencies have found that nearly 40 percent of children are malnourished and HIV/AIDS is a serious problem throughout the country. Furthermore, the government dedicates few resources to social services, and has slashed health and education budgets significantly in the past 10 years in real terms. In 1999, the World Bank found that state spending on education is among the lowest in the world, equivalent to 28 cents per child annually. In June 2000, the World Health Organization (WHO) determined that Burma ranked second to last among 191 nations surveyed in quality of health services. The World Bank concluded there is a silent emergency in Burma, and that deprivation on this scale will undoubtedly have long-term repercussions.

Government Role in the Economy

Military Junta Tightly Controls Economy

Burma is governed by a military dictatorship that tightly controls the economy. While some market reforms have been adopted over the past decade, many aspects of the economy are still controlled by the state. The State Peace and Development Council (SPDC) governs by fiat. Policy decisions are not based on the rule of law but are determined according to the generals' whims. There is no press freedom or right of assembly. Economic policy is often determined based on strategic, military factors. The state bureaucracy is resistant to change and slow to make decisions.

While Senior General Than Shwe is the ultimate chief and arbiter, in the past few years General Maung Aye, the Vice-Chairman of the SPDC, has assumed a prominent role in economic policy. Regarded as a hard-liner, General Maung Aye oversees the Trade Policy Council, an extra-ministerial committee that determines trade and economic policy. In addition, two military corporate entities, Myanmar Economic Corporation (MEC) and Union of Myanmar Economic Holdings Ltd. (MEHL), have expanded their reach into both strategic

and profit-making sectors, and are assuming a key role in the manufacturing sector.

The SPDC's military intelligence apparatus, led by Secretary-One Lt.-General Khin Nyunt, is extensive. Directorate of Defense Services Institute (DDSI) personnel often track and monitor the private sector as well as diplomatic personnel. Businesses operating in Burma should expect to be monitored closely by military intelligence.

In the past few years, the ruling generals have turned increasingly towards crony capitalism, rewarding personal friends and family members with preferential treatment. Certain companies close to the junta, designated as the "national entrepreneurs," have been given special import permits and preferential lending. State economic enterprises and the military holding companies also benefit from official favoritism. Special favors include preferential tariff rates and customs duties; preferred access to natural resources; monopoly privileges in certain lucrative areas of commerce and industry; special considerations in the issuance of licenses and permits; subsidized prices for land, buildings, petrol and diesel, gas, electricity and water; preferential exchange rates; and preferential treatment on government contracts.

The government monopolizes international trade in certain key commodities, such as rice. Internally, some commodities remain subsidized and some are rationed. Highly negative real interest rates and an undeveloped banking system deter business activity. The government also periodically intervenes in the foreign exchange market by detaining currency brokers to prop up the Burmese kyat.

The SPDC has run chronic state budget deficits, which have contributed, to rapid monetary growth and chronically high inflation. In FY 00/01 the state budget deficit was expected to amount to 7.9 percent of GDP. No budget has been released at all in FY 01/02.

Wasteful consumption and expensive capital outlays with dubious returns have added to inflationary pressures (i.e., lots of money chasing after a limited supply of goods and services, fueling price rises). In addition, inefficient and loss-making state-owned enterprises, energy shortages which disrupt production, a volatile local currency that is chronically weak, ad hoc administrative measures restricting trade and currency transactions, and endemic corruption that adds to the cost of business have all contributed to chronically high inflation rates.

Foreign Economic Relations

Burma's foreign economic relations reflect the xenophobic preferences of its military government. Believing in the virtues of a self-sufficient economy, and fearful of the impact of western

sanctions, Burma's government has tended to avoid external connections. Where it has developed those connections, it has focused primarily on other regional states, including, in particular, China, Japan, Korea, India, Bangladesh and the ASEAN states.

International Aid

Most foreign aid ceased in the wake of the suppression of the democracy movement in 1988. It now represents less than one percent of GDP. According to the IMF, official grants totaled \$259 million in 1997/98 and \$99 million in 1998/99. Burma largely receives grants of technical assistance (mostly from Asia), limited humanitarian aid from Japan, and concessional loans from China and India. In 2000, Japan announced plans to significantly boost ODA aid to Burma, including \$28 million to refurbish (in stages) the Baluchaung dam.

Burma became a member of the IMF and World Bank in 1952, the International Financial Corporation (IFC) in 1956, the International Development Association (IDA) in 1962 and the Asian Development Bank (ADB) in 1973. There have been no World Bank loans to Burma since July 1987. Since 1998 Burma has been on a non-accrual status with the Bank, with \$25 million in overdue payments as of June 1999. The IMF performs its mandated annual Article IV consultations. Apart from limited technical assistance to improve statistics collection, there are no IMF assistance programs. The ADB has so far provided 32 loans totaling \$530.9 million for 28 projects. All the loans have been closed. Burma has not paid its loan service payments to the ADB since January 1998. As of June 1999, overdue payments amounted to \$28.7 million. While the ADB has not processed loans to Burma since 1988, it sends periodic consultative missions there. Burma's total foreign debt now stands at \$5.9 billion.

Economic Integration

Burma is involved in the Program of Economic Cooperation in the Greater Mekong Subregion. As such, it participates in regional meetings and workshops supported by the ADB's regional technical assistance. In addition, the other IFI's and the United Nations Development Program are maintaining closer coordination. Burma joined the Association of Southeast Asian Nations (ASEAN) in 1997, and has eagerly participated in that regional forum, even hosting a number of seminars, symposia and conferences. Due to difficulties in reforming its economic and trading system, Burma has requested extensions on compliance with the upcoming ASEAN Free Trade Agreement (AFTA). As one of ASEAN's least developed members, Burma also has an extra 5 years (until 2008) to comply with most of AFTA's liberalization requirements. Burma is also a member of the WTO and the Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Corporation or BIMSTEC.

Major Trends and Outlook

Economic reforms have stagnated since the mid-1990's. The SPDC has continued to exert a heavy hand in the economy with a policy turning increasingly inward. In the past six years, significant backtracking on earlier progress is evident. The concepts of laissez faire, open markets, transparency, accountability and freedom of information are alien to the ruling generals. Thus, under the current regime, there are unlikely to be any reforms that substantially loosen the government's command and control over the economy. Meanwhile corruption is rising and the benefits of the market economy have not been widely shared. As legitimate local and foreign business experience growing difficulty in this environment, there has been a noticeable shift to business conducted in the unrecorded sector, as smuggling and the laundering of narcotics proceeds become more prominent.

Major Reforms Needed

Burma's economy suffers from major macro-economic imbalances. As reported by the IMF, the World Bank, and other noted economists, a series of key reforms and the improvement in the quality of statistical data and their availability are sorely needed. The international financial institutions (IFI's) have recommended that Burma: a) adopt a single market-determined exchange rate, and abandon its inflated official rate; b) urgently cut military and state deficit spending while upgrading investments in human resources; c) create an independent central bank to rein in the money supply and get a handle on inflation; raise bank interest rates; d) initiate sound governance that will include a predictable regulatory environment and effective taxation policies; e) privatize state enterprises and break up private monopolies; and f) attack corruption and introduce transparency into the largely covert system.

Local Markets Depressed

Rampant inflation, a chronic foreign exchange shortage, and significant local currency depreciation have all worked in concert to depress local markets. Embassy surveys estimate that FY 00/01 inflation was about 18.5 percent. This is lower than inflation recorded in the mid to late 1990's, but still high by any standard. Natural gas exports to Thailand began to produce some hard currency revenue, but far less than originally anticipated. In addition, the government was not able to export much rice, despite plentiful rice stocks, due to the depressed world commodity market, an inefficient state monopoly that includes inadequate storage capacity that affects the quality of the rice, obsolete milling machinery and domestic price controls that disadvantage farmers. Despite a crackdown on currency brokers, the Burmese kyat has become increasingly unstable, plunging in value during the first half of 2001. In the past three years, the black market

value of the kyat has fallen by more than half to approximately 600 kyat to the dollar -- 100 times the official government rate of about six kyat to the dollar.

Less Transparent, More Corrupt

Over the past few years, the government has adopted a more secretive and less transparent posture on the economy. In the past three years, the government published few economic figures. Even the annual budget for FY 01/02 was not released this year. However, it appears the senior leadership has succumbed to its own propaganda. At the May 2000 ASEAN Economic Ministers' meeting in Rangoon, Secretary-One Lt. General Khin Nyunt announced that in FY 99/00 Burma had achieved robust GDP growth of 10.5 percent. This figure is more than double what the international financial institutions have predicted, and cannot be explained in any rational way. Moreover, at the May 2001 Third United Nations Conference on the Least Developed Countries in Brussels, Minister for the Ministry of National Planning and Development U Soe Tha announced that in FY 00/01 Burma had achieved a robust GDP growth of 13.6 percent. Finally in a June article of the *New Light of Myanmar*, the GOB said the GDP growth rate will be 11.3 percent for FY 01/02.

Crony Capitalism Prominent

Perhaps as a means to assert some control over the private sector, the SPDC has adopted business policies that favor a few, select local companies. Termed the "National Entrepreneurs," these companies are said to be contributing to building the nation. Three years ago, a number of construction firms that had been involved in real estate were given large tracts of virgin or "unreclaimed" land to develop on 30-year leases. At the time, the SPDC hoped to raise agriculture production by increasing farm acreage, rather than by addressing the perennial problem of low yields. The "entrepreneurs" were given special import permits for vehicles, equipment, and whatever else they needed. When these companies complained about the high cost of credit, the SPDC lowered bank interest rates nation-wide and instructed private banks to lend them money. Not surprisingly, late last year, 18 corporations were chosen to develop a beach resort area called Ngwe Saung off of Burma's southwest coast, and received the inevitable favored treatment. While the government has long controlled, rationed and subsidized fuel imports, in April 2000, petroleum import rights were given to four local companies who are free to charge market prices. The result of this deliberate policy of corporate favoritism is to create a business environment in which personal connections to the generals, rather than business skill or technical merit, are the most important factors for corporate success.

Policy of Self Reliance and Military Control

The SPDC adheres to a policy of self-reliance that has had limited success. Since reforms stopped and economic growth began to slow in the latter half of the 1990's, the SPDC has tried to pursue an import

substitution policy, but, in fact, the ruling generals' whims tend to override all other considerations. Thus the GOB has been largely unresponsive to the concerns of foreign investors, local businesses and the needs of the populace. Even when the governments of favored countries like Singapore and Japan pleaded for a transparent and predictable business environment, the SPDC took little action. When bilateral relations with Thailand worsened in early 2001, the SPDC closed the land borders (as it did in 2000) and banned the import of several Thai products. For a host of reasons, many foreign companies have found they cannot conduct business successfully here. Japanese companies such as Ajinomoto, Toyota and All Nippon Airways (ANA) have withdrawn from Burma during the past 18 months when they found they could not operate as they had originally been led to believe. Several foreign companies have reportedly had their assets seized and business interests taken over by Burmese partners, both military and private.

Gap Between Rich and Poor Widens

At least in the socialist period everyone appeared to be equally poor. Since some large fortunes have been made in the past decade, conspicuous consumption by an urban elite aggravates the growing gap between rich and poor. Now the rich have become "filthy rich" while the poor and middle class struggle along. Inflation averaging 30 percent throughout the 1990's has eroded economic gains for most. Government salaries have become so out of touch that even after last year's five-fold wage increase, civil servants complained about eroded incomes and prospective inflation. Due to the limited buying power, many local businesses report they are struggling to stay afloat. The recent precipitous fall in the value of the kyat has added to everyone's woes by fueling accelerated inflation. High inflation remains a major economic problem, though the GOB claims that it is now in the single digits.

The Policy Environment

Policy shifts in Burma tend to be ad hoc, capricious and inconsistent. In the past two years, the government has tried to collect more foreign exchange, stabilize the kyat, tighten imports and remittances, counter some corruption and bring down food prices.

The GOB seems especially obsessed with securing foreign exchange, but its restrictive policies are inevitably counterproductive. Measures taken in the past two years include a) an eight-fold rise in electricity charges; b) an increase of up to 2000 percent in international parcel post rates which are now levied in hard currency; c) a failed attempt in February 2000 to force overseas workers to remit 50 percent of their earnings back to Burma; d) the levying by the Ministry of Finance and Revenue of a ten percent tax (eight percent commercial tax and two percent income tax) on exports in foreign exchange; and e) the requirement that foreigners as well some local businesses pay their utilities such as electricity and telephone

charges in foreign exchange.

New Ad Hoc Restrictions Imposed

In June 2001, due to the kyat's continued weakness, the GOB placed new restrictions on foreign currency transactions. The government withdrew all foreign exchange licenses and reissued them to trusted business cronies and banned (and then revoked) the transfer of funds between foreign exchange accounts. The GOB also halted the issuance and renewal of most passports, viewing travelers as a potential drag on its scarce hard currency reserves.

Gasoline Rations Cut

Due to severe fuel and hard currency shortages, the GOB reduced gasoline and diesel quotas from three to two gallons per day, effective May 1, 2001. The GOB's subsidized prices for gasoline and diesel are 180 kyat and 160 kyat per gallon respectively. The average market rate was 480 kyat per gallon for diesel and 420 kyat per gallon for gasoline. However, on the black market, prices have since surged to 900 kyat per gallon for gasoline and 700 kyat per gallon for diesel. Thus the costs for basic goods and transportation have also risen.

Vehicle Imports Banned

Vehicle imports have been banned officially since 1996, but exemptions are granted to friends and relatives of the regime. As a result, a large secondary market in used cars and car parts has sprung up. The price for scarce import permits is reported to be about ten million kyat or about \$25,000. As a result of these restrictions and perverse incentives, there has been a tendency to import only luxury vehicles, especially fully-loaded four-wheel drives such as Pajeros and Land Cruisers.

Bank Interest Rates Cut

In April 2000, the Central Bank cut interest rates from ten percent to nine percent for savings, despite an inflation rate then in the range of 45 percent. The lending rate was dropped from 15 percent to 14.5 percent. This monetary policy adjustment was made to prime the economy by encouraging bank lending to the "national entrepreneurs," as well as to reduce the cost of government borrowing.

Government Salaries Boosted

Government salaries for civilian and military personnel were raised by an average of 500 percent in April 2000. This has been the first government wage increase since 1993. Nonetheless, workers complain that the new wage rates remain inadequate to provide for a family. Embassy estimates a minimum salary of 45,000 kyat per month is required to support an urban family of five. Rumors circulated in March 2001 that another salary increase for civil servants was in the offing at the start of the new fiscal year (i.e., 1 April), but it

never materialized.

MAJOR SECTORS

Agriculture Production and its Exports

Agriculture, livestock and fisheries and forestry comprise fully 60 percent of Burma's economy. Due to favorable weather conditions, the agriculture sector grew 10.5 percent in FY 2000/01 according to the GOB data. Burma remains primarily a rice growing country, with total paddy production in excess of 20 million metric tons. The growth in output is due entirely to a considerable increase in the seeded area. Burma's rice, due to its inferior quality, has difficulty competing in the world rice market, especially against Vietnam, which also exports a huge amount of "25 percent broken" rice like Burma. Despite weak global demand, Burma's rice exports in CY 2000 amounted to 158,861 metric tons (and 27,190 metric tons of paddy), an increase of 180 percent compared to CY 1999's 56,705 metric tons. In 2000, Bangladesh was Burma's largest rice importer, but Singapore and Malaysia were also important buyers of superior quality rice. However, depressed world commodity prices resulted in lower sales prices and a decrease in overall export revenues. The state continues to monopolize rice exports.

Pulses and beans production has shown strong growth over the past decade. As a result, pulses and beans became Burma's number one export earner in FY 2000/01. FY 2000/01 exports of 639,100 metric tons were valued at 1,280 million kyat, destined primarily to India and the surrounding region.

To increase the productivity of the overall agricultural sector, the government has tried to increase the area under cultivation, and yields per acre. However, while crop area was expanded, yields have remained stagnant. The price of inputs, such as fertilizer and diesel fuel to run irrigation pumps, is also beyond the reach of most farmers. In addition, the government continues to exact a quota of all paddy production at below market rates, and monopolizes trade in key sectors. Lack of affordable agriculture credit and fertilizer also prevents farmers from making the kinds of investments necessary to increase yields. The SPDC's policy of turning over large acreages to favored corporations for corporate farming makes the system even more inequitable.

Fisheries

With extensive private sector and some joint venture participation, fisheries showed rapid growth in FY 99/00. With 2,830 kilometers of coastline and a continental shelf area of 229,500 square kilometers, Burma is a natural for fisheries development. There are over 378,648 hectares of mangrove area and many broad littoral zones along the coastal strip, which provide good opportunities for aquaculture production, particularly shrimp farming. Shwe Ayeyar Co., Ltd. and

Regal Integrated Marine Resources Ltd. signed a memorandum of understanding on the shrimp farming project at Kan Maw Island, in the Tanintharyi Division on May 2, 2001. It is reportedly the largest foreign investment project in the livestock-breeding sector. The development of shrimp culture industry has been gaining momentum in Burma since 1998, and spread rapidly along the coastal zone. In FY 99/00 government data claimed over 130,000 acres of fishponds, a dramatic increase from a decade earlier. Prawns and fish products were the number two export earner in FY 99/00, bringing in 762 million kyat, according to official data. With the addition of cold storage and modern production facilities, Burma is now able to export fish to much of the world

Forestry

Forestry continues to be an important earner of foreign exchange for the GOB. Burma still boasts some of the world's last remaining teak and hardwood forests. The state officially controls most timber exports. Due to a lack of processing facilities, Burma tends to export whole, uncut logs, which are processed elsewhere. Teak and hardwoods were the third and sixth largest export earners last year. In 2000, 29,505 metric tons of teak logs were sold through tender sales amounting to \$36 million. Private sector exports of forestry products, including wildlife, amounted to \$53 million. Forestry production officially showed negative growth in the past two years. However, illegal logging is reportedly booming. Despite an official ban on timber exports through the border, many logs are trucked to China and Thailand.

Manufacturing

Manufacturing and processing, which accounts for 6.5 percent of GDP, grew 15.4 percent in FY 99/00, according to official figures. While state economic enterprises still dominate this sector, new growth has been primarily in garment manufacturing, which has boomed in Burma over the past five years as companies have relocated to Burma to avoid U.S. and Canadian quota restrictions. Burma's garment exports – 90 percent of which go to the United States – doubled in 2000 to more than \$400 million and – barring the application of new U.S. trade sanctions or increased consumer boycotts – will probably rise to more than \$600 million in 2001.

Growth of Burma's manufacturing sector is limited by several factors, including the dominance of inefficient state enterprises. Given the poverty of the majority of Burma's population, it is difficult to expand any consumer products marketing beyond the limited urban elite.

Industrial Zones

There are 18 Industrial zones in Burma, including eight in Rangoon and two in Mandalay. Large, medium and small industries have to be registered with the Ministry of Industry 1 or Light industry. The

industrial parks in Rangoon and Mandalay have small, medium and large-scale industries while those in other parts of the country only have small-scale industries. These industrial zones have basically the same types of factories encompassing ice making, shoes, textiles, timber, plastic, pipes, flour and paper mills, electronic assembling, traditional medicine, tailoring, paints, iron ropes, marine products, corrugated sheets, rubber, furniture, bottled and canned soft drinks including mineral water and breweries, etc.

Energy Sector

While rich in natural resources, Burma has not tapped its energy resources sufficiently to meet its consumption needs. According to official data, energy (including mining) constituted only 0.7 percent of GDP in FY 99/00. Yet, this sector recorded impressive 84.2 percent growth in FY 99/00 and 66.5 percent in FY 00/01, according to official records.

Two major offshore natural gas fields are now being developed by two international consortia. The Yadana field, with about 6 trillion cubic feet of natural gas, has been developed by a consortium led by UNOCAL and Total. It now produces about 600 million cubic feet per day of gas for export to Thailand. The Yetagun field, which was discovered by Texaco, but developed by a consortium led by Premier Oil, now produces about 100 million cubic feet per day of gas for export to Thailand. Barring any change in contract terms, that total should rise to about 260 million cubic feet per day by 2002 and 400 million cubic feet per day by 2004. As a result of these developments, natural gas has become one Burma's largest export earners, annually bringing in between \$350 million and \$400 million in hard currency earnings.

Burma's onshore energy supplies of crude oil and natural gas are declining rapidly. Production of crude oil fell to 3.7 million barrels in the past decade, and the economy relies increasingly higher cost imported petroleum and diesel fuels. Reliance on independent diesel generators is the rule rather than the exception in Burma's nascent manufacturing sector. A discovery of oil and natural gas in the vicinity of Nyaungdon in the Irrawaddy delta has added to local production in the past 18 months. The lack of a reliable supply of electricity severely limits the development of the manufacturing sector and is cited as a major deterrent to doing business by current potential investors.

