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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 report serves as a guide for European small-to-medium sized enterprises interested in investing in Myanmar; it starts with a sector overview followed by entry-level information and relevant contact details.

Please contact us for further information and support.

Yangon, October 2018



The voice of European business
in Myanmar

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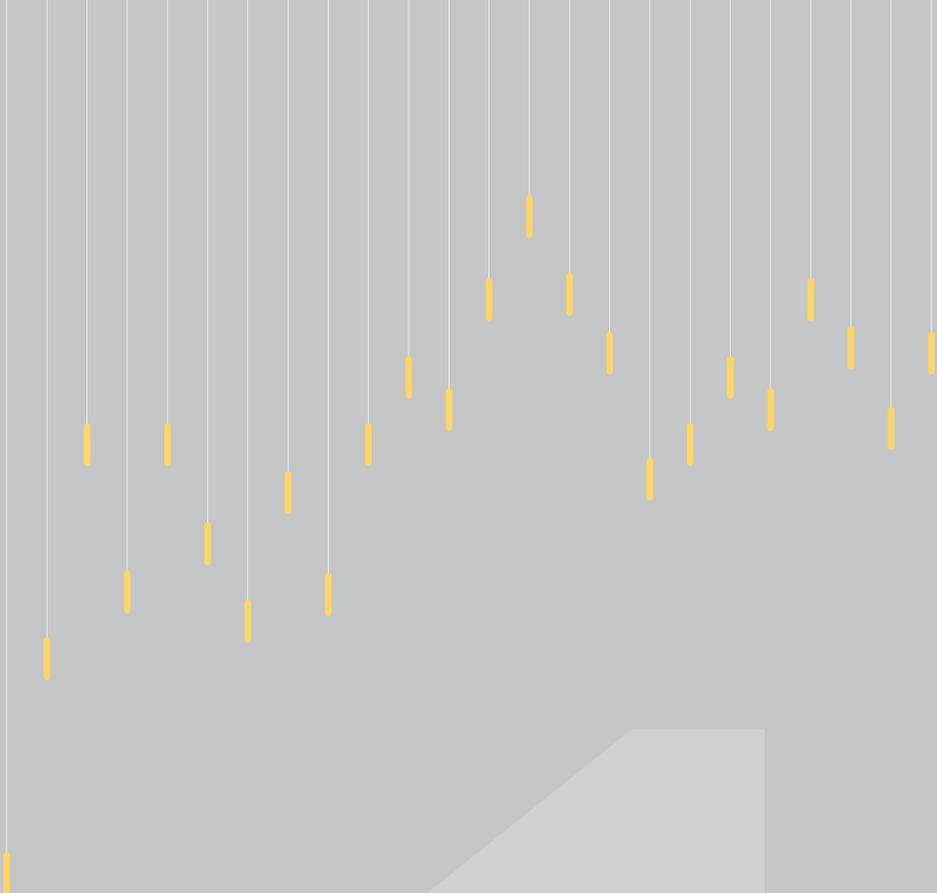
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ACRONYMS

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



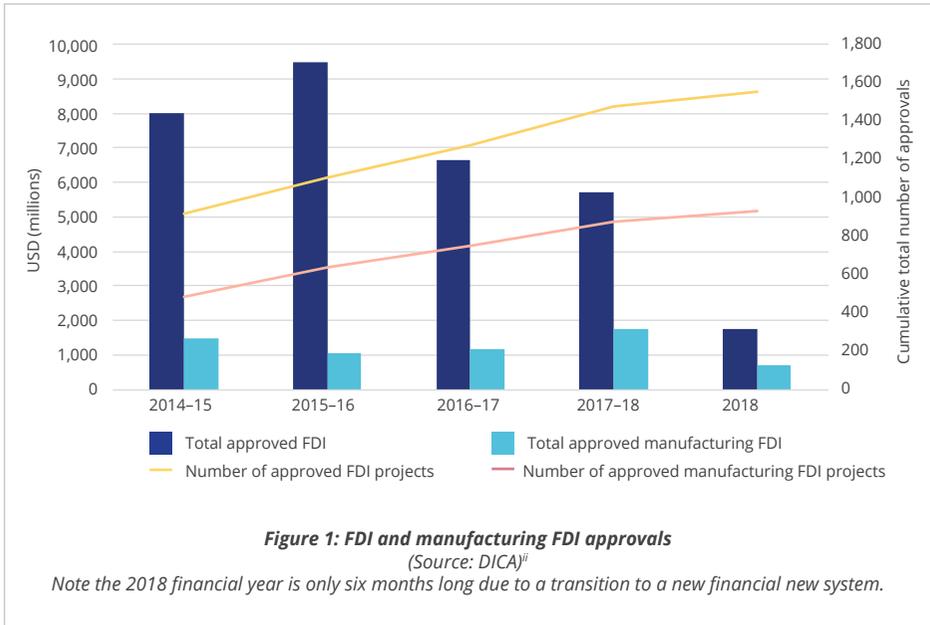


1. SECTOR OVERVIEW

Myanmar's industrial and retail sectors have been bolstered by strong macroeconomic fundamentals, economic liberalisation, and regulatory reforms aimed at encouraging investment.

