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# EUROPEAN CHAMBER OF COMMERCE IN MYANMAR

EuroCham serves as the voice of European business in Myanmar. Its main mission is to significantly increase the presence of European companies in the country and to facilitate market access particularly for European SMEs – by advocating for member interests with the government and organisations in Myanmar, the ASEAN region and the EU.

With a strong, growing network of partners, EuroCham offers on-the- ground assistance for European businesses interested in commercial endeavours in Myanmar, whether in the form of advocacy, business services, research or networking.

This sector guide provides entry-level information for European companies planning to enter this fascinating frontier market. Please contact us for further information and support.

Yangon, December 2017





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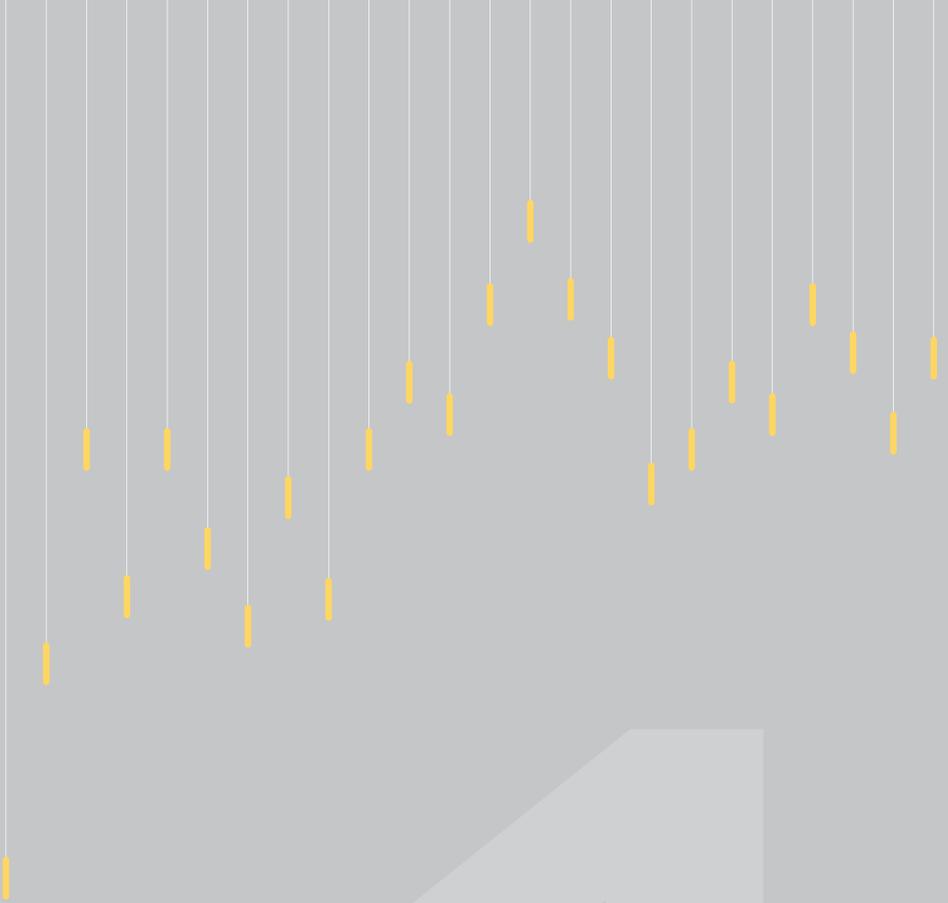
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## ACRONYMS

<i>DICA</i>	<i>Directorate of Investment and Company Administration</i>
<i>EOI</i>	<i>Expression of Interest</i>
<i>EU</i>	<i>European Union</i>
<i>FDI</i>	<i>Foreign Direct Investment</i>
<i>FIL</i>	<i>Foreign Investment Law</i>
<i>LPI</i>	<i>Logistics Performance Index</i>
<i>MIA</i>	<i>Myanmar Industrial Association</i>
<i>MIC</i>	<i>Myanmar Investment Commission</i>
<i>MIL</i>	<i>Myanmar Investment Law</i>
<i>MJTD</i>	<i>Myanmar Japan Thilawa Development</i>
<i>MGMA</i>	<i>Myanmar Garment Manufacturers Association of WTO</i>
<i>MOL</i>	<i>Ministry of Industry</i>
<i>NLD</i>	<i>The National League for Democracy</i>
<i>SEZ</i>	<i>Special Economic Zones</i>
<i>UMFCCI</i>	<i>Union of Myanmar Federation of Chambers of Commerce and Industry</i>



# 1 SECTOR OVERVIEW



Myanmar's industrial and retail sectors have been bolstered by strong macroeconomic fundamentals, economic liberalization, and regulatory reforms aimed at encouraging investment. According to the Directorate of Investment and Company Administration (DICA), the government has set a target of USD 8 billion in FDI during the 2017–2018 fiscal year.<sup>i</sup> FDI hit record highs in 2015–2016 at USD 9.5 billion; in 2017, FDI had reached USD 4.1 billion by September. Although manufacturing is only the 4th largest sector in overall FDI of existing enterprises, the manufacturing sector comprised of the highest amount of this year's yearly approved FDI with over 1.4 billion U.S dollars in the third quarter of the 2017–2018 fiscal year.<sup>ii</sup>

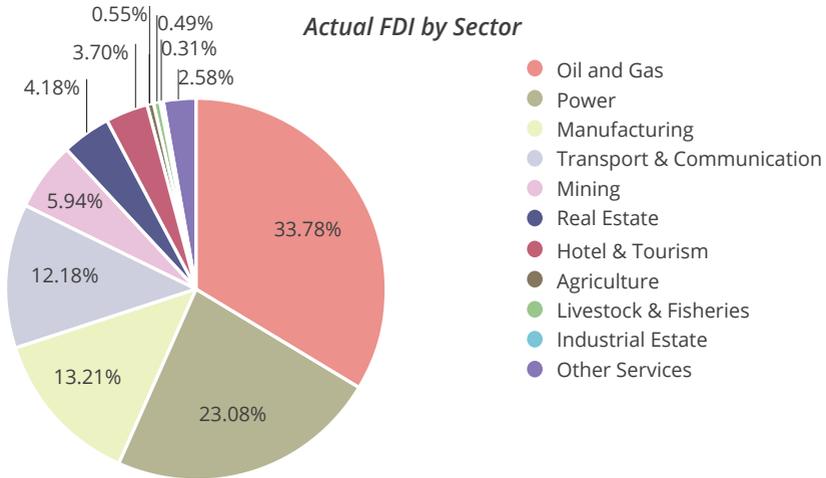


Figure 3: Actual FDI by sector from 1988 to 31 May 2016  
(Source: DICA)

**Yearly Approved Amount of Foreign Investment (In US Million)**

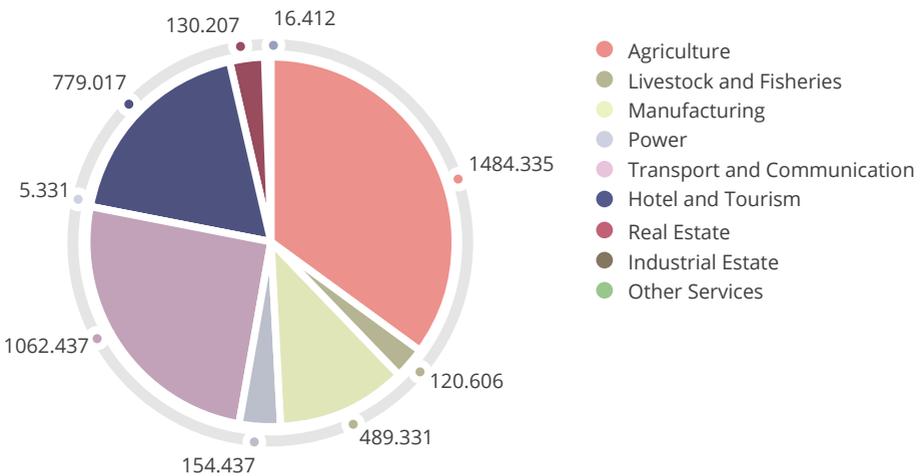


Figure 2: Yearly Approved Amount Of Foreign Investment FY 2017-2018  
(Source: DICA)