Services

Services, which account for 7.7 percent of GDP, are still largely undeveloped. While the introduction of private sector banking in the 1990's has contributed to a large increase in bank deposits, the government announced that no new private bank branches could be opened after May 2000. Money laundering is endemic in the banking system. There may be room for some growth in providing both

computer and educational services to the urban elite and even to the aspiring quasi middle class, since these needs are not being met by the government.

Hotels and Tourism

Both the public and private sectors invested heavily in hotels and tourism in the 1990's, but the sector appears overbuilt and future prospects look bleak. The number of tourist arrivals to Burma has been flat for the past few years. According to statistics issued by the Ministry of Hotels and Tourism, the number of tourist arrivals slipped in FY 00/01 to 113,940, compared to FY 99/00's 196,000, again far below the GOB's goal of 500,000. By nationality, Taiwanese and Japanese are the most prevalent tourist arrivals, followed by French, Thais, Germans and Italians. Rangoon now supports 12 international hotels, but all have occupancy rates far below international norms. (They hover below 40 percent). The consensus is that the myriad of barriers tourist face (e.g., stringent visa and currency procedures, and restricted access to several areas), consumer boycotts in many Western countries, and EU and U.S. sanctions are all serious deterrents to further development of the tourist sector.

Balance of Payments

(Note: For the purposes of analyzing external accounts, the Embassy has relied on IMF figures based on GOB data. The GOB did not publish annual figures in the past three years and continues to record accounts in kyat based on the highly overvalued official exchange rate whereas the IMF has compiled its figures using a U.S. dollar base. Burma's national accounts are subject to distortion based on the use of multiple exchange rates.)

Trade

According to the FY 99/00 IMF balance of payments schedule, recorded imports fell 6.5 percent to \$2.5 billion in FY 99/00. Recorded exports increased by 1.7 percent to \$1.1 billion. The trade deficit narrowed marginally to \$1.4 billion. The SPDC continues to exert strict controls on trade, although smuggling in both directions is rampant. A significant amount of hard currency also comes from the drug trade, which largely consists of opium and amphetamines.

Burma's principal recorded exports in FY 99/00 were pulses and beans (17 percent), teak logs (10 percent), dried prawns and fish products (8 percent), rice, sesame, hardwoods, maize, rubber and other agricultural projects. Unrecorded exports smuggled across the border included teak, live animals, gems and jade, rice, and narcotics. Burma is one of the world's leading producers and suppliers of opiates, and heroin and metamphetamines are major unrecorded export earners. Banking sources estimate that annual export earnings from narcotics range from \$400 - \$500 million. Top recorded imports in FY 99/00 were machinery and transport equipment, base metals

and manufactures, electrical machinery, edible oils, pharmaceuticals, rubber products, condensed milk and other food products, chemicals and fertilizers.

The overwhelming majority of Burma's international trade is conducted within Asia, including Japan. Burma continues to have large trade deficits. In FY 99/00, Burma's largest sources of legal foreign earnings were bean and pulse exports (mostly to India), rice (last year mostly to Bangladesh) and garments (mostly to the U.S.). In FY 00/01, however, natural gas exports (mostly to Thailand) also emerged as a major foreign exchange earner. In FY 99/00, Burma's top four trading partners were unchanged from the previous year: Singapore (\$883m), China (\$400m), Thailand (\$394m) and Japan (\$322m). South Korea (\$262m), Malaysia (\$255m), and Indonesia (\$140m) followed them. Besides being Burma's largest import market, Singapore remains its largest investor. India remains the principal export market. The U.S. ranks tenth in Burma's import market and eighth in its export market, according to GOB figures. The U.S. mainly imports garments and exports machinery and tools to Burma. Burma's exports to the U.S. are dominated by garments and textiles, which grew 45 percent in calendar year 1999 (to \$186 million) and doubled in 2000 (to \$403 million).

Services and Transfers

According to the latest IMF figures for FY 99/00, net services income increased to \$229 million and net private transfers declined to \$469 million. As a result, the current account deficit decreased to \$710 million. The primary source of private transfer income is remittances from Burmese workers abroad. Up to one million Burmese nationals are estimated to be working in Thailand. The 48,000 registered Burmese seamen also bring in significant foreign wages.

Capital Account

According to the latest IMF figures for FY 99/00, on the capital account, official grants totaled \$76 million. Net long-term capital showed an outflow of \$128 million. Disbursements totaled \$129 million while repayments due amounted to \$257 million. Foreign direct investment inflows decreased by 49 percent to total only \$304 million. Burma relied on short-term financing of \$312 million, an increase in arrears of \$214 million, and drawing down foreign reserves by \$54 million to finance the overall deficit.

Debt

The IMF estimated Burma's total foreign debt at \$6 billion at the end of FY 99/00. Bilateral debt to Japan stood at \$2.6 billion, amounting to 43 percent of total debt. Multilateral debt was \$1 billion, or 18 percent of total debt. Debt to private creditors, including suppliers' credits, totaled \$994 million, or 16 percent of total debt. In 1998 Burma ceased making regular debt payments on its multilateral loans. In September of that year the World Bank placed Burma in non-

accrual status for mounting arrears. At the end of FY 99/00, it was estimated that Burma had outstanding arrears to Japan totaling \$96 million. Traditionally, Japan has extended humanitarian assistance in the form of grant relief for debt paid. However, earlier this year, Japan announced that it would provide Burma \$28.3 million to repair the Baluchaung dam, its first major non-humanitarian assistance since its suspension of such aid in 1988. This came in the wake of grants this year amounting to about \$7 million for medical equipment for Yangon General Hospital and for a water supply project in the Shan State. While Burma's overall foreign debt is reasonable for an economy of its size, foreign reserves are chronically in short supply. The ratio of external debt to exports was 5:1. Net foreign reserves were reported as \$242 million, equivalent to barely two months of import cover.

Infrastructure Human Resources Neglected

The SPDC has tragically neglected the education of its young people. Due to the junta's paranoia about possible student-led civil unrest, Burma's universities had been closed for the past three and one-half years, with a few minor exceptions. Despite the SPDC's claims that the number of universities has more than doubled in the past decade, few of these facilities are open, and most have been relocated far from urban centers. Over 400,000 students are waiting in a queue to enter the university system. To get rid of the backlog, the university school year has been reduced to three weeks of class and three weeks of exams, which are apparently readily available for sale. All this will seriously undermine the value of higher education and the credibility of future degree holders.

In addition, public primary and secondary education has deteriorated considerably since the onset of military rule in the 1960s. This has accelerated since 1988, as the SPDC has slashed real spending on education and health. UN agencies have found that nearly 40 percent of children never enroll in school and two-thirds to three-quarters of Burmese school children drop out before reaching fifth grade. Primary school enrollment has declined in recent years as the result of rising formal and informal school fees. A number of parents complain that many school teachers, who are usually severely underpaid, demand daily "contributions" which cumulatively could amount to a month's wage for most of them.

Given the junta's disregard for education, it will be impossible for Burma to compete with other modern economies.

A Dilapidated Physical Infrastructure Telecommunications

A serious impediment to modernization is Burma's outdated communications systems. Burma is one of only four countries in the

world that does not allow public access to the Internet. Moreover, the switching systems for Burma's land lines are so inadequate that it is often impossible to complete a local phone call. Official figures indicate there are 185 persons per telephone in Burma. Few telephones have international direct dial (IDD) access. CDMA phones were introduced in 1996, at the cost averaging \$1500 per phone. Authorities regularly monitor communications.

Last year, the Ministry of Post and Telegraphs (MPT) took over all e-mail services in the country, shutting down the few private providers that had been offering this service. MPT is now offering the Internet, or rather Intranet, to a select group of pre-cleared, high-paying customers, but this service will not be made available to the general public.

On March 16, 2001, MPT officials announced that GSM phones were operational and should be available to the public later this year. Last year, the GOB also said that GSM would be ready in May, and then November 2000, but nothing happened. According to MPT, each phone would cost about a half a million kyat (about \$1000 at 500 kyat per dollar), and tariff rates would be two kyat and four kyat per minute for incoming and outgoing (local) calls respectively. Given the SPDC's extreme paranoia about the free flow of information, it is unlikely that there will be any major liberalization of the telecommunications sector under this regime.

Courier Services

Only one international courier service, DHL Myanmar, is allowed to operate in Burma. DHL delivery is routinely intercepted and opened by customs authorities causing a delay of two to three weeks.

Legal System

Burma's legal system and procedures are based on British colonial law and thus belong to the common law legal family. Almost all the criminal, civil, corporate and commercial laws stem from British rule. The latest law regarding the judiciary is the judiciary law, which was promulgated on June 27, 2000. (It has since been amended.) Based on that law, the SPDC constituted the Supreme Court (1 Chief Justice, 2 Deputy Chief Justices and a minimum of 7 judges to a maximum of 12 judges) with primarily military personnel. The Supreme Court sits in Rangoon and Mandalay and if necessary, at any other appropriate place. Under the Supreme Court are the Chief Court, the State or Divisional Courts, the District Courts and Township Courts, with the powers of civil and criminal jurisdiction.

In practice, the judiciary is largely not independent. It has to obey the orders of the SPDC in adjudicating cases. The SPDC usually appoints as Chief Court Judges only those who are loyal to the

regime. In short, the Chief Justice and the Attorney General usually comply with the "unlawful" decrees of SPDC.

Lawyers cannot defend their clients independently, especially in cases where the State has a special interest. As such, judges do not allow a free defense in "policy cases" and decisions are predetermined by the SPDC. The SPDC exhibits special hostility towards lawyers. This is reportedly due to the regime's view that lawyers initiated and aggravated the momentous riots of 1975 and 1988. In essence, it is difficult to ensure fair treatment of citizens under the law because the military junta has vested itself with the three key powers of the State: the judiciary, the executive and the legislative.

Insurance

Until 1997, Myanmar Insurance, also known as Myanma Insurance Enterprise, a state monopoly, was the only authorized life and general insurance company in Burma. However, with a view ostensibly towards developing a more competitive insurance market, the government issued the Myanmar Insurance Business Law (No 6 of 1996) and Myanmar Insurance Rules (Notification No 116 of 1997) on June 24, 1996 and June 26, 1977, respectively. Unfortunately, the Insurance Business Supervisory Board which was empowered to introduce the 1997 reforms, proved ineffective. As a result, only one license was issued under the new law to the Myanmar Economic Corporation. MEC quickly formed Myanmar International Insurance Corporation (as an insurer) and Myanmar International Insurance Services Corporation (as an insurance broker).

Most general insurance products are available from either Myanmar Insurance or Myanmar International Insurance Corporation. However, policy issuance can take many months. Moreover, the quality of the insurance cannot be guaranteed. If the indemnity is to be in a hard currency, both Myanma Insurance and Myanmar International Insurance Corporation will only front the policy and the reinsurer – the identity of whom is often unknown - is responsible for 100 percent of the cover. A number of unauthorized international insurance brokers operate in the local market. They are friends and relatives of the military, but lack technical know-how and international experience.

Most foreign businesses now elect to arrange their insurance cover outside Myanmar.

Since the middle of 1998, there has been an alarming decline in customer service at both Myanmar Insurance and Myanmar International Insurance Corporation. It is not uncommon for either insurer to decline to pay claims without assigning any reason. There is no consumer protection body to which grievances can be taken to for relief. As Myanma Insurance is owned by the state and the Myanmar International Insurance Corporation is owned by the

military, a policyholder's position is very weak in the event of any dispute over a claim.

Airports and Ports

The government claims to have four international airports: Rangoon, Mandalay, Bago, and Tachileik. The newly constructed \$150 million airport in Mandalay (it was opened last September) has primarily handled domestic traffic. However, it is far out of town and the cost of ground transportation is prohibitive for most locals. There is also only one paved access road to the airport. The government is currently building a new airport near Bago, called the Hanthawady Airport, destined to service Rangoon. Meanwhile, Japan has provided assistance to upgrade the existing runway at Rangoon International Airport.

A modern but little used container port was constructed several years ago outside Rangoon at Thilawa. The Asia World Corporation has upgraded the Rangoon port at Ahlone. A number of navigable rivers, including the Irrawaddy, give access to upper Burma. The top generals have announced plans to make the northern river port town of Bhamo an international container port, which would offer a means to transport Chinese exports from Yunnan province to the Andaman Sea.

Airlines

Three domestic airlines operate in Burma: joint ventures Air Mandalay (6T) and Air Yangon (HK) and the national carrier, Myanmar Airways (UB). Due to general safety concerns regarding Myanmar Airways, including three fatal air crashes in the past two years, the U.S. Embassy has advised its employees to avoid travel on this carrier whenever possible. Myanmar Airways, which serves 20 domestic airports, suffered a 37 percent decline in passengers (from 612,000 to 386,00) and a 20 percent rise in cargo (from 2730 tons to 3240 tons) between 1995 and 1999. Myanmar Airways is in the process of buying five used aircraft at cost of \$7.7 million from Airlift, Aircraft Sales, Leasing and Charter of the U.K. The sale involves three Fokker F-27-600 and two Fokker F28-400. This deal comes in the wake of Air Mandalay's (a privately owned domestic and international carrier) acquisition of a third aircraft and Yangon Airways' (the other private, but domestic airline) six-month lease of a third aircraft, both in October 2000. Some observers see this purchase as an attempt by the GOB to improve Myanmar Airways' disastrous safety record, which is partly responsible for the plunge in ridership.

Singapore's Region Air took a 49 percent stake in Myanmar Airways International (MAI), effective January 1, 2001. MAI serves Bangkok, Hong Kong, Singapore and Kuala Lumpur, using two Boeing 737-

400's with a capacity of 146 seats. Region Air will supposedly provide management, marketing, accounting, cost control, and technical and operational management. So customers should expect improved service and the airline should enjoy increased operational efficiency and perhaps profits.

Roads, Dams and Bridges

The SPDC has put great effort into upgrading Burma's roads, dams and bridges. Official statistics show the SLORC/SPDC has built more than 18,000 miles of road, about 122 dams (there are now 287 dams) and 130 bridges in the past decade.

Given the junta's lack of access to IFI lending, this infrastructure upgrade was accomplished by relying on internal resources, including public sector deficit spending and uncompensated rural labor. Despite improvement, overall infrastructure remains extremely poor and is a major impediment to economic expansion and distribution of goods and services. The SPDC has encouraged the private sector to develop infrastructure as well. For example, Asia World resurfaced the Lashio-Muse highway leading to the China border, and upgraded Ahlone port in Rangoon.

Railways

Official figures indicate Burma has 3,798 miles of rail tracks, 330 locomotives and over 3,519 wagons. We understand that the controversial Ye-Dawei rail line was washed out in monsoon rains only months after construction was completed and is now effectively out of operation.

Power Supply

Power generation in Burma is controlled by Myanmar Electric Power Enterprise (MEPE), a state entity. Thirty percent of total installed capacity of 1,172 megawatts is derived from hydroelectric sources, 18 percent comes from thermal sources, 45 percent comes from gas turbines, and nearly six percent is supplied by diesel generators.

Consumption of electricity exceeds the available power supply. This situation results in rolling power cuts during certain periods of the year. Most of the fledgling industrial sector and expatriate homes rely on independent diesel generators to ensure a steady power supply. Power shortages are likely to increase in the near term as onshore natural gas production wanes.

Chapter 3. POLITICAL ENVIRONMENT Brief Synopsis of the Political System

Burma is governed by a highly repressive, authoritarian military

regime, the State Peace and Development Council (SPDC), widely condemned by the international community for its serious human rights abuses. Democratic elections in 1990 were won overwhelmingly by the opposition National League for Democracy. Since that time, however, the military regime has refused to honor the results of those elections. Up until late last year, the regime continued to harshly repress the National League for Democracy (NLD), Burma's largest opposition party, and attack its leader, Aung San Suu Kyi, in the state-controlled press. In October 2000, the junta initiated talks with Aung San Suu Kyi, and, while specific details of the talks are not known, there was some relaxation of junta actions against the NLD in early 2001. There is no clear indication, at this time, how long these talks might continue or whether they may ultimately lead to democratic reforms.

Since seizing power in September 1988, the military junta has moved systematically to establish its total control over the country. It now exercises oppressive, heavy-handed domination over the political, economic and social life of Burma.

Nature of Political Relationship with the United States

The political relationship between the U.S. and Burma is strained. Official relations between the United States and Burma have been cool since the 1988 military coup and violent suppression of pro-democracy demonstrations.

Major Political Issues

The goals of U.S. policy toward Burma are progress toward democracy, improved human rights, and more effective counter-narcotics efforts. We continue actively to encourage the SPDC to work towards meaningful dialogue on a democratic transition and to improve its human rights practices.

****Democracy**

Since it seized power in 1988, the junta has shown no inclination to cede its hold on power. On the contrary, the regime has attacked Aung San Suu Kyi and the NLD, coercing thousands of members to resign and forcing more than 50 party offices to close. It continually harassed and often arrested NLD members and supporters, and still has over 1,500 Burmese in prison for their political activities. Beginning in 1999, however, the regime has allowed the International Committee of the Red Cross (ICRC) increasing access to Burma's prison population, providing at least some improvements to their conditions of incarceration.

In October 2000, the junta initiated talks with Aung San Suu Kyi in an apparent attempt to move toward national reconciliation and democratic reforms. In January 2001, the existence of the talks was made public but the substance of the discussions remains closely

guarded by both sides. Since that time, the regime has taken some small but significant steps that may indicate that it is serious about political reform. In February, the regime released approximately 85 NLD supporters that were detained in September 2000 and in June it began to release some of the members of Parliament elected during the 1990 elections, who had been detained or arrested over the past decade. These are early but positive signs that the regime may be willing to move toward national reconciliation in the talks. Still, it is too early to predict how long these talks may continue or whether they may ultimately lead to democratic reform.

Narcotics

Burma remains the world's second leading producer of illicit opium in the world, and accounts for about 80 percent of Southeast Asian production. In 1999, poppy cultivation and opium production continued their three-year decline, falling 31 percent and 38 percent respectively. Although bad weather and recurring drought have played a large role in the decline in opium cultivation, there is some evidence that government programs to reduce opium production through eradication and crop substitution are having effect. In the meantime, however, narcotics traffickers in Burma have turned to production of metamphetamines, which are now flooding into neighboring countries, particularly Thailand.

While there is no evidence that the government is involved on an institutional level in the drug trade, there are continuing reports that corrupt army personnel may be aiding traffickers and profiting from the trade. The government's ability to pursue drug trafficking is seriously constrained by the cease-fire agreements it has concluded with the major narco-trafficking organizations, which have conducted insurgencies against the government in the past. In several cases, these agreements have ceded a great deal of autonomy over territory and security to the local ethnic organizations, and the government does not have the means to police them.

This situation is further complicated by the fact that the government actively encourages the investment of narcotics profits in the Burmese economy, as part of its strategy to wean the ethnic organizations from heroin production and to offset the shortage of foreign investment. Narcotics proceeds dominate the local economies of the Kokang, Wa, Shan, Kachin, and Mon ethnic areas and figure prominently in the Burmese economy as a whole. Narcotics proceeds are widely and openly invested in business, real estate, and infrastructure projects and, in some cases, investments of narcotics proceeds in public works projects supplement government expenditures.

Human Rights/Quality of Life

Burma remains one of the world's poorest countries with average per capita GDP having fallen to approximately USD 300, according to

World Bank figures. In 1999 the World Bank drafted a report highly critical of the junta's policies which neglect health and education. The Bank concluded that the economic gains of the 1990's market opening have not been widely shared with the general population.

The poor quality of life is also reflected in rising drug abuse and the rapid spread of HIV/AIDS. International organizations estimate that more than one million Burmese may be HIV-infected. The World Health Organization's World Health Report 2000 ranked Burma among the lowest countries worldwide in healthcare delivery to its citizens.

Burmese citizens are also often subject to severe violations of human rights. These include reports of rape, forced portage, and extrajudicial killing particularly in ethnic minority areas. Disappearances and arbitrary arrest and detention of those who express dissenting political views continue. As of June 2001, about 1,700 political prisoners remained in detention, including nearly 80 members of Parliament elected in 1990.

The regime has reinforced its rule by means of a pervasive security apparatus controlled by military intelligence, which sharply restricts the rights of free speech, press, assembly, and association. Over the past 12 years of military rule, universities have been open for undergraduate students for a total period of less than three years. More than 400,000 students had been waiting for the universities to reopen in order to continue their studies. On July 24, 2000, the SPDC reopened the universities but most students must now go to campuses away from urban areas or pursue distance education.