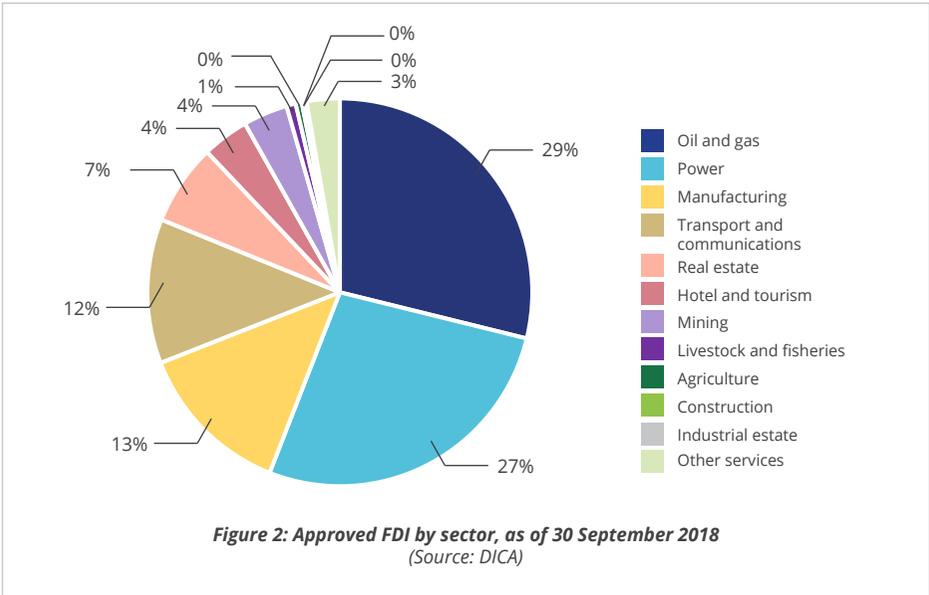
According to officials from the Directorate of Investment and Company Administration (DICA), the government has set a target of USD5.8 billion in approved Foreign Direct Investment during the 2018-19 fiscal year, the same number that was achieved in 2017-18¹.

The statistics show foreign investors' interest in manufacturing is growing, in relative terms. While historically year-to-year FDI approvals figures can be distorted by a few small, high-value projects (such as upstream gas projects from 2014 to 2016), manufacturing figures have been consistently strong, and growing.

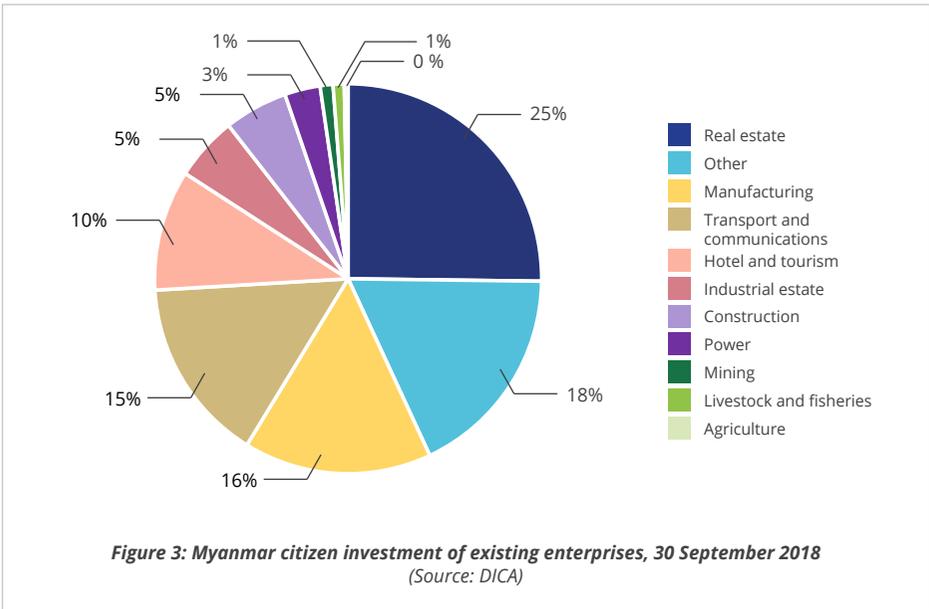


A total of 1,555 different FDI projects have been approved since 1988, of which about 60% have been in manufacturing. Manufacturing project approvals tend to be smaller, but more frequent, than other investments.

In dollar terms, manufacturing is the third largest sector for approved FDI, behind oil and gas, and power. However, both oil and gas and power tend to be driven by a handful of small, high-value projects.



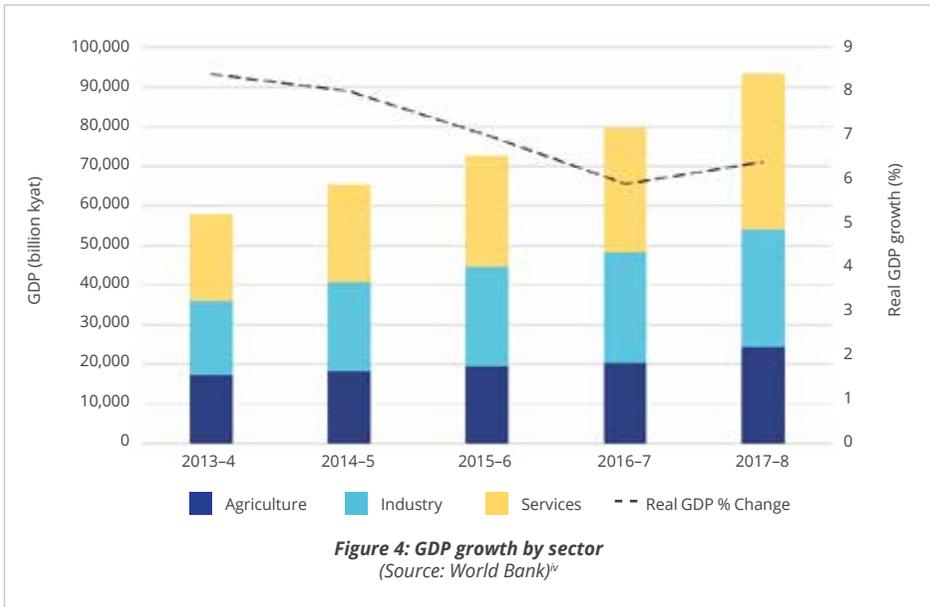
Figures showing investment from Myanmar citizens also points to the importance of manufacturing. DICA's data on Myanmar citizen investment of existing enterprises, as of 30 September 2018, shows manufacturing as the third largest sector, behind real estate and other, worth a total of MMK2.54 billion.