## 1.1 CURRENT MARKET SITUATION AND UPDATES

With attractive incentives for foreign investment and Special Economic Zone (SEZ) laws, along with low labor costs and a strategic geographic position, manufacturing is expected to continue to expand and to propel Myanmar's economic growth. In the fiscal year 2015–2016, industry comprised of 34.5% of Myanmar's GDP (services comprised of 38.7% and agriculture 26.8%), and manufacturing alone contributed to 39.5% of businesses across economic sectors in 2015.<sup>iii</sup>

Manufacturing is largely centered on garment and textiles, agricultural processing, automotive parts manufacturing, and canning and bottling.<sup>iv</sup>

The National League for Democracy (NLD) administration recently created a new industrial plan released by the Ministry of Industry (MoI) in 2016; the plan runs from 2016–2022 and delineates the country's near, mid and long-term industrial strategies. The plan targets central and southern Myanmar for development and aims to increase the industrial sector's share of GDP (including manufacturing) from 33% FYI 2013-2014 to 37% by FY 2030/31. The plan further highlights challenges in Myanmar, including poor infrastructure and lack of skilled labour.<sup>v</sup>

In the short-term, the Industrial Policy prioritizes:

- a) Labour-intensive industries, such as weaving and the garment industry;
- b) Primary commodity industries, such as value-added food products;
- c) Basic manufacturing industries without advanced technology, such as the textile and garment industry and electronic devices manufacturing industry.

In the medium-term, the Industrial Policy prioritizes: medium technical-based industries, such as automobile parts manufacturing industry.

In the long-term, the Industrial Plan prioritizes:

- a) Advanced technical-based industries, such as advanced chemicals manufacturing industry;
- b) Infrastructure industries, such as the cement industry.

To address the dearth of vocational training centers and to develop a skilled workforce for manufacturing and service jobs, the NLD created a 12 point economic plan released in August 2016. The plan highlights the need for investment in vocational training to not only create job opportunities for Myanmar citizens but also to attract foreign investment.<sup>vi</sup>

## 1.2 LOCATION OF SPECIAL ECONOMIC ZONES (SEZS)

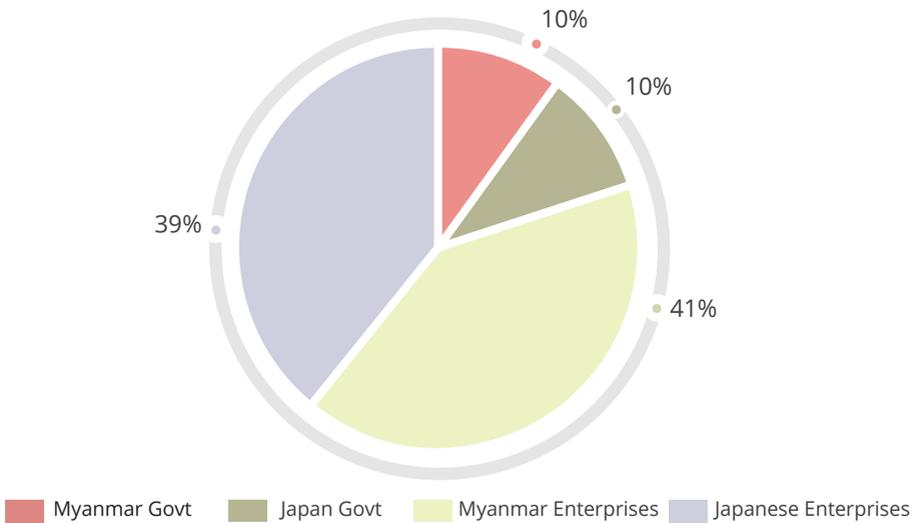
Myanmar's three SEZs are expected to develop large manufacturing centers.

### (i) Thilawa SEZ

The Thilawa Special Economic Zone (SEZ) is Myanmar's first SEZ, and is located on the outskirts of Yangon next to two port terminals: the Myanmar International Terminal Thilawa and the Myanmar Integrated Port. Its strategic location is expected to facilitate growth in export-oriented industries. Thilawa SEZ Zone A has been operational since September 23, 2015; FDI in Zone A amounts to USD 760 million. Construction of Zone B is projected to be completed by the end of 2018.<sup>viii</sup> Most of the 73 local and foreign investors who have committed to building factories in the SEZ aim to manufacture garments, bottles, construction materials, food, steel, fertilizer, auto parts, agricultural machines, medicine, and medical equipment.<sup>ix</sup>

The Myanmar Japan Thilawa Development (MJTD) was created as a joint venture between the Japanese and the Myanmar government to develop the 24,000 hectare zone; each government holds a 10% stake while a consortium of 9 local enterprises holds a 41% and a consortium of private Japanese enterprises holds the remaining 39% stake.

*Myanmar Japan Thilawa Development*



### Thilawa Investors Origins

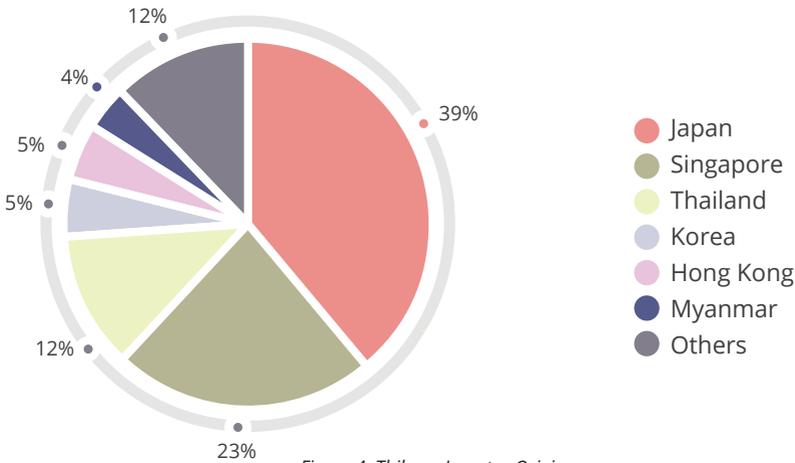


Figure 4: Thilawa Investor Origins  
(Source: Thilawa SEZ Management Committee)

Thilawa offers reliable infrastructure to investors. Electricity, telecommunications (including internet access), and water supply are all distributed to the investor’s facility, in addition to services for liquid waste, solid waste and industrial waste management.