Tens of thousands of citizens of Burma remain in exile because of fear of persecution and poor economic conditions, placing a major burden upon neighboring countries. About 21,000 Rohingya Muslims from Rakhine State remain in camps in Bangladesh. Approximately 119,000 Burmese, mostly from ethnic minorities, are in camps along the Thai-Burma border. Among them are thousands of new arrivals that have fled Burmese army attacks on villages in areas controlled by the Karen and Karenni ethnic minorities. In addition to these refugees, there may be more than one million Burmese internally displaced by such army attacks.

Labor

The government restricts worker rights and uses forced labor on a widespread basis. The use of porters by the army, with attendant mistreatment, illness, and even death for those compelled to serve, remains a common practice. The military authorities are also reported to have forced ordinary citizens (including women and children) to "contribute" their labor, often under harsh working conditions, on construction projects in many parts of the country. Child labor continues to be a serious problem, and the armed forces conscript

children as young as 14 to serve as porters in combat areas.

Burma's labor practices have led to widespread international condemnation and to International Labor Organization (ILO) investigation of the government's violations of ILO Articles 29 and 87, regarding forced labor, and the right of association. In June 1999 the ILO took the unprecedented step of excluding Burma from all ILO meetings and programs, except those concerning Burma. In August 1999, an ILO commission of inquiry found that compulsory labor in Burma is "systematic." The International Labor Conference in November 2000 voted to proceed with severe sanctions against Burma for the government's failure to develop a legal and administrative framework for eliminating compulsory labor.

Business Policy

The U.S. Government has an official policy to neither encourage nor discourage trade with Burma. Since May 1997, the U.S. Government prohibits new investment by U.S. persons or entities. A number of U.S. companies exited the Burma market even prior to the imposition of sanctions due to criticism in the United States from human rights groups, consumers and some shareholders because of the Burmese government's serious human rights abuses and lack of progress toward democracy.

The Burmese military regime maintains tight controls over all economic activity, as well as control on economic and commercial information. While foreign investment has been welcomed by the government, the lack of the rule of law in Burma ensures that anyone doing business in Burma -- local or foreigner -- faces the potential for arbitrary and capricious treatment by authorities at all levels.

Scope of Sanctions

The United States has imposed broad sanctions against Burma in response to narcotics trafficking and large-scale repression of the democratic opposition by the military junta. Our sanctions are designed to prevent the military regime from benefiting from U.S. assistance and new U.S. investment. We have also employed sanctions in an effort to encourage the regime to enter into a meaningful dialogue with the democratic opposition and to increase its respect for basic human rights.

Investment Ban

- On May 20, 1997, President Clinton signed Executive Order 13047 banning new U.S. investment in Burma by U.S. persons. He took this step in response to large-scale repression of the democratic opposition by the military junta. (See Chapter 7.)

****Opposition to Assistance**

- The United States provides no assistance to the Government of Burma and will not do so until Burma has made measurable and

substantial progress in improving human rights practices and implementing democratic government (Section 570 of the Foreign Operations Appropriations Act).

- The U.S. Government generally opposes assistance to Burma from international financial institutions (IFIs)--including the IMF, World Bank, ADB, and/or other institutions.

Counter-narcotics De-Certification

- FY97 Foreign Operations Appropriations Act, Section 570, prohibits counter-narcotics assistance because the Government of Burma does not fully cooperate with United States counter-narcotics efforts.

Visa Ban

- On October 3, 1996, President Clinton signed proclamation 6925, which suspended the entry into the U.S. of persons who formulate or implement policies that are impeding the transition to democracy in Burma, or who benefit from such policies.

Arms Embargo

- The U.S. Government maintains a suspension of all licenses and other approvals to export/transfer defense articles or services to Burma under section 38 of the arms export control act (22 U.S.C. sec. 2778, as implemented by 22 C.F.R. 126.1). (On October 14, 1999, the Secretary of State determined, pursuant to section 402 of the International Religious Freedom Act of 1998 (P.L. 105-292), that this suspension will remain in place for two years due to Burma's engagement in particularly severe violations of religious freedom.)

Additional Sanctions

- The United States has also, as a matter of executive policy, suspended economic aid, withdrawn generalized system of preferences (GSP) and Overseas Private Investment Corporation (OPIC) benefits, denied credits from the Commodity Credit Corporation, denied Export-Import Bank assistance, restricted the importation of Burmese oil and gas, and downgraded our representation in Rangoon from Ambassador to Charge. Although Burma's textile exports are not embargoed, the absence of an agreement allows the U.S. to unilaterally impose import quotas.

State and Local Sanctions

State and local sanctions in the form of selective purchasing laws have multiplied in the United States since 1995 over human rights concerns in Burma. These purchasing guidelines penalize companies that do business in Burma, making them uncompetitive for government contracts. At last count 26 state and local governments in the U.S. had enacted legislation sanctioning Burma. In June 2000, however, the Supreme Court ruled that the Massachusetts Selective Purchasing Law violated the supremacy clause of the U.S. constitution, which holds that the federal government, not local

governments, has the right to make foreign policy and regulate foreign commerce. This ruling will undoubtedly govern other state-level sanctions legislation.

Sanctions Imposed by Other Countries

- Many nations join us in our arms embargo, including European countries, Canada, Australia, Japan, and the Republic of Korea. The EU has banned transfers of military and arms equipment and withdrawn all military attaches from Rangoon.

- In 1996, the EU and associated European states joined us in imposing a ban on visas for high-level SPDC officials and their families. In October 1998, the EU broadened its visa ban to include high-level tourism officials and urged EU citizens to defer vacation travel to Burma. In May 2000, the EU published its visa ban list of names.

- In May 2000, the EU issued a regulation requiring member states to freeze the assets of high ranking members of Burma's military government.

- The EU and Canada withdrew GSP trade benefits from Burma's agricultural and industrial products in March and August 1997, respectively, bringing their trade policies more in line with the U.S. withholding of GSP.

- In November 2000, the International Labor Conference voted to proceed with severe sanctions against Burma for the government's failure to develop a legal and administrative framework for eliminating compulsory labor.

- Since 1988, the U.S. has cosponsored annual human rights resolutions on Burma at the United Nations General Assembly and the UN Human Rights Commission. While the resolutions do not specifically sanction Burma, they do condemn Burma for continuing human rights violations and provide a mandate for a special rapporteur to investigate and report on these violations.

Chapter 4. MARKETING U.S. PRODUCTS AND SERVICES

Despite some new laws in the 1990's to open the economy and encourage foreign trade and investment, Burma remains a largely closed and non-transparent business environment. Regulations affecting foreign business are subject to frequent amendment, leading to considerable confusion. A series of new regulations restricting trade were imposed in the past several years, further dampening trade prospects. While trade with Burma is not prohibited under U.S. law, there is little about the current business climate to recommend it.

As official policy, the U.S. Government neither encourages nor discourages trade with Burma. Since U.S. investment sanctions were imposed in May 1997, the U.S. Government has prohibited new investment. U.S. business should be aware that given severe foreign exchange shortages combined with restrictive trade policies, the current business climate in Burma is poor. U.S. business should also note that companies engaged in doing business in Burma have been subject to consumer boycotts as well as state and local sanctions in the United States. As a matter of policy, the Embassy does not engage in trade facilitation or conduct market research. The Embassy does provide information when it is readily available.

List of Newspapers

The following state-owned newspapers are published by the News and Periodicals Enterprise of the Ministry of Information.

The New Light of Myanmar
The New Light of Myanmar Press, 22/30 Strand Road,
43rd Street, (P.O. Box 43) Yangon, Myanmar.

Myanma Alin
Myanma Alin Press, 212 Theinbyu Road,
Botataung Township, (P.O. Box 40) Yangon, Myanmar.

Kyemon (The Mirror)
Kyemon Press, 77, 52nd Street, Pazundaung Township,
(P.O. Box 1188) Yangon, Myanmar.

City News
Third Floor, City Central Plaza, Shwedagon Pagoda Road,
Yangon, Myanmar.

Yadanabon, No.98, 84th Street between 29-30th St.
Mandalay, Myanmar
Tel: 95-1-22025

A semi-independent English weekly:

The Myanmar Times
Level 3&4, 87/88 Bahosi Complex, Wadan St. Lanmadaw P.O.
Yangon, Myanmar
Tel: 95-1-229-794/ 229-795/ 229-796, Fax: 95-1-229-894
Email: myanmartimes@mptmail.net.mm
website: www.myanmar.com/myanmartimes

Trade Journals

List of Economic Journals and Magazines (selected)

Dana Economic Magazine, 72, 8th Street (Ground Floor),

Lanmadaw P.O., Yangon, Myanmar. Tel: 95-1-224-010
Email address: dana@mptmail.net.mm

IT Myanmar Business Magazine, Lot 203, 2nd Floor,
Olympic Tower, corner of Mahabandoola Street and Bo
Aung Kyaw Street, Kyauktada P.O., Myanmar
Tel: 95-1-254-915

Kyaw-nyar Lan Hnyun, No. 38 1st Floor, Ma Po Street,
Myenigone, Sanchaung P.O., Yangon, Myanmar. Tel: 95-
1-526-302

Life Style Today, Today Publishing House Ltd., Bldg C-2
Nyaung Tan Housing Estate, Annawa Lane - 2,
Pazundaung P.O. Yangon, Tel: 95-1-295-886/ 299-797

Myanma Dana Economic Magazine, 204 (Ground Floor),
34th Street,
Kyauktada P.O. Yangon, Myanmar. Tel: 95-1-277-121
Kyi-Pwa-Ye, 296 Bo Sun Pat Street, Pabedan Township,
Yangon, Myanmar. Tel: 95-1-253-746

Myanma Economic Journal, 1 Kinwun Mingyi Road,
Dagon Township, Yangon, Myanmar. Email address:
LCO.MAG@mptmail.net.mm

Pale Magazine, No156/158m 34th Street, Kyauktada P.O.
Yangon, Myanmar Tel:95-1-249-739

The Business Tank, No. 30, Yankin Street, Myaynigone,
Sanchaung
P.O. Yangon, Myanmar. Tel: 95-1-514-043; Fax: 95-1-
514-059

Business Information Group, No.137, University Avenue
Road, Kamayut P.O. Yangon, Myanmar. Tel: 95-1-514-
842/515-234/703-813; Fax: 95-1-514-842
Email address: big@mptmail.net.mm

Advertising Agencies and Services

Bates Myanmar, 116(E), Sein Le Kantha, Kamayut
P.O. Yangon
Tel: 95-1-526-647/510-996/ 513-779

Inya Marketing & Communications, 174 First Floor, 35th
Street, Kyauktada P.O.,
Yangon Tel: 95-1-282-776; Fax: 95-1-667-115

JointCom Enterprise, 75(A/B), Bo Yar Nyunt St., Dagon
P.O. Yangon Tel: 95-1-282-996/245-209, Fax: 95-1-297-
804

Living Color, 38st, 1st Floor, Ma Po Street, Myay Ni Gone,
Sanchaung P.O.
Tel: 95-1-526-302

MacComm PR Advertising, 259 Anawrahta Street,
Lanmadaw P.O., Yangon,
Tel: 95-1-221-886

MMI Marketing, 73 Pyay Road, Dagon, Yangon, Tel: 95-1-
221-924/ 226-773

Myanmar SPA Today Advertising Ltd., 148(B),
Dhammazeddi Rd. Bahan P.O.
Yangon Tel: 95-1-513-664//527-507

MMRD Myanmar Marketing, Research & Development, 5-
7th Floor, Pyi Department Store, Hledan Junction,
Kamayut P.O. Yangon
Tel: 95-1-525-740/525-050; Fax: 95-1-527-798
Novel Light Media Ltd., 134, 40th St, Kyauktada P.O.
Yangon,
Tel: 95-1-252-232/251-977/ 275-598 Fax: 95-1-252-232

SAIL McCann-Erickson, 790-4th Fl, Bogyoke Aung San
St. & Wardan St Corner, Lanmadaw P.O. Yangon Tel: 95-
1-227-243 (Ext. 403)

Today Publishing House Ltd., Bldg C-2 Nyaung Tan
Housing Estate, Annawa Lane - 2, Pazundaung P.O.
Yangon, Tel: 95-1-295-886/ 299-797 Fax: 95-1-294-092

Whiz-Kids Co., Ltd. 56, 43rd St. Botahtaung P.O. Yangon
Tel: 95-1-201-060/ 298-638

IPR Protection

After Burma joined ASEAN in 1997, it agreed to modernize its intellectual property laws in accordance with the ASEAN Framework Agreement on Intellectual Property Cooperation (FAIPC). While some new IPR laws have been drafted, they have yet to be approved and implemented. Under current law, Intellectual Property Rights (IPR) protection in Burma is limited.

A Patents and Design Act was introduced in 1946, but never brought into force. Consequently, the Indian Patents and Designs Act of 1911, which was enacted under British colonial rule, continues to govern the registration of patents and designs.

Burma has no trademark law. Trademark registration is possible but, in the absence of a trademark law, is not compulsory. Some firms

place a trademark caution notice in the local newspaper declaring ownership of the trademark. Once this notice has been published, legal action (in the form of a civil suit) can be taken against trademark infringers. Title to a trademark depends on use of the trademark in connection with goods sold in Burma.

While a Copyright Act was promulgated in 1914, no means to register a copyright was ever instituted. There is thus no legal protection in Burma for foreign copyrights.

In practice, intellectual property rights are not well respected in Burma. Pirating of books, software and designs is rampant for use in the local market.

Need for a Local Attorney

Because of the legal confines of U.S. sanctions law and the opaque nature of Burma's legal system, the Embassy strongly advises U.S. businesses to consult with an attorney and the Treasury Department's Office of Foreign Assets Control (OFAC) prior to engaging in business in Burma. Although based on British legal tradition, many Burmese laws are exceedingly dated. While contracts are generally respected, a foreign business would be unlikely to profit from engaging in a legal dispute with the government or a member of the military elite.

Chapter 5. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Given the official U.S. policy of neither encouraging nor discouraging trade and prohibiting investment, the Embassy has not identified leading prospects in this Country Commercial Guide.

Chapter 6. TRADE REGULATIONS, CUSTOMS AND STANDARDS

Barriers to Trade and Investment

Despite moderate growth in the urban areas in the 1990's, Burma remains designated by the United Nations as a least developed country. Per capita income is estimated by the World Bank to be only about \$300 annually. Foreign exchange reserves remain critically low and a host of government restrictions make conducting business difficult.

Despite laws to encourage foreign trade and investment promulgated in the 1990's, cumbersome restrictions remain, including permits required for imports, exports and most other business activities. The concept of a market-oriented economy has not worked its way through the bureaucracy to eliminate burdensome regulations. In addition, frequent and sometimes arbitrary and unannounced policy changes make business unpredictable. Procedures for issuing permits are not transparent, providing opportunities for graft. Importers and exporters say it is extremely difficult to obtain the

necessary business permits without paying for them "unofficially."

The official exchange rate, which overvalues the currency by 100 times, is a key impediment to foreign trade and investment. Burma also lacks a developed financial sector and an independent central bank. Poor infrastructure is a major impediment to distribution of goods and services. The lack of the rule of law makes official decisions affecting business often arbitrary. No government program offers any financial support to private exporters. Private companies do not enjoy the same advantages as government and military organizations, particularly in regard to use of the official exchange rate.

Due to its poor human rights record and the inadequacy of its narcotics suppression efforts, Burma is unable to obtain multilateral financial assistance and bilateral aid has been suspended. The U.S. does not offer EXIM bank or OPIC insurance coverage for Burma. In 1997, the President prohibited new U.S. investment. Consumer boycotts combined with a plethora of state and local sanctions in the U.S. create additional risk for companies involved in the Burma market.

Trade Regulations

General Maung Aye, Vice Chairman of the State Peace and Development Council, has executed growing control over trade and regulatory policy via the Trade Policy Council, an extra-ministerial committee overseeing trade regulation and economic policy. Since 1998, trade policy has become more restrictive. Due to various disagreements with Thailand, the Burma-Thai border has been shut down for months at a time on several occasions, the most recent one being the first six months of 2001.

Over the past several years, including this year, the government has imposed and then rescinded a series of restrictive and sometimes ill-conceived trade policies, making regulatory policy unpredictable. For the past three years, the government levied a ten percent tax on exports. The GOB's motivation for many of these restrictions appears to be an effort to capture scarce foreign exchange. However, the result has often been to dampen legitimate trade. In the face of increasing restrictions and slow business climate, a number of foreign firms have closed their doors, and there has been an upsurge in smuggling and black market trading.

A remittance cap on earnings was reduced to \$10,000 per month effective July 1, 2000. Fortunately, the cap does not apply to export earnings.

Since March 1998 the government has imposed a restrictive import policy, requiring that all imported items must fall within either the A or B priority lists. "A" priority list items should be imported in a ratio of at

least 80 percent, and "B" priority list items can be brought in as a maximum of 20 percent. B list items may only be imported after the arrival of the A list items. As of December 1998, the Ministry of Commerce stipulated that items which are not restricted but which do not fall within either the A or B lists will be treated as though they were B list goods. Import permits may be obtained by producing evidence of export earnings.

Over the past few years the military junta has shut down Burma's borders on several occasions. The Burmese-Thai border was closed from February to June 2001 due to increased tensions between these two neighbors. Since the socialist times, only state banks have been allowed to handle foreign exchange transactions. Thus, only the Myanmar Foreign Trade Bank (MFTB) and the Myanmar Investment and Commercial Bank (MICB) handle such transactions.

Despite sometimes onerous trade regulations, in actuality there is a tremendous amount of smuggling in and out of Burma, particularly across the long and often remote borders. Items deemed essential by the government along with contraband, such as narcotics, appear to leave the country rather freely, and prohibited "luxury" consumer items are imported with apparent impunity. Urban retailers stock items explicitly on the prohibited imports list. Supply of such items is erratic, however.

Tariffs and Import Taxes

Burma follows the Harmonized System of International Nomenclature. Three types of taxes can be levied on imports: import duties, commercial taxes and license fees. After joining ASEAN in 1997, Burma took measures to comply with the ASEAN Common Effective Preferential Tariff Scheme (CEPT). Burma is in the process of meeting the CEPT tariff reduction commitments to be phased in between 2001 and 2008. At present tariffs range from a low of zero to a maximum of 40 percent, with cars, luxury items, jewelry and items produced in Burma facing the highest tariffs. Tariffs on most other items including consumer goods are moderate. Tariffs on most industrial inputs, machinery and spare parts average about 15 percent. (See Customs Valuation below for important information on the customs valuation exchange rate that affects the real effective tariff rates charged.) The corporate taxation rate is 30 percent annually on profits of limited private companies.

Customs Valuation

The Customs Department bases its valuation on CIF value, after adding landing charges equal to 0.5 percent of CIF value. For some commodities, Customs uses its own reference guide to determine the value of imports. The guide lists prices in kyat based on the price goods are sold for in Burma, and sometimes lists values substantially lower or higher than the value outside Burma. At present imports are valued for customs duty purposes at rates ranging from 100 kyat to

250 kyat per U.S. dollar. The rates depend whether the item is considered an essential or a luxury item. Private companies complain that due to the arbitrary application of customs valuation, actual customs duties are not transparent.

Import Licenses

Under its ASEAN commitments, Burma will eventually have to eliminate all quantitative restrictions on imports. Under current law (i.e., the Control of Imports and Exports Act of 1947), the government may require import and export licenses. In practice, import permits issued by the Ministry of Commerce are required for all imports. In the past few years such permits have been increasingly difficult to obtain and thus have themselves become highly prized commodities. MEHL appears to have a monopoly of these permits. Since the Burmese currency, the kyat, is non-convertible, all imports must be paid for in foreign currency.

Temporary Entry Requirements

Temporary imports and exports may be allowed for trade promotion or assembly purposes with proper documentation from the Customs Department.

Special Requirements for Health and/or Pharmaceuticals

Documentation on imports must show evidence that the products are fit for human consumption. These may be phyto-sanitary certificates, health certificates, registered drugs, etc.

Labeling

The country of origin on imports cannot be North Korea or Taiwan. Certain images, such as a Buddha image or the national flag, cannot be used on labels or trademarks.

Prohibited Imports

The Trade Policy Council oversees amendments to the list of prohibited imports. The list is published in trade bulletins and publications, but changes with little notice.