1.1 CURRENT MARKET SITUATION / UPDATES

Manufacturing is set to be a mainstay of Myanmar's future economic development. With attractive incentives for foreign investment and Special Economic Zone (SEZ) laws, along with low labour costs and a strategic geographic position, manufacturing is expected to continue to expand and to propel future economic growth.

In the fiscal year 2017–18, industry comprised of 31.6% of Myanmar's GDP (services comprised of 42.2% and agriculture 26.2%). As is common with most developing markets, services have been increasing as a share of GDP and agriculture has declined in relative terms, though industry has been more or less steadyⁱⁱⁱ. While manufacturing has held steady in relative terms, the rapid economic growth means it has grown significantly in terms of value, from MMK18.7 trillion in 2013–14, to MMK29.6 trillion in 2017–18.



The World Bank noted in its May 2018 Myanmar Economic Monitor publication that manufacturing counts for 75% of industry. Manufacturing grew by 11% in 2017–18, supported by strong food processing performance and external demand for garments^v.

1.2 MANUFACTURING PLANS AND POLICIES

The previous government released its Industrial Policy in early 2016, before the transition to the National League for Democracy government in April. The policy is to run from 2016–22 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% in the 2013–14 FY to 37% by the 2030–31 FY. The plan further highlights challenges in Myanmar, including poor infrastructure and lack of skilled labour^{vi}.

In the short-term, the Industrial Policy prioritises:

- 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 priorities: technical-based industries, such as automobile parts manufacturing industry.

In the long-term, the Industrial Plan prioritises:

- 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 centres 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^{vii}.

Although the lack of detail in the 12-point economic plan had been criticised, in August 2018 the Ministry of Planning and Finance released a much more comprehensive document called the Myanmar Sustainable Development Plan (2018–30)^{viii}. It is based around three “pillars”: peace and stability, prosperity and partnership, and people and planet, and contains a detailed list of goals, and strategies to achieve those goals.

1.3 LOCATION OF SPECIAL ECONOMIC ZONES (SEZs)

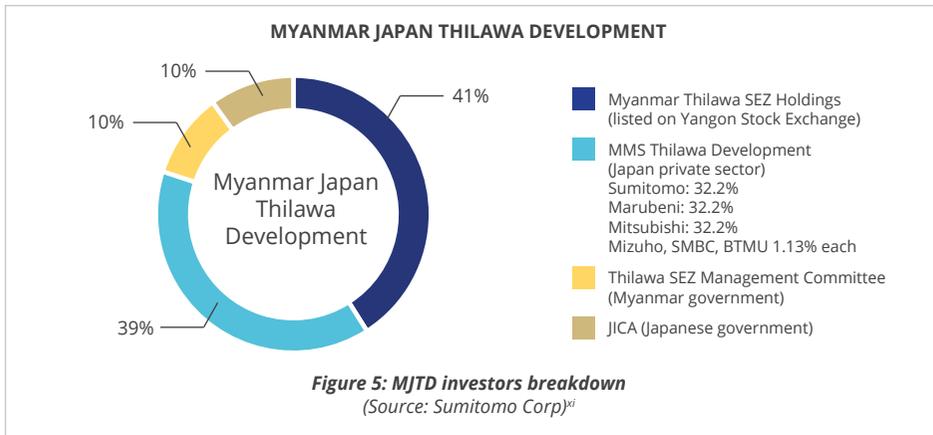
Myanmar’s three SEZs are expected to develop large manufacturing centers, though all are at different stages of development. Myanmar’s SEZs offer a number of advantages for manufacturers. These include clear land rights, faster permits and licenses, tax incentives, and improved transport and logistics access.

THILAWA SEZ

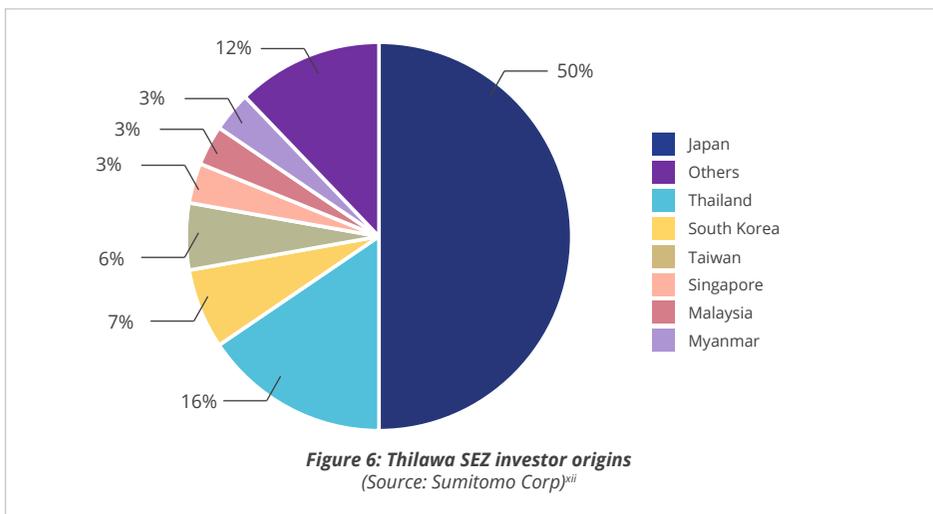
The Thilawa Special Economic Zone (SEZ) is Myanmar’s first SEZ. It is located on the outskirts of Yangon next to two existing cargo port terminals: the Myanmar International Terminal Thilawa and the Myanmar Integrated Port. Its strategic location is expected to facilitate growth in export-oriented industries. Thilawa SEZ Zone A has been operational since 23 September 2015; a total of USD1.19 billion in investment has been pledged from 94 companies, mainly but not entirely foreign, to the SEZ, with 12 of those investments worth USD140 million coming in the past year^{ix}. Nearly all of Zone A has been sold at the