Thilawa is expected to significantly impact Myanmar’s manufacturing output. MJTD has reported that, in the context of present levels of investment, the zone’s manufacturing capacity is expected to increase to \$241 million annually; an expected \$1 billion in FDI will contribute to \$350 million in output per year.<sup>x</sup>

### (ii) Kyaukphyu SEZ

The Myanmar parliament approved the Kyaukphyu SEZ project in December 2015; a consortium of six companies was awarded the development contract, led by China’s conglomerate CITIC, which will hold an 85% stake in the project. The 1000-ha industrial park is located on the western coast of Rakhine State, and will include textile and garment factories, in addition to food-processing industries and marine supply and maintenance facilities. Importantly, a deep sea port will be developed in the SEZ in four phases; construction is expected to take place over a 20-year period. The port’s expected annual capacity will be 7.8 million tonnes of bulk cargo and 4.9 million TEU containers.<sup>xi</sup>

The development of the industrial park started in January 2016 and will reportedly create 100,000 jobs and contribute \$10 billion to annual GDP.<sup>xii</sup> Kyauk Phyu’s location will allow the SEZ to serve as a trade corridor between China and Myanmar.

### (iii) Dawei SEZ

Thailand and Myanmar signed a Memorandum of Understanding in 2008 to develop the Dawei SEZ in Tanintharyi Region; the Japanese government joined as an equal partner in 2015 after an announcement in April 2015 that the SEZ's first 1.7 billion phase would move forward. The Italian-Thai Development company (ITD) had signed a \$500 million deal with the Myanmar government to build a natural gas import terminal in the SEZ and there are plans to develop a \$500 million power plant.<sup>xiii</sup>

The SEZ is expected to cover 196 square km, with a deep-water port and manufacturing facilities, for canneries, electronics, pharmaceuticals, and automotive parts. An important road will be created linking the SEZ to Kachanaburi in Thailand; further, with Bangkok situated only 350 km away, Dawei is expected to become a new regional logistics hub.<sup>xiv</sup>

However, the anticipated 138 km Thai-Myanmar highway has been delayed after Japan flagged highway safety issues. Further, there has been local opposition to the project.<sup>xv</sup> After delays in the park's construction, a high-level committee and task force were created in March 2017 to recommence the Dawei SEZ project.<sup>xvi</sup>

## 1.3 LOCATION OF INDUSTRIAL ZONES

Myanmar authorities first introduced industrial zones in the 1990s with the aim of encouraging private sector participation in manufacturing and encouraging industrial clusters, thereby creating industries of manufacturing operations around major cities.<sup>xvi</sup> However, industrial zones have only grown gradually since then. Currently, there are 20 industrial zones in the Yangon Division, partly because the region has developed more transport and infrastructure facilities than other areas. There is an international airport nearby and seaports through which most of the country's merchandise trade are processed.<sup>xviii</sup> Most of the Industrial Zones are situated in the Northern and Eastern districts of the Region.

No.	INDUSTRIAL ZONE NAME	LOCATION	AREA (ACRES)
1	South Okkalapa	East Yangon District, South Okkalapa Township, No-8 ward	35
2	Dagon Seikkan (1,2)	East Yangon District, New Dagon (port)	1208.695
3	South Dagon 1	23ward,Dagon newtown (south side)	475.374
4	South Dagon 2	East Yangon district, Dagon Township( South),63/64 ward	214.53

No.	INDUSTRIAL ZONE NAME	LOCATION	AREA (ACRES)
5	South Dagon 3	64 ward,Dagon new township(south)	53.316
6	North Dagon	District,Dagon Township(North),34 extension ward(Balli Bridge)	25 7
7	North Okkalapa	North Okkalapa Township,Thudama Road,beside of No-3 Road	109.789
8	East Dagon	Corner of No-2 High Way Road and Kanaung Min Thar Gyi Road	666
9	Shwe Poukkan	Yangon District,North Okkalapa Township,Shwe Poukkan New Town	94.64
10	Tharkayta	East Yangon Region, Tharkayta Township	200
11	Mingalardon	Corner of No.3 High Way Road & Khayaepin Road	744650.26
12	Pyin Ma Bin	Mingalardon Township	560.06
13	Yangon	Yangon District,Mingalardon Township,Mingalardon garden city,No-3 High way road	902.5030
14	Hlaing Tharyar	bounded by Hlaing River in the east,Shwe Than Lwin Industrial Zone in the west,Panhlaing River in the south and Yangon-Pathein Road in the north	Total area= 1401.44 , Industrial area= 1087.98
15	Hlaing Tharyar	No_196,Anawratha Road,Hlaing Tharyar Township	222.933

No.	INDUSTRIAL ZONE NAME	LOCATION	AREA (ACRES)
16	Shwe Lin Ban	Hlaing Thayar Township	1,100
17	Shwe Pyi Thar (1)	between No-4 High Way Road and YangonPyi Rail-way,Shwe Pyi Thar Township	336, 385 lots
18	Shwe Pyi Thar (2/3/4)	Shwe Pyi Thar,Insein Township	SPT= 204.512 SPT= 394.504 SPT= 388.312
19	Myaung Ta Kar Steel Founding Industrial Zone	Yangon District, Mhaw Bi Township, near Yangon <—>Pyi High Way Road, east side of Myanmar Economic Corporation(MEC)	682.60
20	Wartayar Woodbase	21,22 ward,Shwe Pyi Thar Township,Yangon District	468.22, 31 lots

*Table 1: Industrial Zones in Yangon  
(Source: Myanmar Industries Association)*

## Yangon City



Figure 3: Yangon Industrial Zones  
(Source: MGMA)

## 1.4 MARKET STATISTICS

According to official FDI figures, the manufacturing sector ranks highest as of September 30 2017 with USD 1.45 billion in investment in 2017 compared to the second highest ranking sector, real estate, at USD 1.062 billion in foreign investment. The following chart shows the performance of the manufacturing sector in terms of FDI. The year 2013-2014 recorded the highest influx of FDI exceeding the total amount of FDI over 1988-2011.<sup>xix</sup>

## Permitted FDI in Manufacturing Sector

USD million

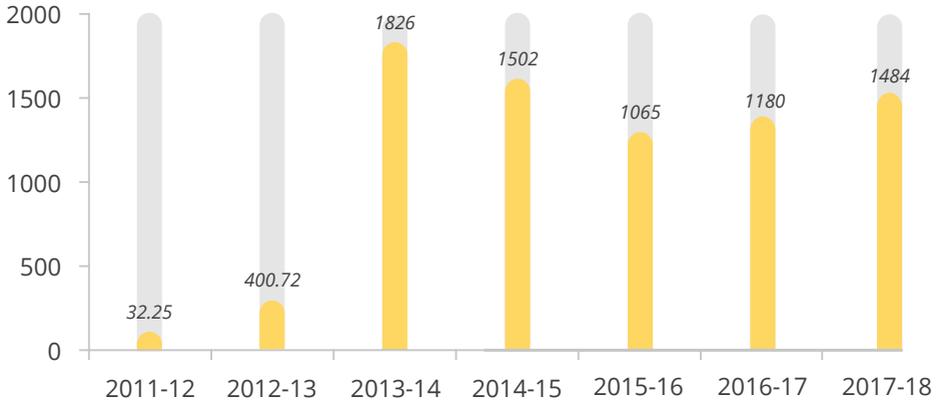


Figure 4: Permitted FDI in Manufacturing Sector 2011-2016 (Source, DICA)

### Significant Manufacturing Subsectors

Garment manufacturing for export accounts for a significant portion of Myanmar's non-agricultural exports. Most of this trade is in the form of "Cut-Make-Pack" (CMP) operations. Many of Myanmar's garment factories are contracted by foreign buyers to cut and make specific garments according to design specifications, and then are packaged and exported to foreign markets.