For several years the Ministry of Commerce has maintained a list of prohibited imports. The most current regulations, issued in November 1999 and February 2000, prohibit the import of commodities such as seasoning powder, soft drinks, assorted biscuits, chewing gum, cake, wafers, chocolate, canned foods noodles, liquor, beer, cigarette and fruits. Plastic household items, in addition to the foregoing items, are prohibited from import via border trade.

Export Controls

The Trade Policy Council oversees the list of prohibited exports. All exports require a permit from the Ministry of Commerce. Frequent amendments have been made to the list of prohibited exports, including temporary bans with little or no advance notice.

The state has a monopoly on exports of rice, teak, petroleum, natural gas, gems, jade, pearls and other items. Exports of such items are controlled by the relevant government ministries. Traders report that the only way for private companies to export an item under government monopoly is to do so under the authorization of Myanmar Economic Holdings Ltd. (MEHL), or Myanmar Agriculture Produce Trading (MAPT). These military/government corporations receive an 11 percent commission on transactions as well as a favorable exchange rate that allows them to profit from the transaction.

On November 26, 1999, the Ministry of Commerce issued Order No. 10/99 that lists the following as restricted export items: rice and rice products, white sugar, red sugar and brown sugar, groundnut and groundnut oil, sesame and sesame oil, mustard and mustard oil, sunflower and sunflower oil, groundnut cake, sesame cake, mustard cake, sunflower cake, cotton and cotton products, petroleum, gems and jewelry, gold, jade, pearls, diamonds, lead, tin, tungsten (wolfram), tin-scheelite, silver, bronze, zinc, coal, other metals, ivory, buffaloes, cows, elephants, horses and rare animals, leather, shrimp, bran, arms, ammunitions, antiques and rubber.

Teak is restricted for export via border trade.

Non-Convertible and Overvalued Currency

The kyat is not convertible. Kyat and FECs cannot be taken out of Burma. The government strictly limits outflows and inflows of funds for any purpose, including debt service, imported inputs, capital, returns on intellectual property and profit repatriation.

A prime obstacle to doing business in Burma is an official exchange rate that overvalues the domestic currency (kyat) by some 100 times. The official exchange rate is so out of line with the market rate, that virtually all business transactions, except those involving state industry, are now conducted at the parallel rate. Nonetheless, foreign firms are required to record transactions at the official rate when submitting forms to the government. When foreign firms bring in foreign exchange to be used for purchases on the local economy, they must deposit it in a state bank and withdraw any funds used in FECs. Foreign firms sometimes avoid the official exchange rate by paying for services in dollars. The government is now demanding payment in hard currency for an increasing number of local expenses, including the local management salaries, telephone service and property rental.

Remittances/Capital Outflow Policy

Any foreign business transaction is required to go through either the MFTB or the Myanmar Investment and Commercial Bank (MICB). Border trade transactions are handled by the Myanmar Economic Bank (MEB). Burmese citizens who earn foreign currency can deposit

their earnings in these banks or draw their salaries directly in FECs. After paying ten percent tax on their earnings, Burmese citizens can withdraw FECs from their state bank accounts.

Effective July 1, 2000, Burmese citizen entrepreneurs may remit a maximum of \$10,000 per month of FEC earnings in exchange for the right to import. The above "remittance" (exchange of FEC for actual foreign exchange) can be made by presenting proper documentation, such as an import permit.

Dispute Settlement

Burmese law stipulates that commercial disputes are to be handled solely under Burmese arbitration. Burma is not a member of the International Center for the Settlement of Investment Disputes nor is it a party to the New York Convention.

Most businesses involved in disputes seek to settle the matter informally, rather than rely on the cumbersome legal system.

Arbitration

The Burma Arbitration Act of 1944 deals with arbitration inside Burma. Since this act is similar to laws in other common-law-practicing countries, it differs only slightly from the British Arbitration Act. The appointment of arbitrators, the supervision by the court for their removal, the award, the enforcement of award in court and appeal from award to the Supreme Court are all embodied in the Arbitration Act. This Act remained dormant until it was reactivated in 1988 when the GOB moved to establish a market-oriented economy. However, foreign investors prefer international to Burmese arbitration, although the GOB always try to enforce Burmese arbitration in contracts they enter into with other parties.

There are two methods of application of Burmese arbitration: with or without intervention of the court. The parties can choose independent arbitrators. This enables the parties to have their disputes resolved by people (including experienced lawyers) who are competent in the relevant field. Some state enterprises seek their arbitrators from the Union of Myanmar Chamber of Commerce and Industries (UMCCI), which is not independent of the government.

In agreements or contracts, the parties may stipulate the law governing the contract, the number of arbitrators, and the place of arbitration. Generally, two arbitrators are appointed, one by each party. If they cannot agree, they can appoint a referee. The arbitrators have to decide within four months from the date of reference although extensions are allowed for special circumstances.

Besides the Arbitration Act of 1944, there are international treaties to which Burma is a signatory: the Protocol Relating to Arbitration Clause (1923, Geneva Protocol) and the Convention Relating to the

Enforcement of Foreigner Arbitral Awards (1927, Geneva Convention). The problem is that the enforcement of a foreign arbitral award is not recognized by the existing Arbitration Act, unless the country in which arbitration is concluded is a party to the 1923 Protocol and/or the 1927 Geneva Convention. It is a disincentive to foreign investors to do business in Burma while it lacks access to the International Arbitration and the United Nations Commission on International Trade Law system (UNCITRAL), the International Chamber of Commerce System (ICC), the International Center for Settlement of Investment Disputes (ICSID) (Washington Convention) and the New York Convention.

Workers' Rights

In 1989, the United States withdrew Burma's eligibility for benefits under the generalized system of preferences (GSP) due to the absence of internationally recognized worker rights. Labor unions are illegal in Burma. Workers are unable to organize, negotiate or in any other way exercise control over their working conditions. Although regulations set a minimum employment age and wage, and maximum work hours, these are not uniformly observed, especially in private factories and other establishments. The government uses forced adult labor in infrastructure construction and portage for the military in active combat zones. These labor practices are not consistent with Burma's obligations under ILO Conventions 29 and 87, and thus explain why the ILO imposed sanctions last year against Burma.

Chapter 7. INVESTMENT CLIMATE/U.S. INVESTMENT SANCTIONS

U.S. Investment Subject to Sanctions

On May 20, 1997, by Executive Order 13047, the President imposed economic sanctions prohibiting new investment by U.S. persons or entities in Burma (Myanmar). Those sanctions were based on the President's determination that the Government of Burma has committed large-scale repression of the democratic opposition. The Cohen-Feinstein Amendment to the Foreign Operations Act of 1997 formed the legal basis for the investment ban. Sanctions policy is reviewed by the U.S. Government every six months. Since sanctions were imposed in 1997, the State Department has found no measurable progress toward political liberalization in Burma.

Prior to the imposition of sanctions, a number of high-profile U.S. investors had already withdrawn from Burma. An active anti-Burma consumer movement in the U.S. combined with the selective purchasing agreements of a number of state and local governments caused investing in Burma to be high risk in terms of corporate image. Selective purchasing laws were jeopardized by last year's U.S. Supreme Court ruling striking down the Massachusetts law as unconstitutional. However, the pressure against companies already in Burma, or contemplating doing business there, has continued as

states and municipalities explore other punitive options such as disinvesting their huge pension funds from such firms. In addition, the ILO's sanctions imposed last year have added to the pressure not to invest in Burma. The U.S. federal sanctions ban new investment but allow companies already invested in Burma to remain. Few have done so.

The 1997 ban on new investment is in addition to a number of sanctions the U.S. imposed against Burma following the military crackdown against civilian democracy activists in 1988 and the failed election of 1990. The U.S. opposes the extension of international financial assistance to Burma, prohibits military sales, suspended economic aid and commercial assistance programs, banned the issuance of U.S. visas to members of the military elite, and downgraded our representation in Rangoon from Ambassador to Charge. In addition, the U.S. continues to engage in a vigorous diplomatic effort to promote political and human rights reforms.

Since the early 1990's U.S. commercial policy toward Burma had been neither to encourage nor to discourage trade or investment. With the 1997 investment ban, that policy was revised to prohibit new investment.

Status of Investment

Investment figures published by the GOB include only investment approved by the Myanmar Investment Commission (MIC). These figures do not include investments not submitted for MIC approval, such as a myriad of small and medium Chinese projects, or investments approved under the Companies' Act, outside MIC channels under a regular company license.

Foreign investment in Burma has still not recovered from the dramatic plummet following the 1997 Asian financial crisis. According to government figures, cumulative MIC-approved foreign direct investment (FDI) totaled 355 projects valued at \$7.395 billion by March 31, 2001. This amount is only three percent higher than cumulative total of the last two fiscal years. History suggests that actual investment, the figures for which are no longer published, are usually no more than a third of the approvals. Since the Asian financial crisis, the trickle of new approved investment has predominantly come from Asian. With a few exceptions, Western countries have largely stayed away from the Burma market.

In FY 99/00, there were investment approvals for Singapore, Thailand, Japan, Hong Kong, Indonesia, South Korea, the U.K. and Cyprus. According to the IMF, actual FDI flows totaled \$304.2 million in that period. Notable inflows of actual investment came from the UK (including enterprises incorporated in the British Virgin Islands, Bermuda and the Cayman Islands), Malaysia, China, Canada and South Korea. In FY 00/01, the leading investors were the U.K., China,

Canada, South Korea and Malaysia in that order. Singapore, traditionally Burma's largest investor (i.e., accumulatively) has not invested much since the late 1990's. In 1999, approvals for Singaporean FDI amounted to a mere \$3.8 million in 1999 and nothing in 2000. Not surprisingly, U.S. investment has been flat since 1997 when investment sanctions were imposed. According to the latest figures for January-February 2001 from the Selected Monthly Economic Indicators published by the Central Statistical Office (CSO), \$146.843 million in FDI was approved in FY 2000/01, an increase of 164 percent, though still only three percent of cumulative total of the last two fiscal years. Approved FDI tripled in CY 2000, rising from \$50.1 million to \$152.8 million. However, FDI is still sharply down from its pre-1997 Asian financial crisis highs. The top investors in CY 2000 were South Korea (\$44.5 million), the U.K. (\$30.6 million) and China (\$21.4 million).

In addition to the highly unfavorable political climate, unfavorable economic policies including a highly unrealistic exchange rate, and increasing corruption, have contributed to a significant loss of foreign investor confidence in Burma. The GOB-imposed remittance cap (reduced from \$20,000 to \$10,000 per month -- combined with strict trade controls, arbitrary policy changes, a non-convertible currency, chronically high domestic inflation, and asset seizures of foreign firms, have weakened investor resolve. Given these serious disincentives to business activity, prospects for resurgence in foreign direct investment are weak.

There are few signs that the State Peace and Development Council (SPDC), the military junta that governs Burma, has either the ability or the drive to make the economic reforms necessary to correct serious macroeconomic imbalances or to address endemic corruption. In fact, there is ample evidence that the military, via the military holding companies Myanmar Economic Holdings Ltd. (MEHL) and Myanmar Economic Corporation (MEC), has extended its reach into many sectors of the economy. To set up a joint venture, foreign firms have reported that it is useful to be affiliated with MEHL or MEC in order to receive the proper business permits. Nonetheless, entering into business with MEHL or MEC does not guarantee success for the foreign partner and may indeed pose grave risks. In the past few years, some foreign firms suffered a loss of management control and had to leave the country, and in some instances had their assets seized. Last year, Japanese firms Ajinomoto and Toyota exited Burma after they found they were not able to operate as they had been led to believe. A Mandalay Beer co-owner had her assets frozen and later seized in a dispute with her joint venture partner MEHL. The case is now being heard at the International Court of Justice in The Hague. There is evidence that more departures are imminent, including a foreign firm whose assets in an insurance joint venture have been seized.

It is nearly impossible to estimate accurately the share of foreign direct investment in Burma's overall economy, or the effects of FDI on the balance of payments. Official figures are seriously distorted because dollar-based transactions are calculated at the official six kyat per dollar exchange rate, whereas most business transactions take place at an unofficial market rate averaging approximately 412 to the dollar in FY00/01. This year, the market rate has reached as high as over 800 kyat per dollar. As such, official figures vastly underestimate the share foreign investment plays in GDP.

In FY 00/01 oil and gas remained the largest foreign invested sector with a total of 51 projects valued at \$2.4 billion, comprising 32 percent of MIC-approved investment. This field is dominated by a few large projects, such as the Yadana and Yetagun natural gas pipelines to Thailand. To date the Yadana pipeline constitutes the largest foreign investment in Burma, valued at \$1.2 billion. The 254-mile gas pipeline from the offshore Yadana natural gas field to Thailand was completed in mid-1998, but did not pump as much gas as originally expected until last year due to prolonged construction delays on the Thai side. The Yadana consortium, a production-sharing arrangement including the operator, Total of France (31.24 percent), U.S. company UNOCAL (28.26 percent), Thailand's PTT (25.5 percent), and Burma's Myanmar Oil and Gas Enterprise (MOGE) (15 percent), expects to operate the project on a 30-year horizon. The Yadana natural gas field is believed to contain 5.7 trillion cubic feet of gas, and production is expected to reach 525 million cubic feet of gas per day. The consortium's income is expected to double from last year as a result of this year's earnings and settlement payments for gas that Thailand's PTT contracted for but it could not take in 2000. At present, the consortium is again in negotiations with PTT over revising the contract. A second offshore natural gas pipeline to Thailand, Yetagun, also recently started pumping gas. It is operated by Premier Petroleum of the UK, and is co-owned by a consortium involving Nippon of Japan, PTT of Thailand, Petronas of Malaysia, and MOGE. This consortium also expects to receive considerable earnings this year.

Manufacturing (143 projects totaling \$1.6 billion) ranked as the second largest sector for foreign investment in FY 00/01, constituting 21 percent of total FDI approvals. Manufacturing FDI approvals grew by about 4.5 percent in FY 00/01. Light industries dominate the manufacturing sector, producing packaged foodstuffs, textiles, paper and consumer products. Production of beer and cigarettes, and garments for export (largely to the U.S. and Canada) has shown tremendous growth. While low wage rates make Burma an attractive locale for labor-intensive industries, this benefit is often countered by changing and often capricious government regulations, official corruption, and by the political stigma of investing here. Despite foreign investment inflows, manufacturing and processing play a minor role in the overall economy, accounting for only 9.4 percent of

GDP in FY 99/00.

Hotels and tourism is the third-largest foreign invested sector, attracting primarily Singaporean and Thai funding. In FY 00/01 foreign investment in hotels and tourism totaled 43 projects valued at U.S. \$1 billion, and constituting nearly 14.3 percent of FDI approvals. Despite rapid growth in tourist arrivals in the early 1990's, that trend slowed markedly after FY 96/97. According to CSO statistics, tourist arrivals continuously declined 4.4 percent and 3.7 percent in FY 99/00 and FY 00/01 (up to February 2001) respectively. In 1998, it became apparent that the hotels and tourism sector was overbuilt for demand. Since then, Burma's premier hotels have slashed rates while competing for customers. In addition, a number of planned future hotel projects have been halted or delayed. Occupancy rates remain far below international norms.

The fourth-largest foreign invested sector, real estate (18 projects worth \$1 billion) showed few new approvals in the past year. Additional serviced apartments such as Golden Hill Towers, and the Yankin Shopping Center have improved the availability of international standard housing and shopping space in Rangoon. By law, foreigners may not own land, and may only rent property on a short-term basis. Since the bottom dropped out of the real estate sector in FY 97/98, the government has encouraged local construction firms to invest in agricultural development and beach resort construction projects. While measurably slowed, certain construction projects continue throughout the country, relying largely on domestic capital.

Mining (51 projects worth \$523 million) ranked fifth among foreign-invested sectors, but showed only 0.2 percent growth in FY 00/01. The Canadian firm Ivanhoe has reported that its copper mining venture has been successful and plans to increase its investment. Investment in livestock and fisheries has 20 projects valued at \$283 million, but like the previous fiscal year, there has been no significant growth in this sector.

The seventh-ranking sector, transport and communications, consists of a total of 14 projects valued at \$283 million with a growth of 2.7 percent. Communications systems in Burma remain woefully inadequate and are far beneath international norms. Long-distance telephone rates far exceed international average costs. Local networks are faulty, and the authorities monitor calls. Efforts by foreign firms to upgrade communications networks over the past several years have been riddled with problems, causing a number of firms to exit the market. Due to the junta's paranoia over the free flow of information, public access to the Internet remains illegal in Burma except for a restricted number of businesses. E-mail service is only offered through the Myanmar Posts and Telecommunications (MPT), and privacy of communications cannot be assured. Last year, at least

two local telecommunication companies involving foreign consultants were forcibly closed and some of their equipment was confiscated. The GOB expects to launch the long-delayed GSM cellular network later this year.

There has been little change in the top foreign investors by country of origin accumulated over the past several years. Singapore remained the leading foreign investor in Burma in FY 00/01 with a total of 70 projects, mostly in hotels and tourism, worth \$1.5 billion. The United Kingdom (inclusive of enterprises incorporated in the British Virgin Islands, Bermuda, and the Cayman Islands) ranked second with 37 projects totaling \$1.4 billion. Thailand ranked third with 49 projects valued at \$1.29 billion. Malaysia ranked fourth, and the U.S. ranked fifth with 16 projects totaling \$582 million. U.S. investment approved prior to May 1997, which was grandfathered under the U.S. sanctions legislation, is largely centered on extractive industries. The bulk of U.S. investment has been in oil and natural gas exploration; some has been in mining. The small number of other U.S. firms in Burma is involved primarily in management, consulting and trading.

Executive Order

On May 20, 1997, the President of the United States issued the following Executive Order Prohibiting New Investment in Burma:

By the authority vested in me as President by the Constitution and the laws of the United States of America, including section 570 of the Foreign Operations, Export Financing and Related Programs Appropriations Act, 1997 (Public Law 104-208) (the "Act"), the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), and section 301 of title 3 of the United States Code:

I, William J. Clinton, President of the United States of America, hereby determine and certify that, for purposes of section 570(b) of the Act, the Government of Burma has committed large-scale repression of the democratic opposition in Burma after September 30, 1996, and further determine that the actions and policies of the Government of Burma constitute an unusual and extraordinary threat to the national security and foreign policy of the United States and declare a national emergency to deal with that threat.

Section 1. Except to the extent provided in regulations, orders, directives, or licenses that may be issued in conformity with section 570 of the Act and pursuant to this order, I hereby prohibit new investment in Burma by United States persons.

Section 2. The following are also prohibited, except to the extent provided in section 203(b) of IEEPA (50 U.S.C 1702(b)) or in regulations, orders, directives, or licenses that may be issued pursuant to this order:

(a) any approval or other facilitation by a United States person, wherever located, of a transaction by a foreign person where the

transaction would constitute new investment in Burma prohibited by this order if engaged in by a United States person or within the United States; and

(b) any transaction by a United States person or within the United States that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in this order.

Section 3. Nothing in this order shall be construed to prohibit the entry into, performance of, or financing of a contract to sell or purchase goods, services, or technology, except:

(a) where the entry into such contract on or after the effective date of this order is for the general supervision and guarantee of another person's performance of a contract for the economic development of resources located in Burma; or

(b) where such contract provides for payment, in whole or part, in:

-- (i) shares of ownership, including an equity interest, in the economic development of resources located in Burma;

-- (ii) participation in royalties, earnings, or profits in the economic development of resources located in Burma.

Section 4. For the purposes of this order:

(a) the term "person" means an individual or entity;

(b) the term "entity" means a partnership, association, trust, joint venture, corporation or other organization;

(c) the term "United States person" means any United States citizen, permanent resident alien, juridical person organized under the laws of the United States (including foreign branches), or any person in the United States;

(d) the term "new investment" means any of the following activities, if such an activity is undertaken pursuant to an agreement, or pursuant to the exercise of rights under such an agreement, that is entered into with the Government of Burma or a non-governmental entity in Burma on or after the effective date of this order:

-- (i) the entry into a contract that includes the economic development of resources located in Burma;

-- (ii) the entry into a contract providing for the general supervision and guarantee of another person's performance of a contract that includes the economic development of resources located in Burma;

-- (iii) the purchase of a share of ownership, including an equity interest, in the economic development of resources located in Burma; or

-- (iv) the entry into a contract providing for the participation in royalties, earnings, or profits in the economic development of resources located in Burma, without regard to the form of the participation;

(e) the term "resources located in Burma" means any resources, including natural, agricultural, commercial, financial, industrial, and human resources, located within the territory of Burma, including the territorial sea, or located with the exclusive economic zone or continental shelf of Burma;

(f) the term "economic development of resources located in Burma"

shall not be construed to include not-for-profit educational, health, or other humanitarian programs or activities.