SEZ, with 61% of Zone B Phase 1 sold. Work is now underway on Zone B Phase 2, though there is a significant amount of land to be developed.

Major companies focused on the domestic market located Thilawa are in businesses include construction, food and beverage, and agriculture. Some prominent firms are Japan Pile in construction piles, JFE Steel in the steel plate business, Ajinomoto in seasoning, Marubeni and Mitsui & Co in fertiliser, and Kubota in agricultural machinery. Export-oriented companies at Thilawa include a variety of garment, electronic and automobile-related firms, alongside some other investments*.



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 in the years ahead.



KYAUKPHYU SEZ

The Kyaukphyu SEZ is planned for southern Rakhine State. A consortium of six foreign companies led by Chinese conglomerate CITIC were announced in December 2015 as winners of a bid for design and operation of the industrial zone and port component at the SEZ^{xiii}.

Construction on the 1,000 hectare industrial park is due to take place in three phases, including a range of businesses such as textiles and garment factories, construction material facilities, food processing industries, and marine supply and maintenance facilities. The deep sea port is to be built of 20 years in four phases, with an annual capacity of 7.8 million tonnes of bulk cargo and 4.9 million containers^{xiv}.

Since the award, negotiations have been ongoing over the size of the project. Reports have varied over how much ownership Myanmar will have over the project. Myanmar is concerned about the size of debt involved in the project, and sought to negotiate for a smaller project before proceeding^{xv}.

While specifics around the Kyaukphyu SEZ have been controversial, there is a consensus that a properly-executed project can be a significant driver of local employment, generate a large amount of economic activity, and serve as a crucial stop on the China-Myanmar trade corridor.

DAWEI SEZ

Thailand and Myanmar have been planning the Dawei SEZ in Tanintharyi Region for at least a decade, signing a first Memorandum of Understanding in 2008, though the arrangements have been reconfigured since then as the two countries seek to move the project forward. Japan later signed what was described as a memorandum of intent in 2015 along with Myanmar and Thailand, and further foreign interest – and finance – will play a major role in determining if it indeed moves forward^{xvi}.

In its entirety, the SEZ is to cover 196 sq. km., including a deep water port and a range of various industries. One of the main drawing cards of the project is its proximity to Thailand, with Bangkok only 350 km away. The backers have decided to start with a much less ambitious initial phase, covering 27 sq. km., without a deep sea port or heavy industry, and instead focusing on light industry such as fish canneries^{xvii}. This initial zone is now waiting on various conditions to be fulfilled before work is to begin. The Dawei SEZ Management Committee is currently chaired by Dr Tun Naing. He is also the deputy minister for electricity and energy^{xviii}.

1.4 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^{xix}. Some zones have since become success stories, while the development of others has been hampered by a range of issues.

Yangon Region is the centre of Myanmar's industrial production, with by far the largest number of active industrial zones in the country. Currently there are over 20 industrial zones in Yangon Region, taking advantage of the region's relatively strong infrastructure and deeper human resources pool.

No.	Industrial zone name	Location	Area aggregate (acres)
1	South Okkalapa	East Yangon District, South Okkalapa Township, 8 Ward	35
2	Dagon Seikkan (1,2)	East Yangon District, New Dagon (port)	1208.695
3	South Dagon 1	23 Ward, Dagon New Town (South Side)	475.374
4	South Dagon 2	East Yangon District, Dagon Township (South), 63/64 Ward	214.53
5	South Dagon 3	64 Ward, Dagon New Township (South)	53.316
6	North Dagon	Yangon District, Dagon Township (North), 34 Extension Ward (Balli Bridge)	25
7	North Okkalapa	North Okkalapa Township, Thudama Road, beside 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	Mingalardone	Corner of No.3 High Way Road & Khayaepin Road	184
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 (1/2/3/4/6/7)	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 5	No. 196, Anawratha Road, Hlaing Tharyar Township	222.933
16	Shwe Lin Ban	Hlaing Thayar Township	1,100
17	Shwe Pyi Thar (1)	Between No. 4 High Way Road and Yangon-Pyi Railway, Shwe Pyi Thar Township	336 (385 lots)
18	Shwe Pyi Thar (2/3/4)	Shwe Pyi Thar, Insein Township	SPT2 = 204.512 SPT3 = 394.504 SPT4 = 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)



Figure 7: Map of industrial zones in Yangon
(Source: HKTDC Research)^{xx}

Industrial zones are slowly being added outside of Yangon Region. The first areas for development are near Yangon, in neighbouring Ayeyarwady Region and Mon State, and especially Bago Region. Secondary industrial centres are emerging as well, with Mandalay Region being the most notably example.