In fact, more than US\$67 million in foreign investment was dedicated to CMP clothing factories as of May 2017, and around 65% of the investment stemmed from Chinese companies, according to the Myanmar Garment Manufacturers Association (MGMA). Out of 400 garment factories, 171 were run by foreign investors, 196 factories were owned by domestic investors and 22 were joint ventures.<sup>xx</sup>

Overall, Myanmar's garment exports have grown exponentially, reaching USD 1.855 billion in value in FY 2016-2017 compared to USD 1 billion in value in FY 2015-2016.<sup>xxi</sup> There is high demand for garment from Japan and the European Union. In 2016-2017 financial year, about 33% of garment exports were to Japan, 25% to the EU, 25% to South Korea, and only 2.4% to the United States and 2.4% to China.<sup>xxii</sup>

### Myanmar's Garment Exports (in USD billion)

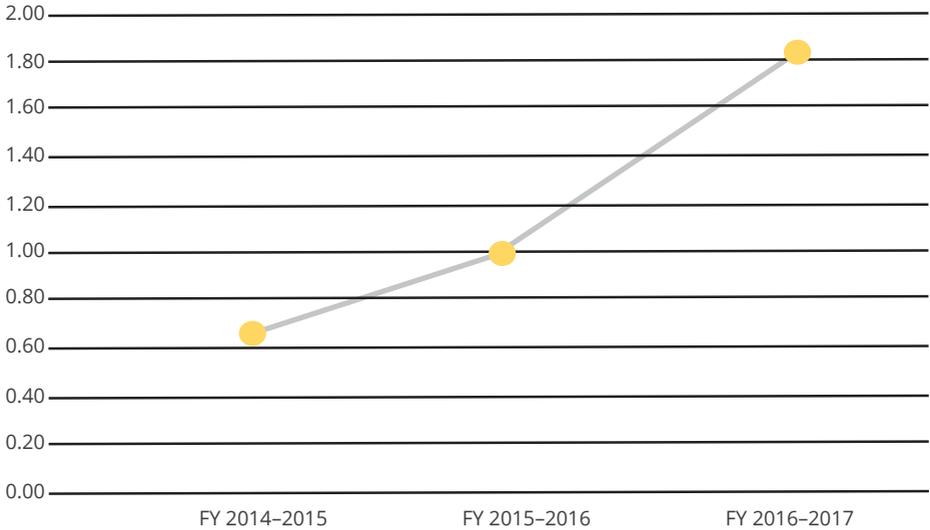


Figure 7: Value of Myanmar's Garment Export  
(Source: Ministry of Commerce)

Alongside the garment industry, the food and beverage, electrical machinery and automotive parts manufacturing sectors have all experienced increases in foreign investment over the past few years. However, there is limited readily available information on other sectors' received FDI or production figures.

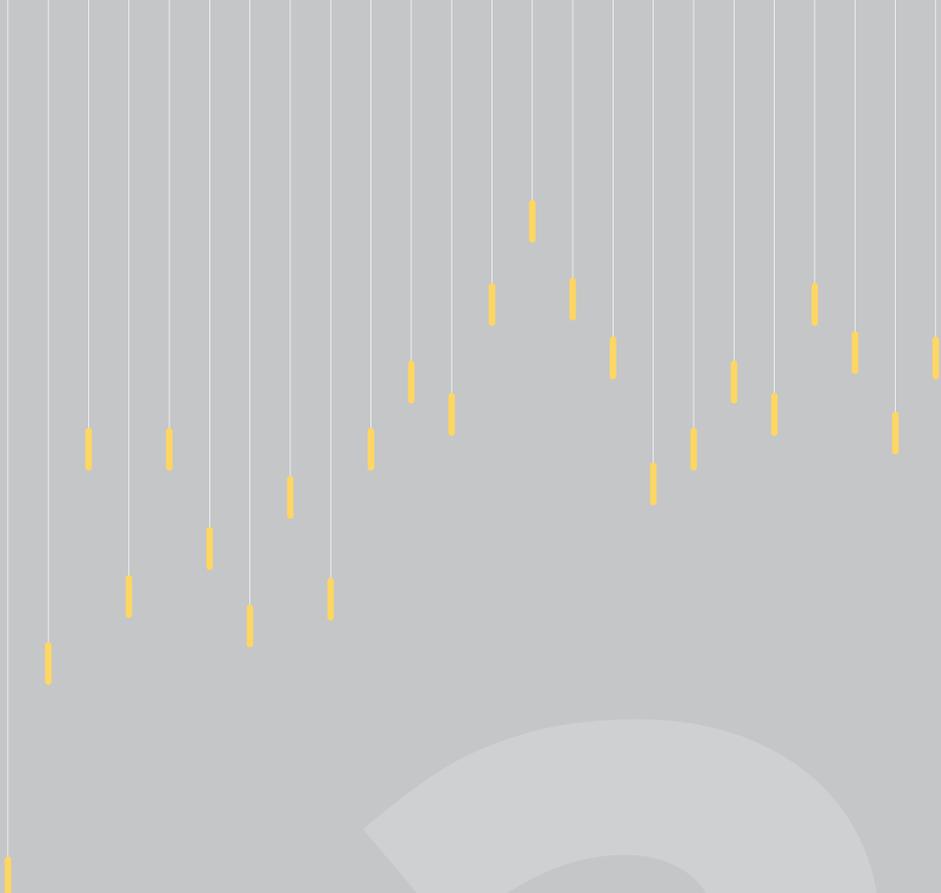
The following are highlights of large investments made by big foreign players in setting up their manufacturing footprints in Myanmar.xxiii

COMPANY	YEAR	DESCRIPTION	INVESTMENT (USD)
Soilbuild Thilawa Co. Ltd (Under Soilbuild Group)	March 2017	Manufacturing and wholesale facility of steel products	13.9 million
Nissan Motor and Tan Chong Motor	January 2017	10 000 united automobile assembly	50 million
BASF	December 2016	Chemical manufacturing plant	
Ford, Nissan, and Lisan	December 2016	Automobile Assembly Units	
TOA Paint	November 2016	Paint manufacturing plant	12 million
Ball Corporation	November 2016	Metal packaging for household and food products	45 million
Taiyo Nippon Sanso	November 2016	Industrial gas manufacturing and wholesale supply	11.29 million
Bluescope Lysaght	October 2016	Steel components manufacturing	6.4 million
Fujifilm	August 2016	Photography and printing production	6 million

*Table 2: Highlights of large investments by foreign players*

As of this year, a total of 811 foreign investors have been permitted to create and operate enterprises in manufacturing.<sup>xvii</sup> They include:

- Manufacturing of Apparel and Accessories;
- Manufacturing and Marketing of Cement;
- Assembling, Manufacturing and Marketing of Motorcycle and Accessories;
- Fabrication, Processing and Sale of Varieties of Glasses;
- Manufacturing of beer;
- Manufacturing and distribution of instant Cereal mix, instant Coffee mix, instant Tea mix, Cereal bars and Cereal flakes;
- Manufacturing of Ribbons, Bows & Rosettes, Pouches, Cord with Barb and Elastic Cord Loops on CMP Basis.



## 2 INVESTMENT OPPORTUNITIES

Most manufacturing-related government tender opportunities are issued by the Ministry of Industry. In an effort to promote industrial development, the Ministry of Industry has been inviting local and foreign investors to engage in Private-Public Partnerships (PPP) with state-owned factories and mills to secure necessary technology and capital

## 2.1 TENDER INFORMATION

Most manufacturing-related government tender opportunities are issued by the Ministry of Industry. In an effort to promote industrial development, the Ministry of Industry has been inviting local and foreign investors to engage in Private-Public Partnerships (PPP) with state-owned factories and mills to secure necessary technology and capital.<sup>xxv</sup>

### Tender Information

The most recent tenders are detailed below and offer an idea into the types of tender openings from the Ministry of Industry.