Section 5. I hereby delegate to the Secretary of State the functions vested in me under section 570(c) and (d) of the Act, to be exercised in consultation with the heads of other agencies of the United States Government as appropriate.

Section 6. The Secretary of the Treasury, in consultation with the Secretary of State, is hereby authorized to take such actions, including the promulgation of rules and regulations, and to employ all powers granted to me by section 570(b) of the Act and by IEEPA, as may be necessary to carry out the purposes of this order. The Secretary of the Treasury may redelegate the authority set forth in this order to other officers and agencies of the United States Government. All agencies of the United States Government are hereby directed to take all appropriate measures within their authority to carry out the provisions of this order.

Section 7. Nothing contained in this order shall create any right or benefit, substantive or procedural, enforceable by any party against the United States, its agencies or instrumentalities, its officers or employees, or any other person.

Section 8. (a) This order shall take effect at 12:01 A.M., eastern daylight time, May 21, 1997. (b) This order shall be transmitted to the Congress and published in the Federal Register.

Questions regarding the interpretation of the above-cited executive order may be addressed to:

THE U.S. DEPARTMENT OF THE TREASURY
Office of the Under Secretary for Enforcement
Office of the Deputy Assistant Secretary for Regulatory, Tariff and Trade Enforcement
Office of Foreign Assets Control (OFAC)
Treasury Annex 1, Room 2233
Pennsylvania Avenue and Madison Place, N.W.
Washington, DC 20220

Attn: Mr. R. Richard Newcomb
Director, Office of Foreign Assets Control
Telephone: 202 - 662 - 2500

Sanctions Regulations

DEPARTMENT OF THE TREASURY
Office of Foreign Assets Control
31 CFR Part 537
Burmese Sanctions Regulations
Agency: Office of Foreign Assets Control, Treasury.
ACTION: Final rule.

SUMMARY: The Office of Foreign Assets Control of the U.S. Department of the Treasury is issuing the Burmese Sanctions Regulations to implement Executive Order 13047 of May 20, 1997, "Prohibiting New Investment in Burma."

EFFECTIVE DATE: May 17, 1998

FOR FURTHER INFORMATION CONTACT:

Steven I. Pinter, Chief of Licensing, tel.: 202/622-2480, or William B. Hoffman, Chief Counsel, tel.: 202/622-2410, Office of Foreign Assets Control, Department of the Treasury, Washington, DC 20220.

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PART 537 -- BURMESE SANCTIONS REGULATIONS

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Authority: 3 U.S.C. 301; 31 U.S.C. 321(b); 50 U.S.C. 1601-1651, 1701-1706; sec. 570. Pub. L. 104-208, 110 Stat. 3009-166; E.O. 13047, 61 FR 28301, 3 CFR. 1997 Comp., p. 202.

Subpart A – Relation of This Part to Other Laws and Regulations

537.101 Relation of this part to other laws and regulations.

(a) This part is separate from, and independent of, the other parts of this chapter. Differing foreign policy and national security contexts may result in differing interpretations of similar language among the parts of this chapter. No license or authorization contained in or issued pursuant to those other parts authorizes any transaction prohibited by this part.

(b) No license or authorization contained in or issued pursuant to this part relieves the involved parties from complying with any other applicable laws or regulations.

Subpart B – Prohibitions

537.201 Prohibited new investment by U.S. persons.

Except to the extent provided in regulations, orders, directives, or licenses that may be issued in conformity with section 570 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1997 (Public Law 104-208)(the "Act"), new investment in Burma by United States persons is prohibited.

Note to 537.201: Section 570 of the Act provides that the prohibition contained in this section may be waived, temporarily or permanently, by the President if he determines and certifies to Congress that the application of this sanction would be contrary to the national interests of the United States. Licenses are thus not available for purposes of authorizing transactions prohibited under this section in the absence of such a waiver determination and certification to Congress.

537.202 Prohibited approval or other facilitation by a U.S. person of a foreign person's investment.

Except to the extent provided in regulations, orders, directives, or licenses that may be issued pursuant to this part, any approval or other facilitation by a United States person, wherever located, of a transaction by a foreign person where the transaction would constitute prohibited new investment in Burma under this part if engaged in by a United States person or within the United States is prohibited.

537.203 Evasions; attempts; conspiracies.

Except to the extent provided in regulations, orders, directives, or licenses that may be issued pursuant to this part, any transaction by a United States person or within the United States that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in this part is prohibited.

537.204 Exempt transactions.

Nothing in this part shall be construed to prohibit the entry into, performance of, or financing of a contract to sell or purchase goods, services, or technology, except:

(a) Where the entry into such a contract on or after the effective date is for the general supervision and guarantee of another person's performance of a contract for the economic development of resources located in Burma; or

(b) Where such contract provides for payment, in whole or in part, in :

(1) Shares of ownership, including an equity interest, in the economic development of resources located in Burma; or

(2) Participation in royalties, earnings, or profits in the economic development of resources located in Burma.

Note to 537.204: The term "economic development of resources located in Burma" is defined in 537.301 to exclude not-for-profit educational, health or other humanitarian programs or activities.

Subpart C – General Definitions

537.302 Effective date.

The term "effective date" refers to the effective date of the applicable prohibitions and directives contained in this part which is 12:01 a.m. EDT, May 21, 1997.

537.303 Entity.

The term "entity" means a partnership, association, trust, joint venture, corporation, or other organization.

537.304 Foreign person.

The term "foreign person" means any citizen or national of a foreign state or any entity not organized under the laws of the United States.

537.305 General license.

The term "general license" means any license or authorization the terms of which are set forth in this part.

537.306 Government of Burma.

The term "Government of Burma" includes:

- (a) The state and the Government of Burma, as well as any political subdivision, agency, or instrumentality thereof;
- (b) Any entity owned or controlled directly or indirectly by the foregoing.

537.307 License.

Except as otherwise specified, the term *license* means any license or authorization contained in this part, or issued pursuant to the authority of this part under procedures set forth in this part or in subpart C of part 501 of this chapter.

537.308 New investment.

The term "new investment" means any of the following activities, if such an activity is undertaken pursuant to an agreement, or pursuant to the exercise of rights under such an agreement, that is entered into with the Government of Burma or a non-governmental entity in Burma on or after the effective date:

- (a) The entry into a contract that includes the economic development of resources located in Burma;
- (b) The entry into a contract providing for the general supervision and guarantee of another person's performance of a contract that includes the economic development of resources located in Burma;
- (c) The purchase of a share of ownership, including an equity interest, in the economic development of resources located in Burma; or
- (d) The entry into a contract providing for the participation in royalties, earnings, or profits in the economic development of resources located in Burma, without regard to the form of the participation.

537.309 Non-governmental entity in Burma.

The term "non-governmental entity in Burma" means a partnership, association, trust, joint venture, corporation, or other organization, wheresoever organized, that is located in Burma or exists for the exclusive or predominant purpose of engaging in the economic development of resources located in Burma or derives its income predominantly from such economic development, and is not the Government of Burma.

537.310 Person.

The term "person" means an individual or entity.

537.311 Resources located in Burma.

The term "resources located in Burma" means any resources, including natural, agricultural, commercial, financial, industrial and human resources, located within the territory of Burma, including the territorial sea, or located within the exclusive economic zone or continental shelf of Burma.

537.312 Specific license.

The term "specific license" means any license or authorization not set forth in this part but issued pursuant to the authority of this part.

537.313 United States.

The term "United States" means the United States, its territories and possessions, and all areas under the jurisdiction or authority thereof.

537.314 United States person; U.S. person.

The term "United States person or U.S. person" means any United States citizen, permanent resident alien, juridical person organized under the laws of the United States (including foreign branches), or any person in the United States.

Subpart D – Interpretations

537.401 Reference to amended sections.

Except as otherwise specified, reference to any section of this part or to any regulation, ruling, order, instruction, direction, or license issued pursuant to this part shall be deemed to refer to the same as currently amended.

537.402 Effect of amendment.

Any amendment, modification, or revocation of any section of this part or of any order, regulation, ruling, instruction, or license issued by or under the direction of the Director of the Office of Foreign Assets Control shall not, unless otherwise specifically provided, be deemed to affect any act done or omitted to be done, or any civil or criminal suit or proceeding commenced or pending prior to such amendment, modification, or revocation. All penalties, forfeitures, and liabilities under any such order, regulation, ruling, instruction, or license shall continue and may be enforced as if such amendment, modification, or revocation had not been made.

537.403 Economic development of resources located in Burma.

The term "economic development of resources located in Burma" refers to activities pursuant to a contract the subject of which includes responsibility for the development or exploitation of resources located in Burma, including making or attempting to make those resources accessible or available for exploitation or economic use. Examples include contracts conferring rights to explore for, develop, extract, or refine petroleum, natural gas, or minerals in the ground in Burma; contracts to take over a mining operation in Burma; acquire a forest or agricultural area and exploit the timber or other crops; or acquire land and construct and run a hotel or factory on it. The term "economic development of resources located in Burma" is defined in 537.301 specifically to exclude contracts for not-for-profit educational, health or other humanitarian programs or activities. See also 537.204 for the exception that applies to the entry into, performance of, or financing of a contract to sell or purchase goods, services or technology.

537.404 Purchase of shares in economic development projects in Burma.

The purchase of shares, including an equity interest, in the economic development of resources located in Burma, is prohibited when those shares are purchased after the effective date directly or indirectly from the Government of Burma or a non-governmental entity in Burma, unless purchased pursuant to an agreement entered into prior to May 21, 1997. U.S. persons may purchase debt instruments issued by the Government of Burma or a non-governmental entity in Burma, directly or indirectly, provided that such instruments are not convertible into equity, and do not provide for participation, including as collateral or security, in royalties, earnings, or profits in the economic development of resources located in Burma.

537.405 Investments in entities involved in economic development projects in Burma.

(a) The purchase of shares in a third-country company that is engaged in the economic development of resources located in Burma

is prohibited by 537.201 where the company's profits are predominantly derived from the company's economic development of resources located in Burma.

(b) If a U.S. person holds shares in an entity which subsequently engages exclusively or predominantly in the economic development of resources located in Burma or subsequently derives its income exclusively or predominantly from such economic development, the United States person is not required to relinquish its shares, but may not purchase additional shares. Divestment of the shares in such an entity to a foreign person – constituting the facilitation of that foreign person's investment in Burma – is authorized under general license pursuant to 537.504.

537.406 General supervision and guarantee.

Section 537.201 prohibits the entry by a U.S. person into a contract providing for the general supervision and guarantee of another person's performance of a contract that includes the economic development of resources located in Burma, if the U.S. person's contract is entered into on or after the effective date, unless undertaken pursuant to, or in exercise of rights under, a pre-effective date agreement. For the purposes of 537.201, only the entry into contracts for supervision and guarantee at the top level of project management, such as entry into a contract with a development project's sponsor or owner to become a prime contractor or general manager for a development project, will be considered new investment in Burma. By contrast, subcontracts to provide goods, services, or technology to a prime contractor or general manager of a development project are exempt from the prohibitions of this part pursuant to 537.204 unless:

- (a) The functional scope of the subcontractor's obligations is substantially similar to that of a prime contractor's or general manager's obligations; or
- (b) The consideration for such subcontracts includes a share of ownership in, or participation in the royalties, earnings or profits of, the economic development of resources located in Burma.

537.407 Activities under pre-May 21, 1997 agreements.

(a) Activities undertaken by a U.S. person pursuant to an agreement entered into prior to May 21, 1997, between the U.S. person and the Government of Burma or a non-governmental entity in Burma are not prohibited new investments, as defined in 537.308.

(b) A U.S. person who is a party to a pre-effective date agreement for the development of economic resources located in Burma may enter into subsequent agreements with foreign persons where such agreements are pursuant to, or in exercise of rights under, the pre-effective date agreement. The facilitation of foreign persons' investment in Burma under these circumstances is authorized

pursuant to the general license contained in 537.504.

(c) A U.S. person may not enter into a contract for the economic development of resources located in Burma after May 21, 1997, if pursuant to, or in exercise of rights under, a pre-effective date agreement, unless the contractual arrangement is specifically contemplated in the pre-effective date agreement.

(d) The exercise of rights under pre-effective date agreements may include the exercise of options to extend the contract, depending on such factors as the degree of specificity with which the option to extend is described in the pre-effective date agreement, and the degree to which the party wishing to renew can enforce its decision to exercise the option.

537.408 Sale or purchase of goods, services or technology.

(a) Section 537.204 exempts from any prohibition under this part the entry into, performance of, or financing of a contract to sell or purchase goods, services, or technology, except:

(1) Where the entry into a contract on or after the effective date is for the general supervision and guarantee of another person's performance of a contract for the economic development of resources located in Burma; or

(2) Where such contract provides for payment, in whole or in part, in:

(i) Shares of ownership, including an equity interest, in the economic development of resources located in Burma; or

(ii) Participation in royalties, earnings, or profits in the economic development of resources located in Burma.

(b) Examples: The following examples are based upon the assumption that neither 537.204(a) nor 537.204(b) applies.

(1) A U.S. person may market goods or services in Burma through a sales representative or sales agent, or through a U.S. person or subsidiary established and operating in Burma before May 21, 1997, or through any established foreign (including Burmese) distributorship. The U.S. person may not, however, establish and operate a new business, branch, office or showroom in Burma to market such goods or services or facilitate the establishment of a new foreign entity to do so. This would constitute the development of a commercial resource.

(2) A U.S. person may rent, lease or purchase space in existing buildings in connection with the continued operation of a business operating prior to the effective date. It may change locations, modify and renovate existing space and upgrade machinery or equipment. Unless pursuant to a pre-effective date agreement or the exercise of specific rights under such agreement, however, the U.S. person may not expand its business operations by opening additional stores,

branches, offices or showrooms beyond the number that were in existence immediately prior to May 21, 1997. The U.S. person may not construct a new commercial building to house its business as this would constitute the economic development of land and commercial resources in Burma.

(3) A U.S. person involved in exempt activities may hire and train Burmese employees to carry out such activities. The employment of personnel in Burma under these circumstances is considered the purchase of employment services which is exempt from prohibition under 537.204. Any training incidental to the performance of the employee's services is likewise exempt. For example, a U.S. person engaged in the sale of copy machines may hire and train a Burmese employee to carry out activities pursuant to such sales, including office support personnel, personnel to provide after-sales service and maintenance in accordance with the terms of a purchase or lease agreement, sales representatives and supervisory personnel. A U.S. person may not, however, open a business after the effective date, the purpose of which is the sale of vocational skills training in the maintenance of copy machines, as this would constitute the economic development of human resources in Burma.

(4) Contracts for the purchase or sale of services incident to the registration and renewal of patents, trademarks and copyrights are not prohibited by this part.

(5) A U.S. bank is allowed to provide trade financing as a service either to the Government of Burma or to non-governmental entities in Burma, but cannot provide them loans earmarked for economic development of resources in Burma if loan repayment is secured by the project. A U.S. bank can provide development project financing as a service, so long as the financing instruments are not convertible into equity, and do not provide for participation, including as collateral or security, in royalties, earnings, or profits in the economic development of resources located in Burma.

537.409 Approval or other facilitation of a foreign person's investment.

(a) The prohibition contained in 537.202 against approval or other facilitation of a foreign person's investment in Burma bars any action by a U.S. person that assists or supports a foreign person's activity that would constitute prohibited new investment under 537.201 if engaged in by a U.S. person. This facilitation prohibition is subject to the exemption for trade in goods, services and technology set forth in 537.204.

(b) Examples: (1) A U.S. corporation is prohibited from brokering, financing, guaranteeing, or approving the entry by any foreign person, including a foreign affiliate, into a contract for the development of, e.g., a natural gas field, a tourist hotel complex, or a rubber plantation in Burma, unless pursuant to the affiliate's exercise of rights under an agreement entered into prior to the effective date. An independent U.S. contractor, however, may perform brokerage, financing, or

guarantee services if under a service contract meeting the conditions of 537.204.

(2) The sale to a foreign person of a U.S. person's equity or income interest in a development project in Burma constitutes facilitation of that foreign person's investment in Burma, unless pursuant to a pre-effective date agreement. Such a sale, however, is authorized by general license under 537.504.

(3) A U.S. national or permanent resident alien employed in Burma or in a third country by a foreign person may participate in any decision-making role in an activity by the foreign person that includes economic development of resources located in Burma as exempt employment services pursuant to 537.204, unless such services are undertaken pursuant to a post-effective date agreement between the foreign person and the Government of Burma or a non-governmental entity in Burma and:

- (i) involve the general supervision and guarantee of the foreign person's performance of a contract for the economic development of resources located in Burma, or
- (ii) where the individual U.S. person's compensation is provided for, in whole or in part, from shares of ownership in the development project or participation in royalties, earnings, or profits in the development project.

Subpart E – Licenses, Authorizations, and Statements of Licensing Policy

537.501 General and specific licensing procedures.

For provisions relating to licensing procedures, see subpart C of part 501 of this chapter.

537.502 Effect of license or authorization.

(a) No license or other authorization contained in this part, or otherwise issued by or under the direction of the Director of the Office of Foreign Assets Control, shall be deemed to authorize or validate any transaction effected prior to the issuance of the license, unless specifically provided in such license or authorization.

(b) No regulation, ruling, instruction, or license authorizes any transaction prohibited under this part unless the regulation, ruling, instruction, or license is issued by the Office of Foreign Assets Control and specifically refers to this part. No regulation, ruling, instruction, or license referring to this part shall be deemed to authorize any transaction prohibited by any provision of this chapter unless the regulation, ruling, instruction or license, specifically refers to such provision.

(c) Any regulation, ruling, instruction, or license authorizing any transaction otherwise prohibited under this part has the effect of

removing a prohibition or prohibitions contained in this part from the transaction, but only to the extent specifically stated by its terms. Unless the regulation, ruling, instruction, or license otherwise specifies such an authorization does not create any right, duty, obligation, claim, or interest in, or with respect to, any property which would not otherwise exist under ordinary principles of law.

537.503 Exclusion from licenses and authorizations

The Director of the Office of Foreign Assets Control reserves the right to exclude any person, property, or transaction from the operation of any license, or from the privileges therein conferred, or to restrict the applicability thereof with respect to particular persons, property transactions, or classes thereof. Such action shall be binding upon all persons receiving actual or constructive notice of such exclusion or restriction.

537.504 Divestiture of U.S. person's equity investment in Burma.

Notwithstanding the prohibition in 537.202 against the facilitation by a U.S. person of a foreign person's investment, all transactions related to the divestiture or transfer to a foreign person of a U.S. person's share of ownership including an equity interest in the economic development of resources located in Burma are authorized. U.S. persons participating in such transactions valued at more than \$10,000 are required, within 10 business days after the agreement is signed, to file a report for statistical purposes with the Office of Foreign Assets Control, U.S. Treasury Department, 1500 Pennsylvania Avenue, NW – Annex, Washington, D.C. 20220.

Note: This authorization includes arrangements by U.S. persons with pre-effective date investments in Burma to "farm in" or sell a stake in the investment to a foreign person. For purposes of this section, the term "farm-in arrangement" is defined to mean the sale of an equity interest in an investment in the economic development of resources located in Burma.

Subpart F – Reports

537.601 Record keeping and reporting requirements.

For provisions relating to records and reports, see subpart B of part 501 of this chapter.

Subpart G – Penalties

537.701 Penalties.

(a) Attention is directed to section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) (the "Act"), which is applicable to violations of the provisions of any license, ruling, regulation, order, direction or instruction issued by or pursuant to the direction or authorization of the Secretary of the Treasury pursuant to this part or otherwise under the Act, Section 206 of the Act, as adjusted by the Federal Civil Penalties Inflation Adjustment Act of 1990 (Pub.L.101-410, as amended. 28 U.S.C. 2461 note), provides that:

(1) A civil penalty of not to exceed \$11,000 per violation may be imposed on any person who violates any license, order, or regulation issued under the Act;

(2) Whoever willfully violates any license, order, or regulation issued under the Act shall, upon conviction, be fined not more than \$50,000, or, if a natural person, may be imprisoned for not more than 10 years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment or both.

(b) The criminal penalties provided in the Act are subject to increase pursuant to 18 U.S.C. 3571.

(c) Attention is also directed to 18 U.S.C. 1001, which provides that whoever, in any matter within the jurisdiction of any department or agency of the United States, knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under title 18, United States Code, or imprisoned not more than 5 years, or both.