A recent development is the Yangon New City, an enormous project planned for southwest Yangon. The developers, New Yangon Development Corporation, is owned by the Yangon

Region government. It is tasked to develop 20,000 acres of land west of central Yangon into Phase One of the New City, meaning turning it into an urban industrial district that will initiate creation of two million jobs.

Planning is ongoing on the Yangon New City as of publication of this guide, but accomplishing the goal of two million jobs will require a large manufacturing component. When the project goes ahead, it is likely to cater particularly to manufacturing entrepreneurs.

1.5 MARKET STATISTICS

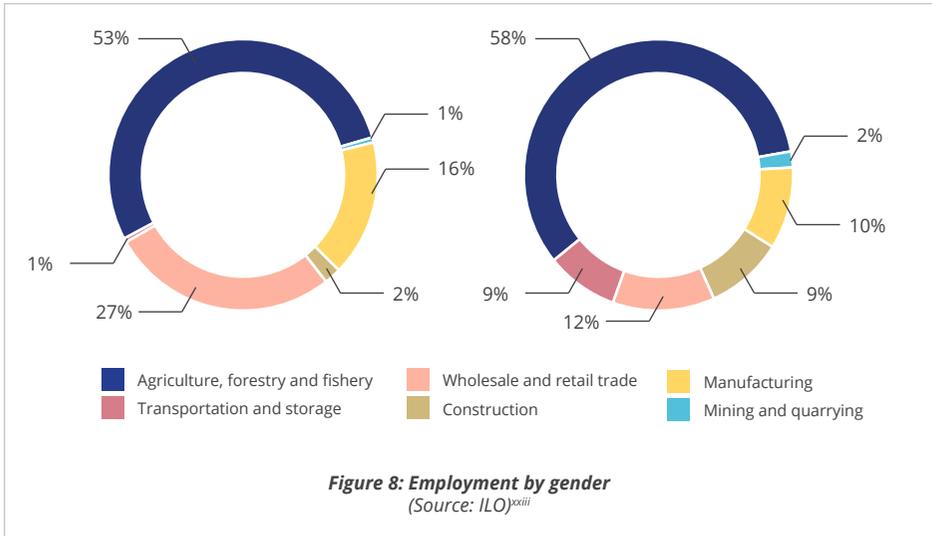
Currently, manufacturing is dominated by smaller-sized firms, though naturally this varies significantly based on the industry.

Type of manufacturing	No. of companies	% of companies with 0–4 workers	% of companies with >100 workers	% of companies with total income over MMK100,000,000 per year
Food products, beverages and tobacco products	27,127	67%	0.9%	18.8%
Textiles, wearing apparel, leather and related products	3,830	33.1%	8.2%	30.6%
Wood products	1,114	42.8%	1%	11.4%
Paper products	1,455	62.2%	1.3%	8.8%
Chemicals and chemical products	299	17.1%	8.4%	25.5%
Pharmaceutical products	228	70.9%	1.6%	12.1%
Rubber, plastics, and other non-metallic mineral products	7,137	68.1%	1%	5.2%
Basic metals and fabricated metals, except machinery	3,077	48.2%	0.6%	9.9%
Electrical equipment	51	12.1%	38.7%	70.5%
Machinery and equipment	187	46.4%	1.4%	13.1%
Transport equipment	486	68.3%	0.6%	13.9%
Furniture	1,229	60.1%	0.6%	8.5%
Other manufacturing; repair and installation of machinery and equipment	4,109	66.3%	0.7%	9.3%

Table 2: Size of various manufacturing firms
(Source: Myanmar Business Survey, 2015)^{xxd}

Gradually, firms are generally likely to grow in size, as the economy matures, and more large foreign players enter the market. There are opportunities both for export-oriented businesses such as garments and electronic manufacturing, and for domestically-focused businesses like building materials and some food production.

Manufacturing is a major, growing source of employment. While agriculture continues to be the main occupation for both men and women, the ILO’s latest Annual Labour Force Survey (2017) shows employment is heavily concentrated in retail / wholesale and manufacturing. Women in particular are likely to have jobs in manufacturing, though it is the third-most common sector for jobs for both men and women^{xxii}.