Invitation of Expression of Interest (EOI) for Cooperation with No.23 Heavy Industry (Nyaung Che Dauk) and No.26 Heavy Industry (Tha Ga Ya) under No.2 Heavy Industrial Enterprise, Ministry of Industry :

- The EOI calls for the development of PPPs between local or foreign entrepreneurs and the Ministry of Industry covering PVC wire production, transformer, machine tool, turbines and generators.
- Tender opening date: 21 November 2016
- Tender closing date: 21 December 2016

Invitation of Expression of Interest (Eoi) for Cooperation Public Private Partnership (PPP) in No.14 Heavy Industry (Thagaya) No.1 Heavy Industries Enterprise, Ministry of Industry.

- Tender opening date: 25th January 2017
- Tender closing date: 28th February 2017

Invitation of Expression of Interest (Eoi) Cooperation with No.16 Heavy Industry (Sinde) No.1 Heavy Industries Enterprise, Ministry of Industry

- Tender opening date: 9th March 2017
- Tender closing date: 4th April 2017

Invitation of Expression of Interest (Eoi) for cooperation in Asbestos Cement Sheet Plant (Hmawbi) under supervision of No.2 Heavy Industrial Enterprise, Ministry of Industry

- Tender opening date: 22nd September 2017
- Tender closing date: 24th October 2017

## Potential Upcoming Tenders

In July 2016, the Ministry of Industry announced that the remaining 47 state-owned factories will be put up for lease to local and foreign investors. Short-term and long-term lease options will be made available to the investors, though no specific time frame for the tender opening has been announced yet.

State-owned factories operate in various fields ranging from textiles and garments, to foodstuffs, beverages, pharmaceuticals, soap and toiletries, enamel wares, aluminum wares, steel products, cement, fertilizer, marble and porcelain wares, rubber goods, leather, packing materials, pulp, paper and paints, etc.

## 2.2 POTENTIAL OPPORTUNITIES FOR FOREIGN INVESTORS

### Strengths and Weaknesses of Local Companies

The strengths of local companies generally include established business contacts, relationships, and networks with stakeholders, as well as having established brands and a better understanding of the local culture, including corporate culture. However, they frequently suffer from weaknesses common to emerging markets, such as capital limitations, technological and technical restraints, and a lack of international standards in the manufacturing of globally competitive goods.

### Opportunities for Foreign Investors

Foreign investors with plans to invest in the local manufacturing sector should consider setting up a factory in an SEZ since they provide attractive tax breaks and incentives, in addition to improved access to international markets.

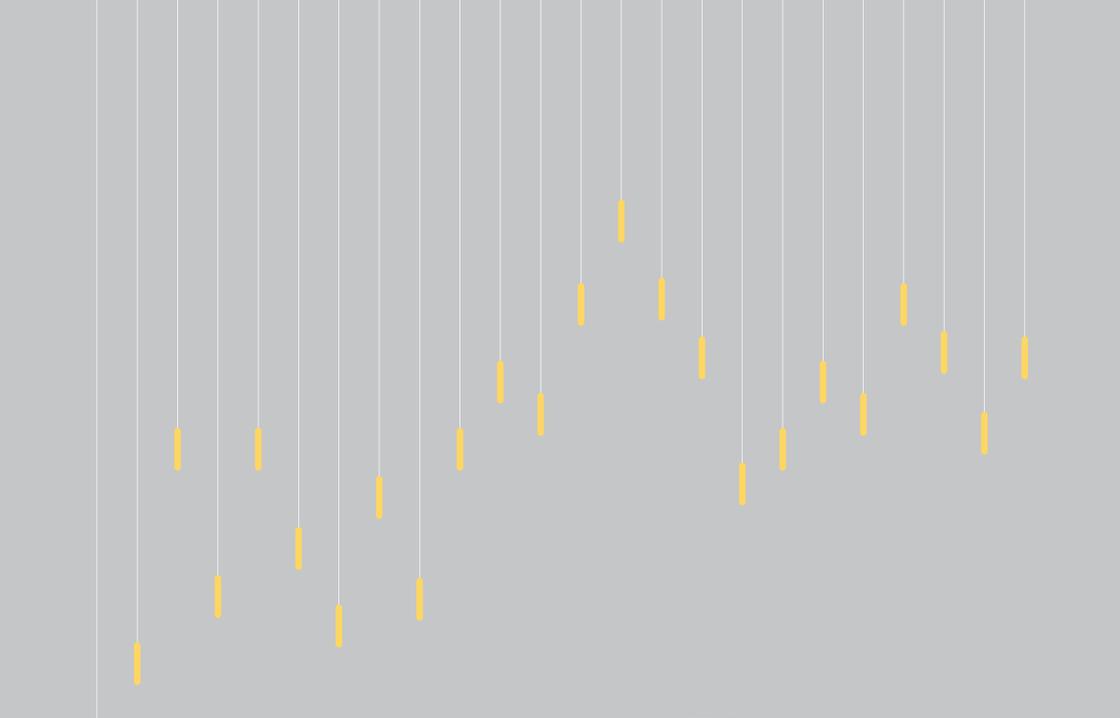
The following are examples of sectors potential investors could consider:

- Agro-processing industries at locations near agricultural production in rural areas
- Capital-intensive industries, such as automotive and land machinery, particularly at locations with good access to international and domestic markets (e.g. SEZs)
- Chemical industries (e.g. pharmaceutical and plastic articles) based on local and regional demand
- Industrial services (e.g. waste water management, recycling, training)
- High-tech industries (e.g. in Yangon, Nay Pyi Taw, Bago and Mandalay) based on local, regional and global demand, and the opportunities through the proximity of international airports
- Labour-intensive industries in second-tier cities (e.g. Patheingyi, Bago, Hpa-an), in the area of production of garments and shoes or the assembly of toys and stationery articles (the garment sector is included in the national export strategic master plan for 2015-2019 and is also forecast to earn the highest export income. At the same time, a master plan drafted by the Myanmar

Garment Manufacturer Association (MGMA) targets USD 10 billion from the export of garments by 2024.)

- Production of construction materials (e.g. Bricks, Cement, Doors, Glass, Paints, Steel, Windows, etc.)
- Wood-processing industry particularly based on hardwood and bamboo such as furniture production, paper and cardboard production, etc.

The advantages of manufacturing in Myanmar are primarily in its labor force and location. Although skilled work resources are limited, there is a large supply of working-age labourers who can be trained to become an efficient workforce. The Population Census 2014 estimates that approximately 63.6% of Myanmar's total population is over the age of 15 are in the labor force.<sup>xxvi</sup> In 2015, the government instituted a minimum wage of MMK 3,600 (about USD 3) per day, lower than the regional average.<sup>xxvii</sup> Myanmar's geographical advantage is its location between two of the world's largest economies, China and India, and offers a strategic port and access to continental Asia without requiring passage through the Malacca Straits.



# 3

**3 GOVERNMENT RULES  
AND REGULATIONS ON  
FOREIGN INVESTMENTS**

### 3.1 GENERAL LEGAL/INVESTMENT STRUCTURE

#### General Legal / Investment Structure Information

The new Myanmar Investment Law (MIL) was signed in October 2016 and has been effective since April 1, 2017; the MIL combines the Foreign Investment Law (FIL) 2012 and the Citizens Investment Law 2013. The new investment law was created to attract both foreign and local investors by simplifying the application process and offering tax breaks, incentives, rights and protections for businesses.