(d) Violations of this part may also be subject to relevant provisions of other applicable laws.

537.702 Pre-penalty notice.

(a) When required. If the Director of the Office of Foreign Assets Control has reasonable cause to believe that there has occurred a violation of any provision of this part or a violation of the provisions of any license, ruling, regulation, order, direction or instruction issued by or pursuant to the direction or authorization of the Secretary of the Treasury pursuant to this part or otherwise under the International Emergency Economic Powers Act, and the Director determines that further proceedings are warranted, he shall issue to the person concerned a notice of his intent to impose a monetary penalty. The pre-penalty notice shall be issued whether or not another agency has taken any action with respect to this matter.

(b) Contents – (1) Facts of violation. The pre-penalty notice shall describe the violation, specify the laws and regulations allegedly violated, and state the amount of the proposed monetary penalty.

(2) Right to respond. The pre-penalty notice also shall inform the respondent of respondent's right to make a written presentation within 30 days of mailing of the notice as to why a monetary penalty should not be imposed, or, if imposed, why it should be in a lesser amount than proposed.

537.703 Response to pre-penalty notice; informal settlement.

(a) Deadline for response. The respondent shall have 30 days from the date of mailing of the pre-penalty notice to make a written response to the Director of the Office of Foreign Assets Control.

(b) Form and contents of response. The written response need not be in any particular form, but shall contain information sufficient to indicate that it is in response to the pre-penalty notice. It should contain responses to the allegations in the pre-penalty notice and set forth the reasons why the respondent believes the penalty should not be imposed or, if imposed, why it should be in a lesser amount than proposed.

(c) Informal settlement. In addition or as an alternative to a written response to a pre-penalty notice pursuant to this section, the respondent or respondent's representative may contact the Office of Foreign Assets Control as advised in the pre-penalty notice to propose the settlement of allegations contained in the pre-penalty notice and related matters. In the event of settlement at the pre-penalty stage, the claim proposed in the pre-penalty notice will be withdrawn, the respondent is not required to take a written position on allegations contained in the pre-penalty notice, and the Office of Foreign Assets Control will make no final determination as to whether a violation occurred. The amount accepted in settlement of allegations in a pre-penalty notice may vary from the civil penalty that might finally be imposed in the event of a formal determination of violation. In the event no settlement is reached, the 30-day period specified in paragraph (a) of this section for written response to the pre-penalty notice remains in effect unless additional time is granted by the Office of Foreign Assets Control.

537.704 Penalty imposition or withdrawal.

(a) No violation. If, after considering any response to the pre-penalty notice and any relevant facts, the Director of the Office of Foreign Assets Control determines that there was no violation by the respondent named in the pre-penalty notice, the Director promptly shall notify the respondent in writing of that determination and that no monetary penalty will be imposed.

(b) Violation. If, after considering any response to the pre-penalty notice, the Director of the Office of Foreign Assets Control determines that there was a violation by the respondent named in the prepenalty notice, the Director promptly shall issue a written notice of the imposition of the monetary penalty to the respondent.

(1) The penalty notice shall inform the respondent that payment of the assessed penalty must be made within 30 days of the mailing of the penalty notice.

(2) The penalty notice shall inform the respondent of the requirement to furnish the respondent's taxpayer identification number pursuant to 31 U.S.C. 7701 and that such number will be used for purposes of

collection and reporting on any delinquent penalty amount in the event of a failure to pay the penalty imposed.

537.705 Administrative collection; referral to United States Department of Justice.

In the event that the respondent does not pay the penalty imposed pursuant to this part or make payment arrangements acceptable to the Director of the Office of Foreign Assets Control within 30 days of the mailing of the written notice of the imposition of the penalty, the matter may be referred for administrative collection measures by the Department of the Treasury or to the United States Department of Justice for appropriate action to recover the penalty in a civil suit in a Federal district court.

Subpart H – Procedures

537.801 Procedures.

For provisions relating to procedures, see subpart C of part 501 of this chapter.

537.802 Delegation by the Secretary of the Treasury.

Any action which the Secretary of the Treasury is authorized to take pursuant to Executive Order 13047 or any further executive orders relating to the national emergency declared in Executive Order 13047 may be taken by the Director of the Office of Foreign Assets Control, or by any other person to whom the Secretary of the Treasury has delegated authority so to act.

Subpart I – Paperwork Reduction Act

537.901 Paperwork Reduction Act notice.

For approval by the Office of Management and Budget under the Paperwork Reduction Act of information collections relating to recordkeeping and reporting requirements, to licensing procedures pursuant to statements of licensing policy, and to other procedures, see 501.901 of this chapter.

Dated: April 21, 1998.

R. Richard Newcomb,
Director, Office of Foreign Assets Control.

Approved: May 11, 1998.

James E. Johnson,
Assistant Secretary (Enforcement), Department of the Treasury.

Chapter 8. TRADE AND PROJECT FINANCING

Description of Banking System

The financial sector in Burma is highly undeveloped. The structure of

the banking system falls under the Central Bank of Myanmar Law, the Financial Institutions of Myanmar Law, and the Myanmar Agricultural and Rural Development Bank Law of 1990. In addition, the government still operates under the Foreign Exchange Regulations Act of 1947.

The financial sector consists of a Central Bank, state banks, private banks, and foreign representative bank offices. The Central Bank under the Ministry of Finance finances public debt through the issuance of three-month Treasury bills, regulates lending, interest rates and reserve requirements.

The state-owned banks include the Myanma Economic Bank (MEB), the Myanma Investment and Commercial Bank (MICB), the Myanma Foreign Trade Bank (MFTB), and the Myanma Agriculture Development Bank (MADB). In Burma, only three of the state banks (MEB, MICB, and MFTB) are allowed to deal with foreign exchange transactions, although in practice only MFTB and MICB handle most of these transactions. The MFTB mainly handles foreign currency transactions of government organizations, businesses and individuals, and the MICB mostly caters to companies and joint ventures. MEB handles foreign currency transactions in border trade regions. The Innwa Bank and the Myawaddy Bank are ostensibly private but are associated with the military economic organizations, Myanmar Economic Corporation (MEC) and Myanmar Economic Holdings Ltd. (MEHL).

Private banks have assumed a large share of banking activity in the last several years, and the number of private branches in the country continues to increase rapidly. Private banks are generally more efficient and provide better service than state banks. By March 1999, private banks held over 70 percent of demand deposits and over 50 percent of time and savings deposits. Private banks are not permitted to deal in foreign exchange.

The banking sector is generally profitable but has been affected by a series of government-mandated cuts in interest rates. Due to high domestic inflation, interest rates are sharply negative in real terms. In the hopes of stimulating commercial lending, the government cut interest rates across the board in April 1999 and again in April 2000. Current interest rates on deposits are nine percent for savings accounts, ten percent for savings certificates, 9.25 percent for a three-month fixed deposits, and 9.5 percent for a six-month fixed deposits. Lending rates are 14 - 14.5 percent for loans, and 15 percent for overdrafts.

Burma has an active informal banking sector that generally uses positive interest rates. Pawnshops and unofficial lenders charge on average three to five percent per month, or 35-40 percent annually against secured collateral. Hondi is an extensively used illegal

remittance system operated by unofficial moneychangers in and outside of Burma. The black market Hondi banking network captures a large share of foreign currency transactions, as individuals attempt to circumvent the ten percent tax imposed on foreign currency deposits in state banks and to capture the more favorable market exchange rate of the kyat.

A 1990 banking law permitted foreign banks to open branches in Burma but they are not allowed to conduct business in the local market. These offices may serve as a trade and commerce liaison for local and foreign clients. For a variety of reasons, including the Asian financial crisis, the slow local business climate, and the lack of liberalization of the banking sector, 21 out of 49 foreign banks have left Burma in the past three years, and nine more have downgraded their representation. Twenty-seven foreign bank representative offices remain in Burma. No U.S. banks have representative offices in Burma.

Foreign Exchange Controls Affecting Trade

The Burmese currency, the kyat, is not convertible and is artificially pegged to the IMF's Special Drawing Right (SDR). This overvalues the currency by some 100 times. International trade is almost exclusively conducted in hard currency, usually U.S. dollars.

Availability of Financing

Following the military government's violent suppression of a pro-democracy uprising in 1988, most multilateral and bilateral assistance was suspended, including U.S. aid. Because of its inadequate narcotics suppression efforts, serious violations of human rights and lack of progress toward initiating domestic reform, Burma is ineligible for U.S. aid, and the United States and other countries oppose loans and financial assistance to Burma by multilateral financial institutions. The U.S. EXIM bank does not loan to Burma nor does OPIC operate here.

Some private corporations, including foreign investors, OPEC, Japanese trading houses, and Chinese corporations, have extended limited financing on commercial terms to the GOB in the past few years. The government has used these loans largely to support immediate import requirements, largely of petroleum products and other critical imports.

List of Banks

State-owned Banks

Myanmar Foreign Trade Bank (MFTB)
80/86 Maha Bandoola Garden Street (P.O. Box 203), Yangon
Tel: 95-1-284-911;
Telex: 21300/21332/21348/21349 AB BANKFE BM

Fax: 95-1-289-585

Myanmar Investment and Commercial Bank (MICB)
 526/532 Merchant Street, P.O. Box 442, Yangon
 Tel: 95-1-280-395/ 278-421; Fax: 95-1-281-775
 Telex: 21244 MICBBK BM

Myanmar Economic Bank (to handle border trade bank transactions)
 No. 21/25, Sule Pagoda Road, Pabedan P.O. Yangon, Myanmar.
 Tel: 95-1-283-610; Fax: 95-1-283-679 Telex: 21339 MEBFRX BM

Myanma Agricultural and Rural Development Bank
 Block C, Theingyizay, Pabedan P.O..
 Tel: 95-1-226-870/ 226-892

Private Local Banks:

1. Asia Wealth Bank
2. Asia Yangon International Bank Ltd.
3. Co-operative Bank Ltd.
4. Co-operative Farmers Banks Ltd.
5. Co-operative Promoters Bank Ltd.
6. First Private Bank Ltd.
7. Innwa Bank Ltd.
8. Kanbawza Bank Ltd.
9. Myanmar Citizens Bank Ltd.
10. Myanmar Industrial Development Ltd.
11. Myanmar Livestock and Fisheries Development Bank Ltd.
12. Myanmar May Flower Bank Ltd.
13. Myanmar Oriental Bank Ltd.
14. Myanmar Universal Bank Ltd.
15. Myawaddy Bank Ltd.
16. Sibin Tharyar Yay Bank Ltd.
17. Tun Foundation Bank Ltd.
18. Yadanarbon Bank Ltd. (Mandalay)
19. Yangon City Bank Ltd.
20. Yoma Bank Ltd.

Foreign Bank Representative Offices:

Note: There are 3 categories of foreign banks: 1) Those with expatriates maintaining an in Rangoon; 2) Those with local representatives; and 3) Those that have asked consultancies like Pricewaterhouse Coopers to represent them.

1	National Bank Ltd.	Bangladesh
2	Banque Nationale de Paris	France
3	Natexis Banque	France
4	Deutsche Bank AG	Germany
5	The Bank of Tokyo-Mitsubishi, Ltd.	Japan
6	The Tokai Bank	Japan
7	The Dai-Ichi Bank Public Co., Ltd	Japan
8	Daewoo Bank (Hungary) Ltd.	Korea
9	ING Bank	Netherlands
10	The Development Bank of Singapore	Singapore
11	Overseas Chinese Banking Corporation	Singapore
12	Keppel Bank of Singapore	Singapore
13	Overseas Union Bank Ltd.	Singapore
14	First Commercial Bank	Taiwan
15	Krung Thai Bank Public Co., Ltd	Thailand
16	Standard Chartered Bank	United Kingdom
17	Credit Agricole Indosuez	France
18	Bumiputra Commerce Bank Ltd.	Malaysia
19	United Overseas Bank	Singapore
20	Arab, Bangladesh Bank Ltd.	Bangladesh
21	Global Commercial Bank	Cambodia

22	FIRST Overseas Bank LTD	Cambodia
23	Bangkok Bank Public Co., Ltd.	Thailand
24	The Sumitomo Bank	Japan
25	Societe Generale of France	France
26	Bank Dagang Nasional Indonesia (BDNI)	Indonesia
27	ABN Amro Bank	Netherlands

Chapter 9. BUSINESS TRAVEL Travel Advisory

Burma experienced student demonstrations in 1996 and 1998. Popular unrest and violence continue to be possible. U.S. citizens should stay alert and take precautions to avoid any confrontations that may occur.

Foreigners, including Americans, have been caught up in the Burmese government's suppression of democratic activities. Americans have been detained, arrested, tried and deported for distributing pro-democracy literature, photographing sites and activities, and visiting Burmese pro-democracy leaders. The government has warned that future offenders will be jailed instead of deported.

The military government restricts access to outside information. Newspapers are censored, and Internet access is illegal, except for a few among the ruling elite. Telephone services are poor. Burmese authorities require that hotels and guest houses furnish information about the identities and activities of their foreign guests. Burmese who interact with foreigners may be compelled to report on those interactions to the Burmese government.

The level of violent crime and crime against property is low. There are occasional reports of pick-pocketing. The loss or theft abroad of a U.S. passport should be reported immediately to local police and the U.S. Embassy.

U.S. consular officers do not always receive timely notification of the detention, arrest or deportation of U.S. citizens. U.S. citizens are encouraged to carry their U.S. passports with them at all times, so that, if questioned by local officials, proof of identity and U.S. citizenship is readily available.

Travelers are urged to take these factors into consideration in

connection with any plans to visit Burma. All American citizens traveling to or residing in Burma are strongly advised to stay in contact with the Embassy's Consular Section at (95-1) 282-055 or (95-1) 282-056, extension 320.

Visas

Travel to and within Burma is strictly controlled by the Government of Burma. A passport and visa are required. Business visas are normally valid for ten weeks. The application process for business visas varies from one week to one month. Tourist visas are valid for 28 days. Visas are rarely granted to foreign journalists. A minimum of one week should be allowed for the issuance of tourist visas. A transit visa is valid for only 24 hours. Children over seven years mentioned in the passport of a parent must hold separate visas. Persons arriving without visas are likely to be deported.

Information about entry requirements as well as other information may be obtained from the Embassy of the Union of Myanmar, 200 S Street, NW, Washington, DC 20008, telephone 202-332-9044/6, or the Permanent Mission of Myanmar to the UN, 10 East 77th Street, New York, NY 10021, telephone 212-535-1311. Overseas inquiries may be made at the nearest Embassy or Consulate of Burma (Myanmar).

International/Domestic Connections

Myanmar Airways International (MAI), Silk Air (subsidiary of Singapore Air), Biman (Bangladesh), Air China (CAAC) and Thai Airways provide direct service to Singapore, Kuala Lumpur, Kunming, Jakarta, Hong Kong, Bangkok, Dhaka and China.

Air Mandalay (6T), Air Yangon (HK), and Myanmar Airways (UB), provide service within Burma between Rangoon, Mandalay, Bagan, Ngapali, Heho and Taunggyi, Tachileik, Kyaing Tong and Sittwe. In addition, Air Mandalay, a joint venture airline, provides flights from Rangoon to Chiang Mai, Thailand three times per week. American nationals should note that the safety records of domestic airlines in Burma are poor. Due to general safety concerns regarding Myanmar Airways, including three fatal air crashes in the past three years, the U.S. Embassy has advised its employees to avoid travel on this carrier whenever possible.

Singapore is the most important gateway for transshipment of goods to and from the United States. Myanma Five Star lines, a government shipping agency, handles such shipments.

Airport Controls/Customs

Customs regulations are restrictive and strictly enforced. Photographing people in uniform or any military installation could lead to arrest or the confiscation of cameras and film. Personal baggage is subject to a thorough search and x-ray both on arrival and departure.

All valuables such as cameras, radios, tape recorders, and jewelry must be declared on entry, and full duty must be paid on any item left in the country, for whatever reason (including loss or theft). Departing tourists who declared over \$2,000 on arrival must have receipts for all items purchased in Burma and the amounts of their purchases must tally with the amount of foreign currency exchanged for kyat or FEC. An airport departure tax of \$10 or FEC 10 is levied on all travelers upon departure.

Foreign Exchange Controls/Procedures

The Burmese government is strict in enforcing customs and currency control regulations. There is no limit to the amount of foreign currency and travelers' checks that can be brought into Burma, but any amount over \$2,000 must be declared on the customs and currency declaration form. No kyat may be brought into or taken out of Burma. The penalty for violation of these laws is a six-month minimum prison sentence and/or a fine.

Foreign Exchange Certificates (FECs) have been in circulation since 1993. Officially FEC 1.00 is equivalent to USD 1.00. FECs are legal tender within Burma, which are commonly accepted by hotels, major restaurants, and merchants. FECs are required by foreigners for payment of plane tickets, train tickets and most hotels. Most visitors arriving on tourist visas must exchange \$200 into FEC upon arrival at the airport. Out of this amount, any unused FEC may not be reconverted into foreign currency.

U.S. dollars can be exchanged for FECs at the legal exchange centers, including those at the airport, hotels, state-owned banks and counters run by Myanmar Hotels and Tourism Services. The counters run by FEC exchange license holders in Rangoon's main tourist market, Bogyoke Aung San or "Scott" market and Kyaw Electronics on Pansodan Street, were closed in June 2001. Although moneychangers sometimes approach travelers to offer to change dollars into Burmese kyat at the market rate, it is illegal to exchange currency except at authorized locations. Dollars can be exchanged for kyat at the official market counter at Theinbyu Street in Rangoon at the "official market rate" of 450 kyat to the dollar, as of July 2, 2001. The newly licensed five Theinbyu exchange counters (the previous ten holders had their licenses revoked in June 2001) are now allowed to exchange the British pound, the Japanese Yen, the French Franc, the Swiss Franc and the German Mark into FEC (and only then into kyat), effective on June 19, 2001. While there is demand for U.S. dollars, holding dollars is illegal for most Burmese nationals. Burmese nationals may hold FEC.

Travelers' checks and credit cards have limited use in Burma and are only accepted at select locations such as the international hotels to pay bills and to obtain FEC. The Myanmar Foreign Trade Bank (MFTB) accepts travelers' checks issued by Visa, American Express,

Mastercard, and City Card. There are no automatic cash machines to access foreign currency, and it is not possible to cash a personal check drawn on a foreign bank. American Express, Visa, Diners Club and JCB credit cards are accepted at a few select locations. Mastercard withdrew its operations in Burma in August 1998.

Language

Burmese is the official language, although some Burmese speak English.

Health and Food

Water is not potable, even for brushing teeth. Visitors should avoid dairy products and uncooked or undercooked meat and vegetables. Visitors should consult their physician or local health authorities for a list of recommended immunizations prior to arrival. Although malaria is not a problem in Rangoon, malaria suppressants should be taken if traveling to most parts of the country. Hospital and medical services are available in Rangoon; elsewhere, medical care is limited. Doctors and hospitals often expect immediate cash payment for health services, and U.S. medical insurance is not always valid outside the United States.

Information on vaccinations and other health precautions may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747); fax: 1-888-CDC-FAXX (1-888-232-3299); or via their Internet site at <http://www.cdd.gov/>.

Chapter 10. ECONOMIC AND TRADE STATISTICS

Appendix A: Country Data

1. Profile

- Capital: Rangoon (Yangon)
- Total Land Area: 676,577 square kilometers
- Population*: 50.025 Million (1999/2000-Provisional)
- Population Growth Rate*: 2.00%
- National Races: (135) races, including (8) major races:
 - Burmese (68.9%), Chin,
 - Kachin, Kayah, Karen, Mon,
 - Rakhine and Shan
- Religion(s): Buddhists (89.4%), Christians, Muslims, Hindus or Animists (10.6%).
- Government System: Military Dictatorship
- Language: Burmese (Myanmar)
 - Work Week: Monday-Friday
 - Government offices,(9:30am-4:30pm)
- Private Sector (8:30/9:30-5:00/6:00pm).
- Time: GMT+6.5 hours

- Climate: Subtropical – Average temperature, 32C/90F in Rangoon.
- Average rainfall: About 300cm in Rangoon.
- Public Holidays (2001)

January 4(Independence Day)
 February 12(Union Day)
 March 2(Peasants' Day)
 March 27(Armed Forces' Day)
 April 13-16(Water Festival)
 April 17(Myanmar New Year Day)
 May 1(Workers' Day or May Day)
 May 6(Kason Full Moon Day)
 July 19(Martyrs' Day)
 August 4(Waso Full Moon Day)
 November 1(Thadingyut Full Moon Day)
 November 30(Tazaungdaing Full Moon Day)
 December 10(National Day)
 December 25(Christmas)
 Plus Muslim and Hindu religious holidays that depend on lunar sightings.
***Source:** Ministry of National Planning & Economic Development, March 2000.