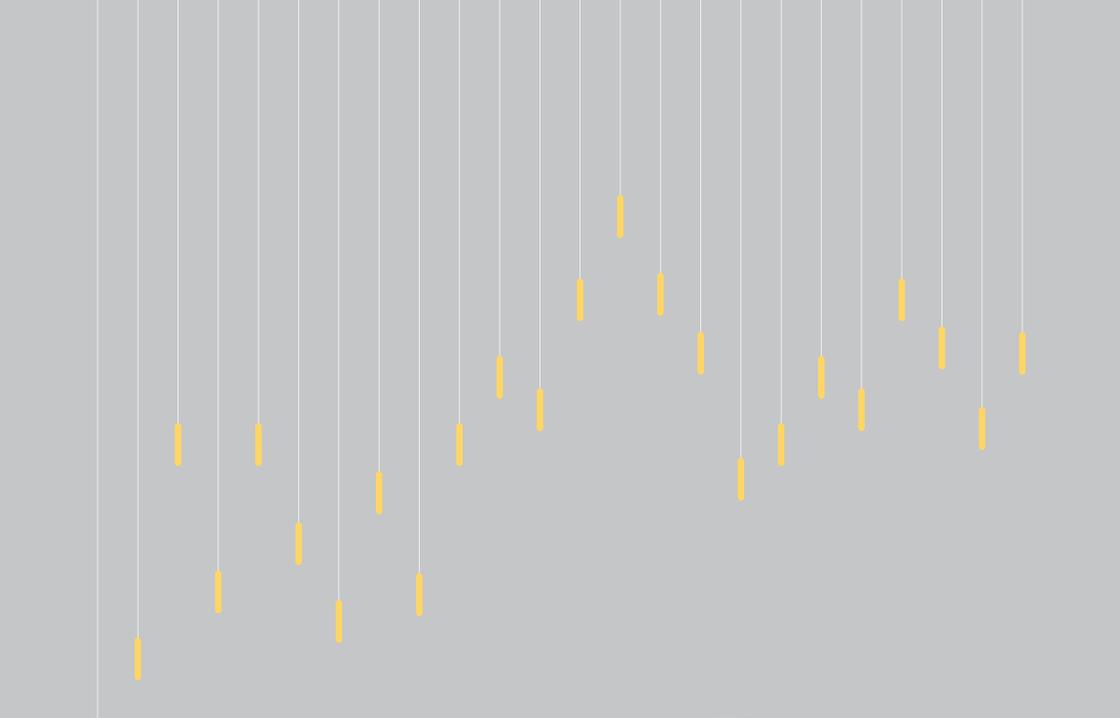
Significant manufacturing subsectors

Domestic manufacturing is a growing part of Myanmar’s non-agricultural exports. In common with many developing economies, garments manufacturing is a major export driver. Growth in garment exports has averaged about 25% yearly since 2012, worth an estimated USD2.7 billion in 2017^{xxiv}. About half of this currently goes to the European Union, though as publishing this guide there are discussions that Myanmar’s preferential trade privileges are being considered for suspension due to the Rakhine crisis.

A wide range of other industries are attractive to potential investors. It is clear that foreign investments in the food and beverage, electrical machinery and automotive parts manufacturing sectors have all increased over the past few years. Myanmar is working its way up the value chain, with more export diversification and value add likely as the economy grows and areas such as human resources, logistics and electricity access are improved.

1.6 MANUFACTURING SECTOR ANALYSIS

The path Myanmar's manufacturing sector is following mirrors that of regional success stories, particularly the Asian tiger economies of Hong Kong, Singapore, South Korea and Taiwan. The country is making progress on attracting basic manufacturing such as garment production, and increasingly other export-oriented industries such as electronic components. Over time, the expectation is that Myanmar will continue to rely on the manufacturing sector as an engine for growth, supported by improvements to industrial zones and SEZs. Risks, including effects from the Rakhine crisis and challenges in the world economy, remain present, but most observers continue to be optimistic about the country's long-term growth potential, driven in large part by manufacturing opportunities.



2. INVESTMENT OPPORTUNITIES

The private sector is the main source of investment opportunities in the manufacturing sector in Myanmar. Improvements are being made to the domestic investment climate to encourage the sector, ranging from streamlining approvals processes, moving company registrations online and relaxing restrictions on foreign companies through the Companies Law, to developing hard infrastructure and improving the education system. Myanmar's current goal is to improve its ranking on the World Bank's Ease of Doing Business from 171 out of 190 countries at present to within the top 100 in three years^{xxv xxvi}.

2.1 POTENTIAL OPPORTUNITIES FOR FOREIGN COMPANIES

2.1.1 Strengths and weaknesses of the 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.

2.1.2 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, Mawlamyine), 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 2015–19 and is also forecast to earn the highest export income.
- 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 labour force and location. Although skilled workers 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 labour force^{xxvii}. In 2015, the government instituted a minimum wage of MMK3,600 (about USD2.50) per day, rising to MMK4,800 (about USD3) in 2018, lower than the regional average^{xxviii}. 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.

2.2 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^{xxix}.

Tenders are generally located circulated through state media, or available on the Ministry of Industry's website, <http://moi.industry.gov.mm/en/tender>.

Potential upcoming tenders

The Ministry of Industry has been attempting to attract investors in many of its assets, in an attempt to modernise production. So far, the process has been facility-by-facility, though there are a wide range of future opportunities.

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.



3

3. GOVERNMENT RULES AND REGULATIONS ON FOREIGN INVESTMENTS

3.1 GENERAL LEGAL / INVESTMENT STRUCTURE INFORMATION

3.1.1 Myanmar Investment Law

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.

Key changes	Description
Ease of foreign investment	Foreign investors are permitted to own 100% of businesses which are not on restricted or prohibited lists.
Investment screening	<p>An investor may submit an investment screening application to the Myanmar Investment Commission (MIC) for nonbidding guidance on whether a proposal investment:</p> <ul style="list-style-type: none"> • Requires an MIC Permit application; • Requires Pyidaungsu Hluttaw (Union Parliament) approval prior to permit issuance; • Is prohibited or restricted under the MIL and related notifications; • In a promoted sector under the MIL and related notifications.
Devolvement of authority for endorsement application	Application with investments less than USD5 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.
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^{xxx}.</p> <ul style="list-style-type: none"> • Less developed regions (Zone 1) granted 7 years of tax exemption; • Moderately developed regions (Zone 2) granted 5 years of tax exemption; • Adequately developed regions (Zone 3) granted 3 years of tax exemption.
Long-term land lease possible beyond MIC permit	Foreign investors that invest under Foreign Investment Law (FIL) scheme can lease land from the government for 50 years and then extend it for another 20 years with two 10-year extensions.

Compensation for expropriation	Expropriation of investments is allowed under the following conditions: (a) necessary for the public interest; (b) carried out in a non-discriminatory manner; (c) carried out in accordance due to process of law; (d) on payment of prompt, fair and adequate compensation.
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.