The key points of MIL are:

Key Change	Description
Ease of Foreign Investment	Foreign Investors are permitted to own 100% of businesses which are not on restricted or prohibited lists.
Investment Screening	An investor may submit an investment screening application to the Myanmar Investment Commission (MIC) for non-bidding guidance on whether a proposal investment: <ul style="list-style-type: none"><li>• Requires an MIC Permit application;</li><li>• Requires Pyidaungsu Hluttaw (Union Parliament) approval prior to Permit issuance;</li><li>• Is prohibited or restricted under the MIL and related notifications;</li><li>• In a Promoted Sector under the MIL and related notifications.</li></ul>
Devolvement of Authority for Endorsement Application	Application with investments less than USD 5 million in non-strategic and non-restricted sectors will be handled at the State / Regional level, with close involvement of the State / Regional DICA officials.

Key Change	Description
Removal of Blanket Incentives	<p>Business may be granted tax exemptions if investments are in promoted sectors – the duration of tax exemption is contingent upon the areas in which business set up operations.</p> <ul style="list-style-type: none"> <li>• Less developed regions (Zone 1) granted 7 years of tax exemption;</li> <li>• Moderately developed regions (Zone 2) granted 5 years of tax exemption;</li> <li>• Adequately developed regions (Zone 3) granted 3 years of tax exemption.</li> </ul>
Long-term Land Lease possible beyond MIC Permit	Foreign investors may lease land for their business for up to 50 years (+ 10 years + 10 years with approval from MIC) with private landlords or government entities.
Compensation for Expropriation	<p>Expropriation of investments is allowed under the following conditions:</p> <ul style="list-style-type: none"> <li>(a) necessary for the public interest;</li> <li>(b) carried out in a non-discriminatory manner;</li> <li>(c) carried out in accordance due to process of law;</li> <li>(d) on payment of prompt, fair and adequate compensation.</li> </ul>
Grievance Mechanism	MIC will establish and manage a grievance mechanism to inquire and resolve issues before escalation to legal disputes, and to prevent the occurrence of disputes.

Under the MIL, a foreign investor is allowed to conduct business in Myanmar as a:

- 100% foreign-owned entity in permitted sectors;
- Joint venture with foreign, local, or government entities.

Promoted sectors for investment include:

- Agriculture and related services;
- Plantation and conservation of forest;
- Livestock production, breeding and production of fishery products.

## Myanmar Investment Commission (MIC)

Investors must submit a proposal to the MIC only if the investments are:

- Activities essential to the national strategy;
- Large capital intensive investment projects;
- Likely to cause a large impact on the environment and local community;
- Use state-owned land and buildings;
- Designated by the government as necessary to submit the proposal the committee.

## Upcoming Laws

A new piece of legislation called the Myanmar Companies Act was submitted to the upper house of Parliament in July 2017 and will replace an older version of the Act drafted in 1914. The act will improve corporate governance by allowing:

- More flexible capital structures and changes to capital share;
- Foreign investors will be able to purchase shares in the Yangon Stock Exchange;
- Eliminate the requirement for foreign firms to obtain a permit to trade from DICA;
- Possibility to incorporate a one-person company with a unique director;
- Foreign investors will be able to obtain ownership interest up to a threshold of 35% in a Myanmar company before the company is considered a foreign company.

## 3.2 MANUFACTURING-RELATED RULES AND REGULATIONS

Notification 15/2017 issued by the MIC distinguishes business activities based on their types of ownership. The notification categorizes business activities that are prohibited, that can only be conducted in the form of a joint venture with Myanmar citizens or the government, and that can only be conducted under specific conditions (please refer to the annex for the full list).

### Activities Permitted for 100% Foreign Ownership

Economic activities which are not included in the notification can be carried out with 100% foreign investment. This requires the approval of the relevant Ministry, except for investments reviewed by the MIC.

## Activities Permitted for Joint Ventures

Economic activities which are not included in the notification can be carried out with 100% foreign investment. This requires the approval of the relevant Ministry, except for investments reviewed by the MIC.

### ACTIVITIES PERMITTED AS JOINT VENTURE WITH MYANMAR CITIZENS

The following activities can only be carried out in the form of a joint venture with Myanmar citizens.

#### SECTOR

- Manufacturing and domestic marketing of plastic products
- Manufacturing and domestic distribution of chemicals based on available natural resources
- Manufacturing and domestic distribution of flammable solid, liquid, ' gaseous fuels and aerosol (Acetylene, Gasoline, Propane, Hair Sprays, Perfume, Deodorant, Insect spray)
- Manufacturing and domestic marketing of oxidants (Oxygen, Hydrogen Peroxide), compressed gases (Acetone, Argon, Hydrogen, Nitrogen, Acetylene)
- Manufacturing and domestic marketing of corrosive chemicals (Sulphuric Acid, Nitric Acid)
- Manufacturing and distribution of industrial chemical gases including compressed, liquefied and solid forms
- Value added manufacturing and domestic distribution of cereal products such as biscuits, wafers, all kinds of noodles and vermicelli
- Manufacturing and domestic distribution of all kinds of confectionery including those of sweet, cocoa and chocolate
- Manufacturing, preserving, canning, processing and domestic distribution of food products except milk and dairy products
- Manufacturing and domestic distribution of malt and malt liquors and nonaerated products
- Manufacturing, distilling, blending, rectifying, bottling and domestic distribution of all kinds of spirits, alcohol, alcoholic beverages and non-alcoholic beverages
- Manufacturing and domestic distribution of all kinds of purified ice
- Manufacturing and distribution of purified drinking water
- Manufacturing and domestic distribution of all kinds of soap
- Manufacturing and domestic wholesale of all kinds of cosmetic products

## ACTIVITIES NOT ALLOWED TO BE CARRIED OUT BY FOREIGN INVESTORS OR ONLY ALLOWED TO BE CARRIED OUT BY THE UNION

- Manufacturing of forest products from forest area and government administered natural forest;
- Manufacturing and related services of Arms and ammunition for the national defense;
- Manufacturing of products for security and defense being specified by the notification of the Government from time to time.

## ACTIVITIES PERMITTED BY THE RELEVANT MINISTRY

### SECTOR

### MINISTRY

Manufacturing and distribution of medicines which are produced by using narcotic and psychotropic substances

Ministry of Home Affairs

Manufacturing and maintenance of locomotives, carriages, wagons and spare parts and maintenance of railway

Ministry of Transport and Communication

Production and distribution of satellite communication items

Production and distribution of radar communication items and related equipment

Production and distribution of radio communication items

Production and domestic marketing of mobile handset and telephone

## SECTOR

Manufacturing and distribution of veterinary biological products

Manufacturing and distribution of veterinary medicines

Importing, production, domestic marketing and re-exporting of seed  
Importing, production and distribution of varieties of plant

Manufacturing, storage, distribution and exporting of agricultural pesticide, fertilizer, hormone, etc.

Production and exporting of hybrid seeds

Wood-based industries and related services (Restriction-must establish the forest plantations)

Large scale manufacturing of pulp for paper

Manufacturing and marketing of gems, jewellery and finished products with foreign investment

Manufacturing of Vaccine

Manufacturing private traditional medicine and medical product

Manufacturing of traditional drugs

## MINISTRY

Ministry of Agriculture, Livestock and Irrigation

Ministry of Natural Resources and Environmental Conservation

Ministry of Industry

Ministry of Health and Sports

# Investing in Special Economic Zones

Investing in SEZs provides lucrative benefits for investors compared with other industrial zones. The following explains the privileges that investors enjoy when setting up their business in SEZs.