Selected Social Indicators

	Latest single year
	1970-75 1980-85 1993-98
Population	
- Population, mid-year (million)	30.437.544.5
- Growth rate (% annual average)	2.32.11.0
- Urban population (% of population)	23.924.026.9
- Total fertility rate (births per woman)	5.84.63.1
Poverty (% of population)	
- National headcount index	--22.9
Income	
Consumer price index(1995=100)	813228

Food price index (1995=100)	-11236
Social Indicators	
Public Expenditure	
- Health (% of GDP)	--0.2
- Education (% of GDP)	1.72.01.2
- Social security and welfare (% of GDP)	-0.90.2
Net primary school enrollment rate (% of age group)	
Total	637799
- Male	6578100
- Female	617599
Access to safe water (% of population)	
Total	-2738
- Urban	-3636
- Rural	-2139
Access to health care	
Population per physician (persons)	-5,0001,834
Immunization (% under 12 months)	
- Measles	--88
- DPT	-1690
Child malnutrition (% under 5 years)	-3843

Life expectancy at birth (years)	60
Total	505360
- Male	485158
- Female	515462
Mortality	
- Infant (per thousand live births)	12210678
- Under 5 (per thousand live births)	179134118
- Adult (15-59)	
Male (per 1,000 population)	-384270
Female (per 1,000 population)	-313223
Maternal (per 100,000 live births)	--230

Source: IMF 2000 Article IV Consultations Report.

Appendix B

Domestic Economy

(Kyat in Million)

	1995/96	1996/97	1997/98	1998/99	1999/2000 (Provisional)
-GDP(at current prices)/(1)	604,729	791,980	1,119,509	1,609,776	2,193,301
-GDP(at constant prices)	66,742	71,042	75,123	79,460	88,134 /(1)
-GDP Growth Rate	6.9%	6.4%	5.7%	5.8%	10.9% / (1) /1
-GDP per Capita (kyat)/(2)	1,492	1,559	1,619	1,650	1,794/2
-Government Spending share	27.68%	27.94%	23.15%	N.A.	N.A

Spending share of GDP					
-Inflation (CPI)	21.84%	20.03%	33.90%/ (3)	30.09/(4)	15.66 /(4)/3
-Unemployment Rate	4.15%	4.10%	4.08%/(5)	N.A.	N.A.
-Foreign Exchange Reserves (USD million)	381	288	331	395	343/(6)
-Foreign Debt (USD billion)	5.5	5.5	5.6	5.9	6.5/(6)
Official exchange rate, kyat/US\$(Period-average)	5.6233	5.9104	6.2226	6.2453	6.2427/4
Market exchange rate, kyat/US\$(Period-average)	120.4	159.1	251.2	334	343.6/(7)

Sources: (1) Myanmar: Statistical Appendix, 2001, IMF

(2) Statistical Yearbook 2000, CSO
(3) The Selected Monthly Economic Indicators for May-June 2000
(4) The Selected Monthly Economic Indicators for January-February 2001

(5) Key Indicators of Developing Asian and Pacific Countries, ADB
(6) IMF 2000 Article IV Consultations Report.
(7) Market sources

1/ Embassy believes the GOB's planned GDP growth rate is extremely unrealistic.
2/ Constant Prices
3/ According to the figures of the Selected Monthly Economic Indicator,

January-February 2001, the CPI inflation for FY 00/01 (from April to December)

was (-)2.2%. However, Embassy surveys estimated FY 00/01 inflation to be 18.5% based on a Rangoon consumer price basket of selected commodities.

4/ Embassy average based on data from the Selected Monthly Economic Indicators

for January-February 2001.

Embassy's survey of average market rate for

FY 00/01 was 412 kyat/USD.

GDP Supplement:

GROSS DOMESTIC PRODUCT BY SECTOR, 1995/96-1999/2000

(Percentage share in GDP at current prices)

	1995/96	1996/97	1997/98	1998/99	1999/2000 (Provisional)
Commodity producing Sectors	69.9	70.5	69.1	68.9	
Agriculture	53.2	53.2	52.1	52.3	
Livestock and Fishery	6.0	6.1	6.2	6.3	
Forestry	0.8	0.8	0.6	0.5	
Mining (incl.energy)	0.5	0.6	0.6	0.5	
Manufacturing and Processing	6.9	7.1	7.1	7.0	
Power	0.3	0.3	0.2	0.1	
Construction	2.2	2.4	2.4	2.3	

Services	6.9	6.8	7.9	7.6	
Transportation	2.8	3.2	4.5	4.7	
Communications	0.3	0.3	0.3	0.2	
Financial institutions	0.2	0.2	0.1	0.1	
Social and Administrative services	1.8	1.4	1.2	0.9	
Rentals and other Services	1.9	1.8	1.8	1.6	
Trade	23.2	22.6	23.0	23.5	

Source: Myanmar: Statistical Appendix, 2001, IMF

Annual Growth Rates of Gross Domestic Product

(Percentage at 1985/86 Constant Prices)

	1995/96	1996/97	1997/98	1998/99	1999/2000 (Provisional)
Goods	6.7	6.4	5.1	4.9	12.1
-Agriculture	5.5	3.8	3.0	3.5	10.5
-Livestock and Fishery	3.0	11.9	7.1	9.4	16.8
-Forestry	-4.5	2.2	2.8	3.2	4.5
-Energy	9.2	-2.6	2.4	53.6	66.5
-Mining	18.5	12.4	29.7	6.9	29.5
-Processing and Manufacturing	7.6	4.6	5.0	6.2	14.5
-Power	6.5	12.9	17.7	-5.4	14.1

Construction	27.2	24.6	9.8	6.3	4.4
Services	9.3	8.3	8.8	7.8	8.7
-Transportation	6.3	6.0	6.5	5.6	11.9
-Communications	24.7	21.7	28.1	11.6	10.9
-Financial Institutions	34.9	21.8	14.4	17.0	12.5
-Social and Administrative Services	6.2	5.6	6.3	6.5	7.0
-Rentals and Other Services	6.2	6.0	6.1	6.6	5.1
Trade	5.7	4.9	5.0	6.3	9.6
Gross Domestic Product	6.9	6.4	5.7	5.8	10.9/1

Sources: Myanmar: Statistical Appendix, 2001, IMF

1/ Embassy believes this high growth rate is not realistic and

these figures should be used with caution.

MONEY SUPPLY

Sr.	Year	Money supply (In millions of kyat)
1.	1988	15,937/(1)
2.	1989	21,536
3.	1990	32,333
4.	1991	43,737
5.	1992	60,200/(2)
6.	1993	74,982

7.	1994	98,323
8.	1995	131,800
9.	1996	176,865
10.	1997	n.a
11.	1998	n.a
12.	1999	n.a

Sources: (1) Statistical Yearbook, 1998, CSO.

(2) Statistical Yearbook, 2000, CSO.

Appendix C:

External Accounts - Trade and Payments

BALANCE OF PAYMENTS, 1995/96-1999/2000

(In millions of U.S. dollars)

	95/96	96/97	97/98	98/99
Trade balance	-937	-1,016	-1,280	-1,600
Exports, mainly f.o.b.	895	930	1,011	1,113
Imports, mainly c.i.f	1,832	1,946	2,291	2,713
Services (net)	60	-169	-317	178
Receipts	402	485	554	678
Payments	342	654	871	500
Of which: Interest due	70	71	59	67
Private transfers(net)	460	457	465	490
Current account balance (excluding grants)	-416	-728	-1,132	-937
Official grants	122	100	250	0

Official grants	132	109	239	9
Nonmonetary capital movements	211	91	338	649
Long-term capital (net)	-110	-221	-81	60
Disbursements	120	59	171	327
Repayments due	230	281	252	267
Foreign Direct Investment	324	316	421	592
Other Capital(net)	-3	-3	-2	-3
Errors and Omissions(net)	53	-87	-64	-174
Overall balance	-20	-615	-599	-365
Financing	20	615	599	365
Net International Reserves (-increase)	19	193	-43	-64
Gross reserves (-increase)	45	93	-44	-64
Short-term liabilities	-25	99	0	0
Net Increase in arrears	-1	153	207	219
Memorandum items:				
Gross reserves (end of period)	381	288	331	395
In months of total imports	2	2	2	2
Net Reserves, end-	381	188	232	296

period				
Total Debt	5479	5485	5610	5915
External debt to exports of goods & services	4	4	4	3
Arrears outstanding /1	1480	1455	1608	1913

Source: Myanmar: Statistical Appendix, 2001, IMF

1/ Includes valuation adjustments.

TRADE

(Kyat Million)

Particulars	1998/99	1999/2000	2000/2001 (Apr.00 February 01)
Total Country Exports /(1)	6,728.1	7,042.7	9,486.2
Total Country Imports /(1)	16,871.7	16,264.8	13,584.8

(Millions US\$) CY

Particulars	1998	1999	2000
Exports to U.S./ (2)	164	232	471
Imports from U.S / (2)	32	9	17

Sources: (1) The Selected monthly Economic Indicators for January-February 2001, CSO.

(2) United States Department of Commerce, International Trade Administration. .

TOP EXPORTS AND IMPORTS

Exports (1999-00 Provisional)

(Kyat million)

1.	Pulses and Beans	1,178.9
2.	Fresh/dried prawns, Fish/fish products	762.4
3.	Teak	726.7
4.	Hardwood	198.2
5.	Plywood and veneer	94.7
6.	Sesame seeds	81.8
7.	Raw rubber and other agricultural products	77.3
8.	Rice	64.9
9.	Maize	54.5
10.	Others	3,803.3
	Total	7,042.7

Imports (1999-00 Provisional)
(Kyat million)

1.	Machinery and transport equipment	3,289.4
2.	Base metals and manufactures	1,722.8
3.	Electrical machinery and apparatus	1,578.3
4.	Edible vegetable oil and other hydrogenated oils	477.6
9.	Fertilizers	329.0
5.	Pharmaceutical products	302.5
7.	Condensed milk, flavoring and spices	300.4

8.	Chemical elements, dyeing, coloring materials	248.7
6.	Rubber manufactures	205.0
10.	Others	7,811.1
	Total	16,264.8

Sources: Based on the data of the Selected Monthly Economic Indicators for January-February 2001, CSO.

Direction of Trade

(As percent of total exports and imports)

	1995/96	1996/97	1997/98	1998/99
	X M	X M	X M	X M
Industrial Countries	13.2 35.3	17.4 34.3	14.6 23.1	16.0 18.8
European Community	3.0 6.6	5.1 4.0	6.4 3.6	7.0 2.6
Of which:				
Germany	0.7 3.0	0.8 1.1	1.0 1.1	0.8 0.5
United Kingdom	0.8 0.5	1.1 0.4	1.5 0.6	1.2 0.6
Japan	5.1 24.3	6.9 20.9	3.8 15.3	4.2 12.7
United States	4.3 3.5	4.7 7.7	3.5 2.3	3.2 1.3
Other	0.8 0.9	0.7 1.7	0.9 1.9	1.6 2.2
Asia (except Japan)	78.8 64.1	73.4 65.2	78.9 76.1	78.0 81.2
China	3.9 13.9	6.1 9.5	10.6 9.4	11.4 10.2

Hong Kong	7.1 1.6	7.5 2.7	5.8 2.6	5.1 3.3
Indonesia	5.9 3.4	2.6 2.7	1.9 4.8	2.9 7.5
India	20.6 3.4	16.9 5.1	22.6 4.5	14.9 2.5
Korea	1.4 3.9	0.9 3.7	0.8 5.5	1.8 5.2
Malaysia	2.9 6.0	5.6 5.9	2.6 7.0	3.6 7.1
Singapore	19.6 17.7	18.4 23.7	13.2 31.1	10.0 30.6
Thailand	10.6 12.8	9.9 10.1	11.9 9.8	9.8 12.8
Other	6.8 1.4	5.5 1.8	9.5 1.4	18.1 2.0
Africa and Middle East	1.0 0.1	1.5 0.3	1.0 0.6	1.6 0.0
Other	7.0 0.5	7.7 0.2	5.5 0.2	4.4 0.0
Memorandum Item:				
Asia(including Japan)	83.9 88.4	80.3 86.1	82.7 91.4	82.2 93.9

Note: X=Exports, M=Imports

Source: Myanmar: Statistical Appendix, 2001, IMF

U.S.TRADE WITH BURMA

All Exports Commodities:FAS Value by SITC Number

For Burma (Myanmar)

Calendar Year.

(US\$ Million)

	1998	1999	2000
Total exports to Burma	32	9	17
Total imports from Burma	164	232	471
Balance of merchandise trade	-132	-223	-454
Principal exports to Burma			
Machinery and Transport equipment	27.2	5.3	10.2
Manufactured goods classified chiefly by material	1.4	1.1	1.1
Garment and textile related materials	0.8	0.8	1.0
Food and live animals	0.3	0.6	0.5
Chemicals and related products, N.E.S.	0.3	0.5	2.0
Miscellaneous manufactured articles	1.3	0.4	2.1
Beverages and Tobacco	-	-	-
Crude materials, inedible, except fuels	0.1	0.1	-
Mineral fuels, lubricants and related materials	-	0.1	-
Commodities and Transactions not classified elsewhere in the SITC	0.6	0.1	0.1
Total	32	9	17

All Import Commodities: FAS Value by SITC Number For
Burma (Myanmar)
Calendar Year

(US\$ Million)

Principal imports from Burma	1998	1999	2000
Garment and textile related materials	128.2	186.5	414.8
Food and Live animals	8.0	10.7	27.8
Miscellaneous manufactured articles	8.2	7.4	14.3
Machinery and Transport equipment	0.8	1.7	-
Manufactured goods classified chiefly by material	0.6	0.4	7.6
Crude materials, Inedible, Except fuels	0.1	0.3	-
Beverages and Tobacco	-	-	-
Chemicals and Related products, N.E.S.	-	-	-
Commodities and Transactions not classified elsewhere in the SITC	18.1	25.0	6.5
Total	164	232	471

Source: U.S. Department of Commerce, International Trade Administration.

BORDER TRADE FLOWS, 1995/1996-1999/00

(In million of U.S. dollars)

	1995/96	1996/97	1997/98	1998/99	
Total flows					
Exports	35.1	85.7	227.1	301.6	1

Imports	239.0	249.3	232.8	253.1	2
China					
Exports	26.0	51.0	92.6	96.2	
Imports	152.2	127.2	122.4	124.4	1
Thailand					
Exports	2.4	14.2	57.0	35.7	
Imports	67.0	101.3	89.3	124.4	
India					
Exports	1.5	2.9	11.0	1.9	
Imports	17.5	12.6	18.7	4.0	
Bangladesh					
Exports	5.2	17.6	66.5	167.8	
Imports	2.3	8.2	2.4	0.3	

Source: Myanmar: Statistical Appendix, 2001, IMF

EXTERNAL DEBT AND ARREARS, 1995/96-1999/00

(In millions of U.S. dollars)

	1995/96	1996/97	1997/98	1998/99	
Stock of arrears					
Total	1,480	1,455	1,608	1,913	
Principal	1,153	1,109	1,226	1,454	
Interest	326	345	382	459	

Bilateral	1,047	1,123	1,139	1,375	
Principal	831	872	883	1,065	
Interest	215	251	256	310	
Private Creditors	433	332	455	490	
Principal	322	238	333	357	
Interest	111	94	122	133	
Memorandum items:					
Debt outstanding as of March 31, 1999					
Total-IMF definition, include interest Arrears		6,040			
Total-Authorities' definition, exclude Interest arrears		5,487			
Bilateral		3,300			
Of which: Japan		2,607			
Germany		399			
Multilateral		1,091			
Of which: IDA		712			

OF WHICH: IDA		142			
AsDB		328			
Private creditors		994			
Suppliers credit		487			
Commercial banks		507			

Source: Myanmar: Statistical Appendix, 2001, IMF

Appendix D: INVESTMENT STATISTICS

FOREIGN INVESTMENT OF PERMITTED ENTERPRISES AS OF (3/31/2001) BY SECTOR

(Million U.S. Dollar)

No.	Particulars
1.	Oil and Gas
2.	Manufacturing
3.	Hotels and Tourism
4.	Real Estate
5.	Mining
6.	Livestock & Fisheries
7.	Transport and Communications
8.	Industrial Estates
9.	Construction
10.	Agriculture

	Agreements
11.	Other Services
	Total

**FOREIGN INVESTMENT OF PERMITTED ENTERPRISES
AS OF (3/31/2001) BY COUNTRY**

(Million
U.S.
Dollar)

No.
1.
2.
3.
4.
5.
6.
7.
8.
9.
10.
11.
12.
13.
14.
15.

16.
17.
18.
19.
20.
21.
22.
23.
24.
25.

*Inclusive of enterprises incorporated in British Virgin Islands, Bermuda, and the Cayman Islands

FOREIGN DIRECT INVESTMENT BY COUNTRY

(In millions of U.S. dollars)

Country	1997/98	1998/99	1999/00	
	Approved	Actual	Approved	Actual
Australia	42.0	0.4	0.00	30.01.3
Austria	0.0	0.8	0.00	20.00.0
Canada	5.3	1.5	0.03	90.00.4
China	0.5	0.4	2.72	60.00.0
France	0.0	201.7	0.09	00.033.0

Germany	0.0	0.2	0.01.50.07.0
Hong Kong	56.9	4.7	8.010.75.713.8
India	0.0	0.0	4.50.00.00.0
Indonesia	25.4	7.0	1.14.81.41.0
Israel	2.4	0.0	0.00.00.00.0
Japan	26.9	18.9	8.933.55.118.8
Republic of Korea	29.7	6.5	0.217.14.38.8
Malaysia	124.8	5.1	0.012.00.015.5
The Netherlands	0.0	1.2	1.00.00.00.5
Panama	30.5	0.0	-1.48.50.02.5
The Philippines	140.0	0.1	0.00.00.00.2
Singapore	270.6	279.1	14.279.14.714.9
Thailand	210.4	32.0	10.858.016.59.6
United Kingdom	47.5	288.6	4.4203.115.1176.1
United States	0.0	30.6	0.0158.35.30.8
Total	1,012.9	878.8	54.4683.658.1304.2

Source: Myanmar: Statistical Appendix, 2001, IMF
Chapter 11. U.S. AND COUNTRY CONTACTS

U.S. Government Offices:

American Embassy, Rangoon:

Street Address:

American Embassy Rangoon
581 Merchant Street
Rangoon, Burma

Mailing Address:
U.S. Embassy - Rangoon
Box B
APO AP 96546
Tel: 95-1-282-055; Fax: 95-1-280-409
Contact: Anthony Woods, Economic/Commercial
Officer
Email address: woodsac@state.gov

U.S. Department of the Treasury

Office of Foreign Assets Control (OFAC)
Department of the Treasury
Treasury Annex 1, Room 2233
Pennsylvania Avenue and Madison
Place, N.W.
Washington, DC 20220
Tel: (202)622-2500
Contact: Mr. Richard Newcomb
Director, OFAC

U.S. Department of Commerce:

TPCC Trade Information Center number
in Washington:
1-800-USA-TRADE

Jean Kelly
Office of Korea and Southeast Asia
(OKSA)
Rm #2324
International Trade Administration
United States Department Of Commerce
14th Constitution, NW
Washington, D.C. 20230-6130
Tel: 202-482-3448; Fax: 202-482-3316
Email address: Jean Kelly@ita.doc.gov

U.S. Department of State

Burma Desk EAP/BCLTV, #Rm 5210
U. S. Department of State
2201 C Street NW
Washington, D.C. 20520
Tel: (202)647-3132, Fax: 202-647-3069

Office of Business Affairs
Office of the Undersecretary for Business
and

Economics and Agricultural Affairs
 E/BX, #Rm. 2318
 U.S. Department of State
 2201 C Street, NW
 Washington, DC 20520
 Tel: 202-647-1625, Fax: 202-647-3983

U.S. Department of Agriculture
 Foreign Agricultural Service (FAS)
 Agriculture Export Services Division
 Trade Assistance
 Mail Box 1052
 Washington DC 20250-1052
 Tel: 202-720-7420

Maurice House
 Agricultural Counselor
 U.S. Embassy - Bangkok
 APO AP 96546
 Tel: 66-2-205-4000; Fax: 662-255-2907
 Email address: agbangkok@fas.usda.gov

Agriculture Specialist
 U.S. Embassy - Rangoon
 Box B, APO AP 96546
 Tel: 95-1-282-055; Fax: 95-1-280-409
 Email address: ayekss@state.gov

Chamber of Commerce and Trade Associations:

The Union of Myanmar Chamber of Commerce
 and Industry (UMCCI)
 504/506, Merchant Street, Kyauktada P.O.
 Tel: 95-1-246-495/ 243-150/ 282-208; Fax: 95-
 1-248-177
 Contact: U Zaw Min Win, Secretary General,
 Email address: umcci@mptmail.net.mm

Local Attorneys:

The American Embassy in Rangoon assumes no
 responsibility for the professional ability or integrity of
 the persons and companies whose names appear in
 the following lists.