Table 3: Key changes in investment laws

Key points of MIL

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.

Myanmar Investment Commission (MIC) was formed under Myanmar Investment Law. It is a government-appointed body which streamlines and approves investment proposals, and comprises high-level figures, senior officials and experts from government ministries and non-governmental bodies.

The MIC also issues investment-related notifications and orders.

Promoted sectors for investment include:

- Manufacturing (except manufacturing of cigarette, liqueur, beer, and other harmful products to health)
- Establishment of industrial zones.

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.

3.1.2 New laws

A new piece of legislation called the Myanmar Companies Law was approved by President U Htin Kyaw on December 6, 2017, coming into effect in August 2018. The new Law will replace an older version that was enacted in 1914. The act will improve corporate governance by allowing:

- More flexible capital structures and changes to capital share
- Ability for foreign investors 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.

Importantly, foreign investors will be able to hold up to 35% of ownership interest in a Myanmar company; if foreign stakes constitute more than 35%, the company is considered a foreign company. This will enable foreign investors to invest in companies in sectors that are currently closed to foreign investors, and thereby indirectly help to create foreign interest in companies listed on the Yangon Stock Exchange^{xxxi}.

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).

3.2.1 Activities prohibited 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.

3.2.2 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.

- 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.

3.2.3 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.

3.2.4 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	
Manufacturing and distribution of veterinary biological products	Ministry of Agriculture, Livestock and Irrigation
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)	Ministry of Natural Resources and Environmental Conservation
Large scale manufacturing of pulp for paper	
Manufacturing and marketing of gems, jewellery and finished products with foreign investment	
Manufacturing of vaccine	Ministry of Industry
Manufacturing private traditional medicine and medical product	Ministry of Health and Sports
Manufacturing of traditional drugs	

Table 4: Activities permitted by relevant ministry
(Source: DICA)

3.3 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 categorised 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.

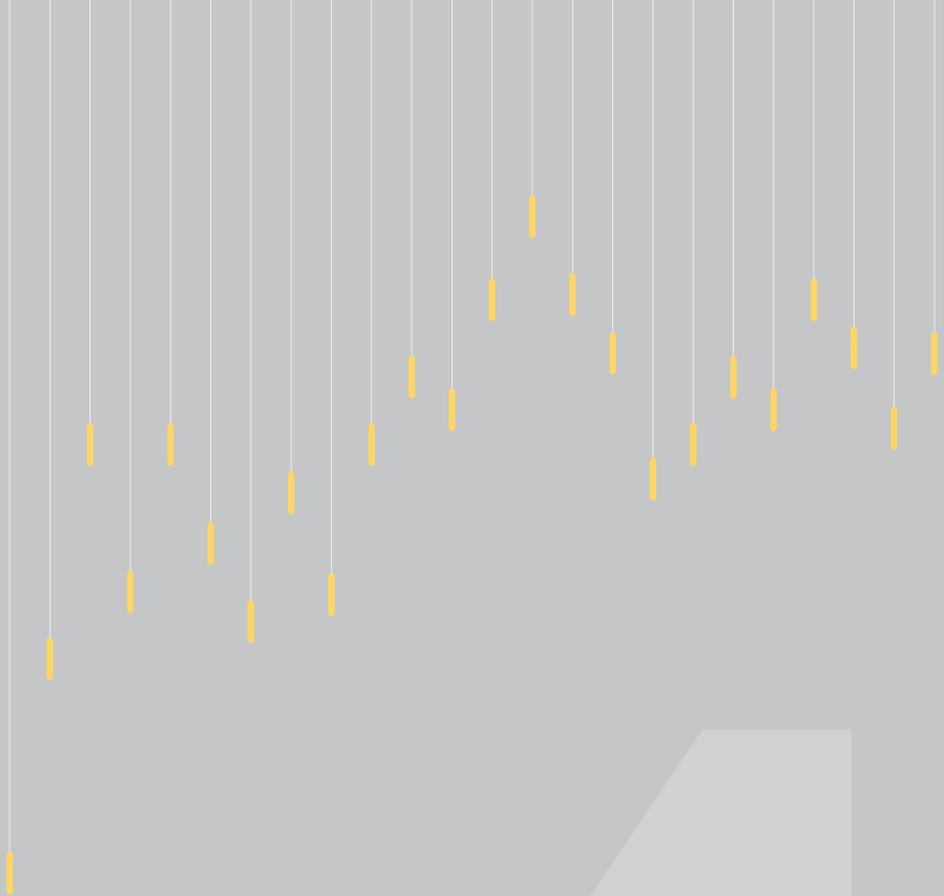
Promotion Zones are focused on the domestic market within SEZs. They include businesses such as manufacturing, housing, departmental stores, banking, insurance, schools, hospitals and recreational places.

3.4 TAXES AND DUTIES

Free Zones	Promotion Zones
Income tax exemption for the first seven years.	Income tax exemption for the first five years
After seven years, 50% relief of current legal income tax rates for five years.	After five years, 50% relief of current legal income tax rates for the second 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.	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.

Exemption from commercial tax or valued-added tax.	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.
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.	For the resources listed above, 50% relief of the custom duties and other taxation the next five years.
Exemptions of customs duties and other relevant taxation on the import 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.	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.
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.	Exemption of commercial tax and value added tax during the relevant relief period provided in the Special Economic Zone Law.