According to the Special Economic Zone Law enacted in 2014, SEZs are categorized as free zones, promotion zones and others. Free zones are intended to encourage export-oriented activities and include manufacturing, transportation and wholesale businesses. Free zone activities are entitled to reduced custom duties and other tax exemptions related to goods made in the SEZs and goods imported as raw materials.

Promotion Zones are focused on the domestic market within SEZs. They include businesses such as manufacturing, housing, departmental stores, banking, insurance, schools, hospitals and recreational places.

## TAXES AND DUTIES

### FREE ZONES

Income tax exemption for the first seven years

After seven years, 50% relief of current legal income tax rates for five years

After 12 years, 50% relief of current legal income tax for profit that is reinvested within one year as a reserve fund for the next five years  
Exemption from commercial tax or valued-added tax

Exemptions from customs duties and other relevant taxation on imports of raw materials for production machinery instrument and necessary spare parts for production; construction material for building such as factories, warehouses and own offices and motor vehicles

Exemptions of customs duties and other relevant taxation on the import

### PROMOTION ZONES

Income tax exemption for the first five years

After five years, 50% relief of current legal income tax rates for the second five years

After 10 years, 50% relief of current legal income tax for profit that is reinvested within one year as a reserve fund for the next five years.

For the first five years, exemptions from customs duties and other relevant taxation on production machinery and replacement parts; and construction materials for building the business's own facilities, such as factories, warehouses and offices.

For the resources listed above, 50% relief of the custom duties and other

## TAXES AND DUTIES

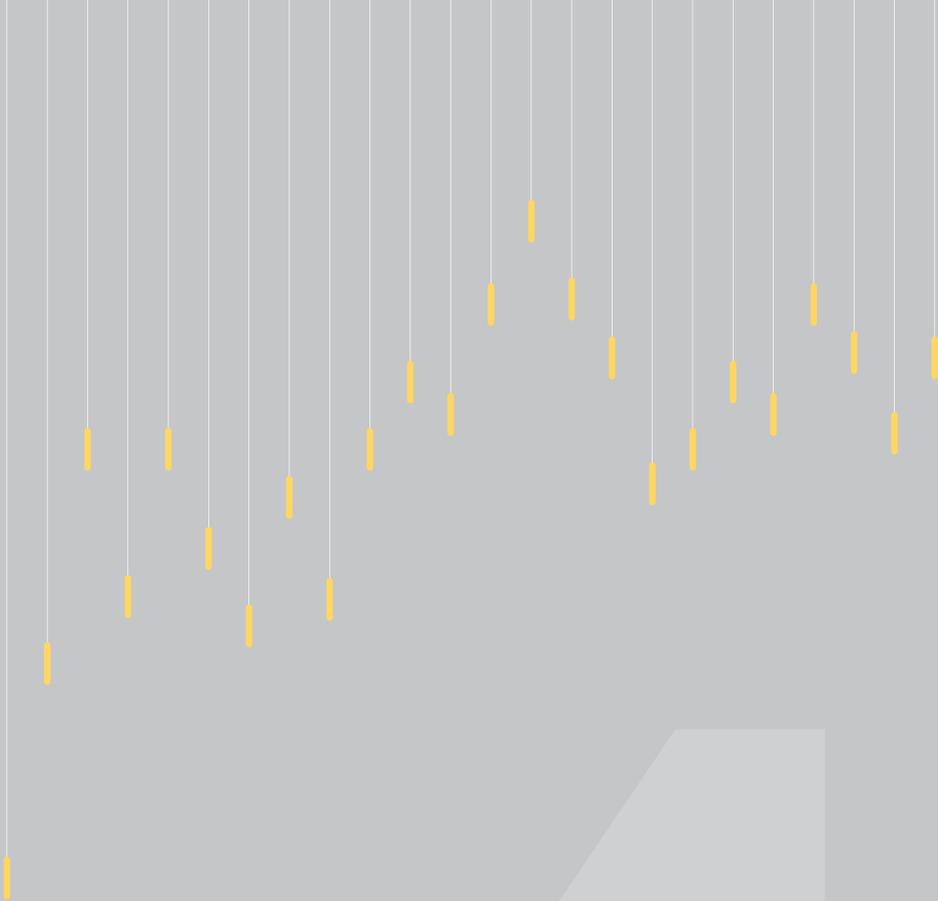
of trading goods, consignment goods, motor vehicles and other materials which are essential for a business's free-tax wholesale trading, export trading and services of provision and transportation.

The option to apply for exemption on import tax or value-added tax for goods imported from a local or Promotion Zone to a Free Zone for the investor of Free Zone.

taxation the next five years.

For the resources listed above, the option to apply for a refund of customs duties and other taxation paid on importing them, if the goods they produce are exported abroad or into a Free Zone.

Exemption of commercial tax and value added tax during the relevant relief period provided in the Special Economic Zone Law.



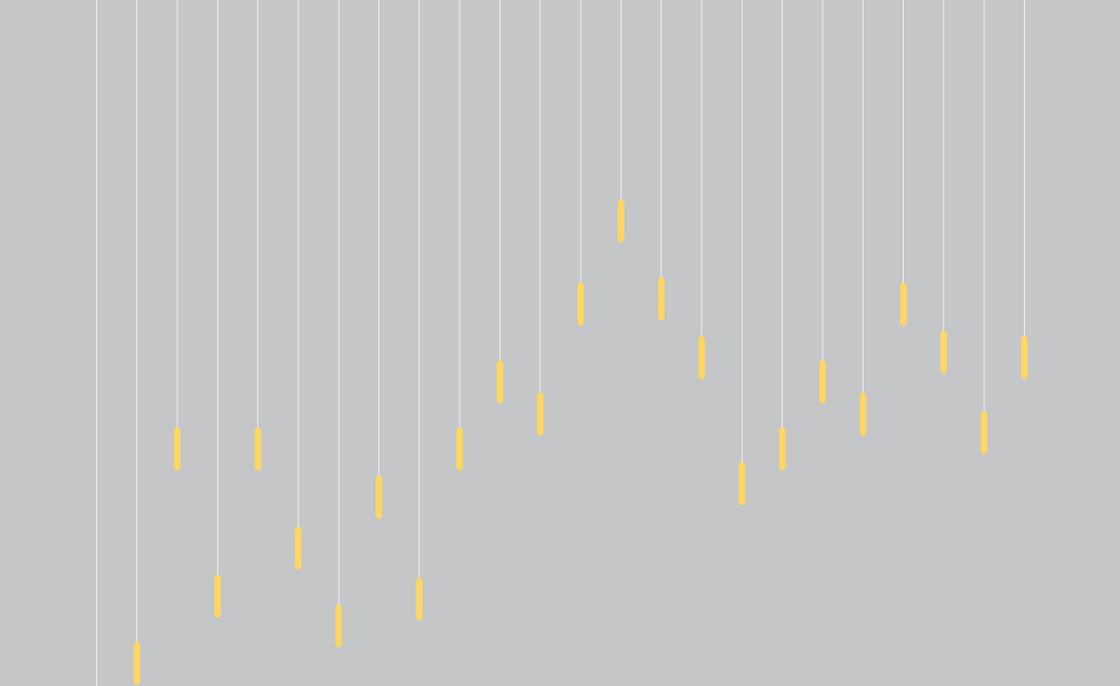
# 4 CHALLENGES AND OUTLOOK

# 4

Myanmar's manufacturing sector has significant potential to be an engine of growth in the long run. However, the country's relatively under-developed infrastructure poses major challenges for both foreign and local investors in the manufacturing sector. According to the latest Logistics Performance Index (LPI) statistics released by the World Bank, Myanmar ranked at 113 of 160 in 2016. For now, nearly all manufacturing companies and factories use secondary power generators due to the country's unsteady and low-voltage electricity.