Daw Khin Khin, Advocate and Notary Public
 No. 55, Maha Bandoola Garden Street
 Yangon, Myanmar
 Tel: 95-1-286-706(O)/ 95-1-551-280(R)

Daw Khin Kyi, Advocate and Notary Public
 No. 55, Maha Bandoola Garden Street
 Yangon, Myanmar
 Tel: 95-1-275-599(O)/ 273-969(R)

U Khin Htun, Advocate and Notary Public
No. 55, Maha Bandoola Gardan Street
Yangon, Myanmar

U Kyi Win
Wynn & Associates
Rm 9, 50 Bank Road
Yangon, Myanmar
Tel: 95-1-273-661

LWA Consultants Limited
The Strand
92, Strand Road, Kyauktada P.O.
Yangon, Myanmar
Tel: 95-1-254-816/ 254-817 Fax: 95-1-254-818

U Mya Thein, Central Court Advocate and Notary
Public
No. 52, Maha Bandoola Garden Street
Yangon, Myanmar
Tel: 95-1-277-930 (O), 95-1-660-338 (R)

U Mya Tin, Advocate and Notary Public
No.7 Mogaung Road, Kyauk-kone
Yankin P.O. Yangon, Myanmar
Tel: 95-1-566-137 (R)

U Tin Maung Kyu, Supreme Court Advocate and
Notary Public
No. 73 Pansodan Street
Yangon, Myanmar
Tel: 95-1-276-780 (O), 273-197 (R)

Daw Mya Mya Aye, Barrister-at-law
46, Saya San Road, Bahan P.O.
Yangon, Myanmar
Tel: 95-1-550-956

Russin & Vecchi
No. 22 Wingaba Road, Bahan P.O.
Yangon, Myanmar
Tel: 95-1-541-794/ 540-995 Fax: 95-1-548-835

U Ye Htoon
Maw Htoon and Partners
Suite 2, 10th Floor, Dagon Tower
Yangon, Myanmar
Tel: 95-1-545-537

Business Consultancies and Research Services

The American Embassy in Rangoon assumes no responsibility for the professional ability or integrity of the persons and companies whose names appear in the following lists.

Associated Business Consultancy Services
The Nawarat Arcade
257 Insein Road, Yangon, Myanmar
Tel: 95-1-663-579

Compass Research
Dana Thiha Building
corner of Bogyoke Aung San and War Dan St.
Lanmadaw P.O.
Yangon, Myanmar
Tel: 95-1-223-288, Ext. 801

Daw Khine Khine, Consultant
(former Joint Secretary of Myanmar Investment Commission)
No. 299, Maha Bandoola Street (corner of 42nd Street)
Botataung P.O., Yangon, Myanmar
Tel: 95-1-245-876 (O), 95-1-566-315 (R)

Myanmar American Business Consultants
No 9, Saya San Road,
Yangon, Myanmar
Tel: 95-1-701-527, 95-1-544-813
Fax: 95-1-546-655

Myanmar Consultancy International Limited
No. B-2-R, Shwe Gon Plaza
Bahan P.O. 11201, Yangon, Myanmar
Tel: 95-1-540-902(O), 95-1-542-992

Pricewaterhouse Coopers
#1003 Level 10, Sakura Tower
339 Bogyoke Aung San Street
Kyauktada P.O. Yangon, Myanmar
Tel: 95-1-255-055/ 255-407/ 255-406
Fax: 95-1-255-100/ 255-406

SGV-Winthin Consulting Limited
Room #910 FMI Centre
Bogyoke Aung San Street
Yangon, Myanmar

Tel: 95-1-240-265/ 240-400 Ext. 1910 Fax: 95-1-246-867

Shipping Lines (Selected)

The American Embassy in Rangoon assumes no responsibility for the professional ability or integrity of the persons whose names appear in the following lists.

ADVANCED CONTAINER LINES (PTE) LTD.
(Win Pacific Co., Ltd)
Bldg. #152/154 - Room. 25/26 - 46th St.
Botahtaung P.O., Yangon, Myanmar
Tel: 95-1-299-516/ 299-050/ 299-031/ 227-263
Fax:95-1-24-730

Choyang Shipping Lines
No.9 Bogalayzay Road
Yangon, Myanmar
Tel: 95-1-246-168/289-099 Fax: 95-1-298-098

DZ Container Services Co., Ltd.
76, 2nd floor, Bo Aung Gyaw Street
Botahtaung P.O., Yangon
Tel: 95-1-299-230/299-510 Fax: 95-1-296-645

Diethelm Services Ltd.,
(as agents for PSO Ned Lloyd Ltd.)
#0105, Botahtaung Condominium
Coner of Mahabandoola Road and Bo Myat Tun Road
Yangon, Myanmar.
Tel: 95-1-203-385

F.A. Voigt & Co., (Myanmar) Ltd.
No.359, Ground Fl, Bo Aung Gyaw Street, Yangon,
Myanmar
Tel: 95-1-253-277 Fax:95-1-250-321

HUB International Co., Ltd.
#Rm 8, No.52 (1st Fl), Bo Aung Gyaw St.,
Botahtaung P.O.
Yangon, Myanmar
Tel:95-1-299-230/ 299-510/ 298-126/ 296-093
Fax:95-1-296-645

Lian Huat Shipping Co., (Pte) Ltd.
#5/6 Bahosi Residential Quarter
Bahosi Compound, Lanmadaw P.O.
Yangon, Myanmar

Tel: 95-1-226-219/229-050/229-031/227-263 Fax:
95-1-224-730

MAERSK Lines
243 (1st Fl), 39th Street, Yangon, Myanmar
Tel: 95-1-245-712/ 246-679 Fax: 95-1-240-064

Myanmar Cosco Ltd.,
#107/109, 12th. Floor, Wah Wah Win Tower
Coner of Ahnawyathar Road and Sin Oo Dan Road
Yangon, Myanmar.
Tel: 95-1-245-165/67/68, 252-733 Fax: 95-1-252-
583

PHEE International Shipping (Myanmar) Ltd.
(representing American President Line)
Phee Int'l Shipping and Forwarding Pte. Ltd.
158, Bogyoke Aung San Street
Pazundaung P.O. Yangon, Myanmar
Tel: 95-1-292-290/ 297-623/ 297-614 Fax: 95-1-297-
593

Shipping and Forwarding Agencies (Selected)

The American Embassy in Rangoon assumes no responsibility for the professional ability or integrity of the persons whose names appear in the following lists.

Crown Worldwide Movers Ltd.
Building No. 213-217, Room (5), 2nd. Floor
Mahabandoola Road, Botahtaung Township
Yangon, Myanmar.
Tel: 95-1-299-422 Fax: 95-1-299-433

Express Movers Co., Ltd. (EMCO)
76, 50th Street, Yangon, Myanmar.
Tel: 95-1-238-882/ 579-242/ 295-637 Fax: 95-1-226-
419

JVK Indo-China (Myanmar) Co., Ltd.
38/F Myasabai Road, Parami Avenue, Mayangone
P.O.
Yangon, Myanmar
Tel: 95-1-664-756 Fax: 95-1-665-537

Myanmar Express International Moving Services
Co., Ltd.
21, 54th Street, Pazundaung P.O. Yangon, Myanmar
Tel: 95-1-299-463 Fax: 95-1-289-960/ 289-961

Myanma International Moving Services (MIMS)
 14-A1 Lane, A1 Compound, 9th Mile, Pyay Road,
 Mayangon P.O.
 Yangon, Myanmar
 Tel: 95-1-667-057/ 667-058 Fax: 95-1-661-841

United International Moving Services Co., Ltd.
 40, 7th Street, No. 3 Ward, Lanmadaw P.O.
 Booking office: Bldg 49, #Rm 17, Bahosi Complex
 Lanmadaw P.O. Yangon, Myanmar
 Tel: 95-1-210-296/ 210-624 Fax: 95-1-212-201

VANPAC (Myanmar) International Ltd.
 Bldg. No.40/46 #Rm. 3 (Ground Fl)
 1st Street, Lanmadaw P.O. Yangon, Myanmar
 Tel: 95-1-225-207/ 223-603/ 225-091 Fax:95-1-222-622

Courier Services

The American Embassy in Rangoon assumes no responsibility for the professional ability or integrity of the persons whose names appear in the following lists.

DHL Myanmar
 Ms. Ann (General Manager)
 Address: 1st Fl, Traders Hotel
 223 Sule Pagoda Road
 Tel: 95-1-242-828 Ext: 6569
 Tel: 95-1-251-751/752/ Fax: 95-1-251-703
 email: RGNTRC@RGN-CO.MM.DHL.COM

Clinics and Hospitals

The American Embassy in Rangoon assumes no responsibility for the professional ability or integrity of the institutions appearing in the following lists.

AEA International
 SOS Assistance
 Inya lake Hotel
 37, Kaba Aye Pagoda Rd.
 24 hrs. Hot Line: 95-1-667-877/ 667-871
 Ambulance 95-1-295-133
 Tel: Clinic: 95-1-667-871/ 667-879
 Fax: 95-1-667-866

Pacific Medical and Dental Clinic Centre
 81, Kaba Aye Pagoda Rd.
 Tel: 95-1-548-022 Fax: 95-1-541-979

Yangon International Clinic
 Summit Parkview Hotel
 350, Ahlone Road
 Tel: 95-1-211-888, Ext.180

Public Hospitals

The American Embassy in Rangoon assumes no responsibility for the professional ability or integrity of the institutions appearing in the following lists.

Yangon General Hospital
 Bogyoke Aung San St.
 Tel: 95-1-256-112/ 256-131

Central Women's Hospital
 Baho Rd. Ahlone P.O.
 Tel: 95-1-222-811/ 222-804/222-805/ 222-806

Yangon Children's Hospital
 2, Pyidaungsu Yeiktha Rd., Ahlone P.O.
 Tel: 95-1-222-807 through 222-810, 221-421

GOVERNMENT AGENCIES (Selected)

Ministry of Agriculture

Managing Director
 Myanma Agriculture Service
 Kanbe, Irrigation Compound, Yankin
 Yangon, Myanmar
 Tel:95-1-666-094

Ministry of Commerce

Director General
 Directorate of Trade
 228/240 Strand Road,
 Yangon, Myanmar. Tel:95-1-286-442

Ministry of Communications, Posts and Telegraphs

Managing Director
 Myanmar Post & Telecommunications
 80, corner of Theinbyu and Merchant Street,
 Yangon, Myanmar. Tel:95-1-297-722

Ministry of Cooperatives

Managing Director
 Cooperative Export Import Enterprise

259/263 Bagyoke Aung San Street
Kyautada P.O., Yangon, Myanmar
Tel:95-1-294-781

Ministry of Electric Power

Managing Director
Myanma Electric Power Enterprise
197/199 Lower Kemmendine Rd., Ahlone P.O.
Yangon, Myanmar
Tel:95-1-220-918

Ministry of Energy

Managing Director
Myanma Petrochemical Enterprise
23 Pyay Road
Yangon, Myanmar
Tel:95-1-221-975

Managing Director
Myanma Petroleum Products Enterprise
74/80 Minye Kyawswa Road
Yangon, Myanmar
Tel:95-1-222-153

Ministry of Finance and Revenue

Director General
Customs Department
132 Strand Road, Yangon, Myanmar. Tel:95-1-285-
891

Ministry of Forestry

Managing Director
Myanma Timber Enterprise
Ahlone P.O. 206
Yangon, Myanmar
Tel:95-1-222-200

Ministry for Hotels and Tourism

Managing Director
Myanma Hotels and Tourism Services
77/91 Sule Pagoda Road, Yangon, Myanmar.
Tel:95-1-283-363

Ministry of Health

Director General
Department of Health, Ministry of Health
36 Theinbyu Street
Yangon, Myanmar (Tel:95-1-290-038)

Ministry of Industry (1)

Managing Director
Myanma Textile Industries
192 Kaba Aye Pagoda Road
Yangon, Myanmar
Tel:95-1-579-495

Managing Director
Myanma Pharmaceutical Industries
192 Kaba Aye Pagoda Road
Yangon, Myanmar
Tel:95-1-566-740

Ministry of Livestock Breeding and Fisheries

Director General
Fisheries Department
50 Top Floor, Ban Road
Yangon, Myanmar. Tel:95-1-28-627

Ministry of Mining

Managing Director
No. (2) Mining Enterprise
90 Kanbe Road, Yankin, Yangon, Myanmar. Tel:95-1-544-087

Managing Director
Myanma Gems Enterprise
66 Kaba Aye Pagoda Road, P.O. Box 1397
Yangon, Myanmar, Tel:95-1-660-905

Managing Director
Myanma Agriculture Produce Trading
Merchant Street, Yangon, Myanmar. Tel:95-1-254-018

Ministry of the Progress of Border Areas & National Races and Development Affairs

Director General
Office of the Work Committee for the
Development of Border Areas & National Races
Ministers' Office, Theinbyu Street
Yangon, Myanmar, Telephone:95-1-285-936

Ministry of Transportation

Managing Director
Myanma Airways
104 Strand Road, Yangon, Myanmar. Tel:95-1-246-

452

Managing Director
 Myanma Ports Authority
 10 Pansodan Street, Yangon, Myanmar. Tel:95-1-282-677

Yangon City Development Council

Chairman
 Yangon City Development Committee
 Yangon City Hall, Sule Pagoda Road Yangon,
 Myanmar Tel:95-1-283-988

Travel Agencies (Selected)

Abercrombie & Kent (Myanmar) Co. Ltd.
 No. B-2-R, 2nd Fl, Shwe Gon Plaza, Bahan P.O.
 Yangon, Myanmar
 Tel: 95-1-542-949 Fax: 95-1-542-992

Amtra
 Bogyoke Aung San Stadium, East Wing
 Upper Pansodan Street, Yangon, Myanmar
 Tel: 95-1-251-022/ 701-578; Fax: 95-1-251-022

Diethelm
 1, Inya Rd, Kamayut P.O, Yangon, Myanmar
 Tel: 95-1-527-110/ 527-117

Exotissimo Travel Myanmar
 395, Bo Aung Kyaw St.,
 Tel: 95-1-254-600/ 245-6060, Fax: 95-1-245-572/
 243-847

Indochina Services Travel Ltd.
 8A, West May Kha Lane(2), Mayangon P.O.
 Tel: 95-1-650-982/661-724, Fax: 95-1-651-002

Insight Myanmar
 85/87, Theinbyu Road, Botahtaung P.O.
 Yangon, Myanmar
 Tel: 95-1-295-499/ 297-798

New Horizon Travel and Tour
 B-2-R, Shwegon Plaza
 Yangon, Myanmar
 Tel: 95-1-540-902

Sun Far Travelds

122/123, 28th Street, Kyauktada P.O.
 Yangon, Myanmar
 Tel: 95-1-243-954/243-992
 Fax: 95-1-287-887

Tour Mandalay Co., Ltd
 194/196, 2nd floor
 Mahabandoola St. Pazundaung P.O.
 Yangon, Myanmar

Woodland Travel & Tour
 7 FJV Commercial Center, Botataung P.O.
 Yangon, Myanmar
 Tel: 95-1-202-071-3 Fax: 95-1-202-074

Private Hotels in Rangoon (Selected)

High-End:

Hotel Equatorial
 33, Alan Pya Pagoda Road, Dagon P.O., Yangon,
 Myanmar
 Tel: 95-1-250-388; Fax: 95-1-252-478
 Email address:
 EQUATORIAL.HEY@mptmail.net.mm

Hotel Nikko Royal Lake Yangon
 40, Natmauk Road, Tarmway P.O., Yangon,
 Myanmar
 Tel: 95-1-544-500; Fax: 95-1-544-400
 Email address: hotelnikko.rgnz@mptmail.net.mm.

Kandawgyi Palace Hotel
 Kan Yeik Tha Road, Yangon, Myanmar
 Tel: 95-1-249-255 to 9; Fax: 95-1-280-412/ 242-776
 Email address: kphbctr@mptmail.net.mm

Nawarat Concorde Hotel
 257, Insein Road, Oakkyin P.O., Yangon, Myanmar
 Tel: 95-1-667-888 Fax: 95-1-667-777
 Email address: Nawarat@mptmail.net.mm

New World Inya Lake Hotel
 Kaba Aye Pagoda Road, Yangon, Myanmar
 Tel: 95-1-662-857/ 866 Fax: 95-1-662-858
 Email address: inyalakeguest@mptmail.net.mm

Pansea Hotel
 35, Taw Win Road, Dagon P.O., Yangon, Myanmar

Tel: 95-1-229-860 Fax: 95-1-228-260
 Email address: panseaYGN@mptmail.net.mm

Savoy Hotel
 129, Dhammazedì Road, Bahan P.O. Yangon
 Myanmar
 Tel: 95-1-526-289/ 526-298 Fax: 95-1-524-891/ 892
 Email address:savoy.ygn@mptmail.net.mm

Sedona Hotel
 No. 1, Kaba Aye Pagoda Road, Yankin, P.O.
 Yangon, Myanmar
 Tel: 95-1-666-900 Fax: 95-1- 666-911
 Email address: bcxsedona.comm.mm

The Strand
 92 Strand Road, Yangon, Myanmar
 Tel: 95-1-243-377; Fax: 95-1-289-880
 Email address:strand.ygn@mptmail.net.mm

Summit Parkview Hotel
 350 Ahlone Road, Dagon P.O., Yangon, Myanmar
 Tel: 95-1-211-888 to 211-966; Fax: 95-1-227-990 to
 995
 Email address:summit@mptmail.net.mm

Traders Hotel
 223 Sule Pagoda Road
 Yangon, Myanmar
 Tel: 95-1-242-828; Fax: 95-1-242-834
 Email address: thyn@shangri-la.com

Medium-End:

Bagan Inn
 29, Natmauk Lane 2, Po Sein Road, Tamwe P.O.
 Yangon, Myanmar
 Tel: 95-1-550-489/ 548-148 Fax: 95-1-549-660

Hotel December
 89(A) Pyay Road, Dagon P.O., Yangon, Myanmar
 Tel: 95-1-221-943; Fax: 95-1-289-960

Hotel Windsor
 31, Shin Saw Pu Street, Sanchaung P.O. Yangon,
 Myanmar
 Tel: 95-1-510-037/ 247-718; Fax: 95-1-511-218

Yoma Hotel
 No. 146, Bogyoke Aung San Street, Yangon,

Myanmar

Tel: 95-1-297-725/ 297-726 Fax: 95-1-297-957/ 297-958

Residential Apartments

Espace L'Avenir

523, Pyay Road, corner of Marlar Myaing Yeiktha Street

Kamayut P.O. Yangon, Myanmar

Tel: 95-1-513-213/515-222

Golden Hill Tower

24-26, Kaba Aye Pagoda Road

Ko Min Ko Chin, Bahan P.O. Yangon, Myanmar

Tel: 95-1-546-556, Fax: 95-1-546-557

E-mail: ghtower@mptmail.net.mm

Grand Mee Ya Hta, The

372, Bogyoke Aung San Rd, Pabedan P.O. Yangon, Myanmar

Tel: 95-1-256-355/359, Fax: 95-1-256-360

Marina Residence

8, Kaba Aye Pagoda Rd., Mayangon P.O. Yangon, Myanmar

Tel: 95-1-650-651 to 7, Fax: 95-1-650-630

Email address:marina@mptmail.net.mm

Mi Casa Hotel Apartments

17, Kaba Aye Pagoda Road, Yankin P.O. Yangon, Myanmar

Tel: 95-1-650-933, Fax: 95-1-650-950/ 650960

Email address:bc.micasa@mptmail.net.mm

Sakura Residence

No. 9, Inya Road, Kamayut P.O., Yangon, Myanmar

Tel: 95-1-525-001 Fax: 95-1-525-002

Email address:sakres@mptmail.net.mm

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"Myanmar Times", Myanmar Consolidated Media Co., Ltd.

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"The Business Tank", Myanmar Business Tank Co., Ltd. & Business Information Group

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