Further, Yangon's industrial zones have been left largely to fend for themselves while the government focuses on SEZs. The industrial zones have lagged behind SEZs in terms of infrastructure and other investor benefits. However, the government will need to ensure the industrial zones attain good infrastructure and reach international standards, simply because there are far more of them and far more investors than in SEZs. If these zones can fulfil the infrastructural needs of manufacturing, their attractiveness to foreign investors will increase significantly.

Despite these challenges, Myanmar's manufacturing sector will likely experience strong growth in the coming years given infrastructure development, an improving regulatory climate, better access to international markets, untapped potential, and the country's large pool of low-cost labour. The country's current electrification rate is 33% but is expected to reach 100% by 2030 with the help of international financial aid.<sup>xxix</sup> The government is also focused on improving the domestic road network with the help of international agencies. With strong incentives for companies willing and able to commit to Myanmar's future, the manufacturing sector will undoubtedly become a major source of FDI and a driver of economic growth.



# 5

**5 INDUSTRY CONTACT  
INFORMATION**

## 5.1 GOVERNMENT OFFICES

### Ministry of Industry

The Ministry of Industry is the focal Ministry for most manufacturing activities. However, when investing in the manufacturing sector, investors need to undergo certain processes from other relevant Ministries. For example, when setting up a plant manufacturing pharmaceutical products, the investor needs to obtain a recommendation from the Ministry of Health and Sports.

#### MAILING ADDRESS

Director General  
Ministry of Industry  
Building No. 30, Office Compound, Nay Pyi Taw

#### CONTACT

+ (95) 67- 405 320, 405 055, 405 413,  
405 151, 405 059

### Yangon Electric Supply Corporation

Yangon Electric Supply Corporation (YESC) is a government body under the Ministry of Electricity and Energy for the electric supply of Yangon.

#### MAILING ADDRESS

Lower Kye Myin Daing Road, Ahlone Tsp, Yangon

#### CONTACT

+ (95) 67- 408 002, 408 265, 408 485

### Ministry of Natural Resources and Environmental Conservation

For some investment opportunities that require an Environmental Impact Assessment, the role of the Ministry of Natural Resources and Environmental Conservation is vital.

#### MAILING ADDRESS

Director General  
Department of Forest  
Ministry of Natural Resources and  
Environmental Conservation  
Building No. 39, Office Compound, Nay Pyi Taw

#### CONTACT

+ (95) 67- 405 320, 405 055, 405 413, 405 151, 405  
059

## Ministry of Commerce

Exporting agricultural produce and importing products such as farm implements can only be done with an export/import license issued by the Ministry of Commerce. Trading licenses for most of the products are issued in Yangon.

### MAILING ADDRESS

Director General  
Department of Trade  
Ministry of Commerce  
Building No. 3, Office Compound, Nay Pyi Taw

228- 240, Strand Road, Yangon

### CONTACT

+ (95) 67- 408 002, 408 265, 408 485 (NPT)  
+(95) 1- 251 197 (YGN)

The Customs Department is an arm of Ministry of Planning & Finance.

### MAILING ADDRESS

Director General  
Department of Customs  
Ministry of Planning & Finance  
Office No. 45, Naypyitaw

Customs House, Strand Road, Yangon.  
Kyauktada Township, Yangon

### CONTACT

+ (95) 067-430171 (NPT)  
01-380729 (YGN)

## MINISTRY OF PLANNING AND FINANCE

The Directorate of Investment and Company Administration (DICA) and the Myanmar Investment Commission (MIC) are the focal bodies for incorporation of foreign businesses. Both fall under the authority of the Ministry of Planning and Finance. Companies need to be aware of procedural updates issued by the MIC in order to successfully navigate the legal aspect of investment.

### MAILING ADDRESS

Director General  
Directorate of Investment and  
Company Administration  
Ministry of National Planning and Economic  
Development  
Building No. 32, Office Compound, Nay Pyi Taw

## DICA

### MAILING ADDRESS

No.1, Thitsar Road,  
Yankin Township, Yangon

### CONTACT

+ (95) 1- 658 143, 657 891, +(95) 67- 406 47

## MIC

### MAILING ADDRESS

No.1, Thitsar Road,  
Yankin Township, Yangon

### CONTACT

+ (95) 1- 657 891, 658 127 to 30

## 5.2 BUSINESS ASSOCIATIONS

Most business associations are formed under the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) and are located in the UMFCCI building.

ENTITY NAME	PHONE NUMBER	EMAIL/WEB
Myanmar Industries Association	+ (95)-1-214 830 214 831, + (95)-1-214 832	industries.association. mm@gmail.com www. myanmarindustries. org
Myanmar Garments Manufacturers Association	+ (95)-1-230 0253	inquiries@myanmar-garments.org http://www. myanmargarments. org/
Myanmar Plastic Industries Association	+ (95)-1-214 835	
Myanmar Automobile Manufacturer and Distributor Association	+ (95)-9-425 315 222, 253 263 634	info@mpia-myanmar. com http://www. mpia-myanmar.com/
Myanmar Pulp and Paper Industry Association	+ (95)-9- 506 7193	contact@ mamdamyanmar. com.mm http://www. mamdamyanmar. com.mm/

- i Oxford Business Group, "Economy Overview," *The Report: Myanmar 2017* (p 58).
- ii DICA, Yearly approved amount of foreign investment (by sector), (October 31 2017).
- iii Ministry of Planning and Finance, "National Accounts," 2016 Myanmar Statistical Yearbook; Ministry of Planning and Finance, "Industry, Construction, and Myanmar Business Survey," 2016 Myanmar Statistical Yearbook.
- iv Oxford Business Group (p. 175).
- v Industrial Policy, Ministry of Industry (February 2016).
- vi Economic Policy of the Union of Myanmar (July 29).
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- viii Pricewater Cooper, *Myanmar Business Guide*, 5th ed., (October 2017).
- ix Ibid.
- x Htin Lynn Aung, "Work on Thilawa 'Zone B' to Begin after Rainy Season," *Myanmar Times* (July 20 2016) < <https://www.mmtimes.com/business/21484-work-on-thilawa-zone-b-to-begin-after-rainy-season.html>>.
- xi Ibid.
- xii Ibid
- xiii Ibid.
- xiv Ibid.
- xv Ibid.
- xvi Pricewater Cooper.
- xvii HKTDC Research, *Myanmar Rising: Industrial and Special Economic Zones* (Aug. 16 2016) < <http://hkmb.hktdc.com/en/1X0A72FF/hktdc-research/Myanmar-Rising-Industrial-and-Special-Economic-Zones>>.
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- xx Nilar, "China dominates clothing sector," *Eleven* (May 28 2017) <<http://www.elevenmyanmar.com/business/9700>>.
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- xxvi Ministry of Labour, Immigration, and Population, *The 2014 Myanmar Population and Housing Census: Thematic Report on Labour Force* (June 2017).
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- xxviii For a list of designated development zones, see Notification 10/2017.
- xxix World Bank Group, *Powering up Myanmar: More than 7 million new electricity connections needed by 2030* (Oct. 8 2014) < <http://www.worldbank.org/en/news/feature/2014/10/08/powering-up-myanmar-more-than-7-million-new-electricity-connections-needed-by-2030>>.

## TRUSTED SERVICE PARTNERS

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## European Chamber of Commerce in Myanmar

271–273 Bagayar Street  
Sanchaung Tsp, Yangon, Myanmar



+95 9 45058 2335



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