Table 5: Taxes and duties in free zones and promotion zones



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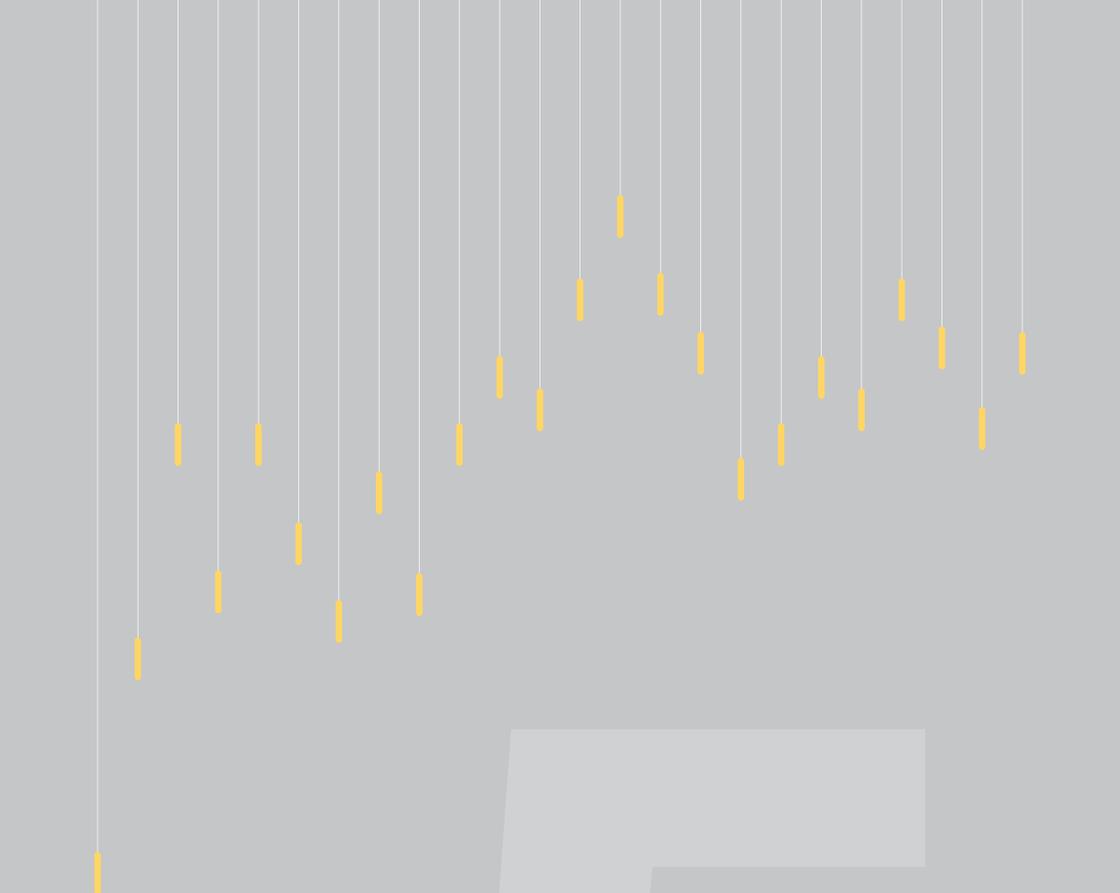
4. CHALLENGES AND OUTLOOK

4.1 CHALLENGES AND OUTLOOK

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 137 of 160 in 2018, a decline from 113th in 2016^{xxxii}. 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, with a few exceptions, lagged behind Thilawa SEZ 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 about 41% but is expected to reach 100% by 2030 with the help of international financial aid^{xxxiii xxxiv}. 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	Ministry of Industry Office No. 30, 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 Kyee Myin Daing Road, Ahlone Township, Yangon
Contact	(+95) 1 215 043, 215 035, 22914

MINISTRY OF NATURAL RESOURCES AND ENVIRONMENTAL CONSERVATION

Mailing Address	Director General Department of Forest Ministry of Natural Resources and Environmental Conservation Office No. 39, Nay Pyi Taw
Contact	(+95) 67 405 477, 405 015, 405 401, 405 399

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

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

Nay Pyi Taw

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

Yangon

No. 228-240, Strand Road,
Kyauktada Township, Yangon

Contact

(+95) 67 408 002, 408 265, 408 485 (Nay Pyi Taw)
(+95) 1 251 197 (Yangon)
mocdotict@gmail.com

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

Mailing Address

Director General
Department of Customs
Ministry of Planning & Finance
Customs House, Strand Road
Kyauktada Township, Yangon

Contact

(+95) 1 380 729

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.

DIRECTORATE OF INVESTMENT AND COMPANY ADMINISTRATION (DICA)

Mailing Address Director General
Directorate of Investment and Company Administration
Ministry of Planning and Finance
No. 1, Thitsar Road, Yankin Township, Yangon

Contact (+95) 1 658 143
(+95) 67 406 471

MYANMAR INVESTMENT COMMISSION (MIC)

Address No. 1, Thitsar Road, Yankin Township, Yangon

Contact (+95) 1 657 891
(+95) 1 658 127/ 128/ 129/ 130

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.

MYANMAR INDUSTRIES ASSOCIATION

Contact (+95) 1 214 830, 214 831, (+95) 1 214 832
industries.association.mm@gmail.com
www.myanmarindustries.org

MYANMAR GARMENTS MANUFACTURERS ASSOCIATION

Contact (+95) 1 230 0253
inquiries@myanmar-garments.org
www.myanmargarments.org

MYANMAR PLASTIC INDUSTRIES ASSOCIATION

Contact (+95) 1 214 835
info@mpia-myanmar.com
www.mpia-myanmar.com

MYANMAR AUTOMOBILE MANUFACTURER AND DISTRIBUTOR ASSOCIATION

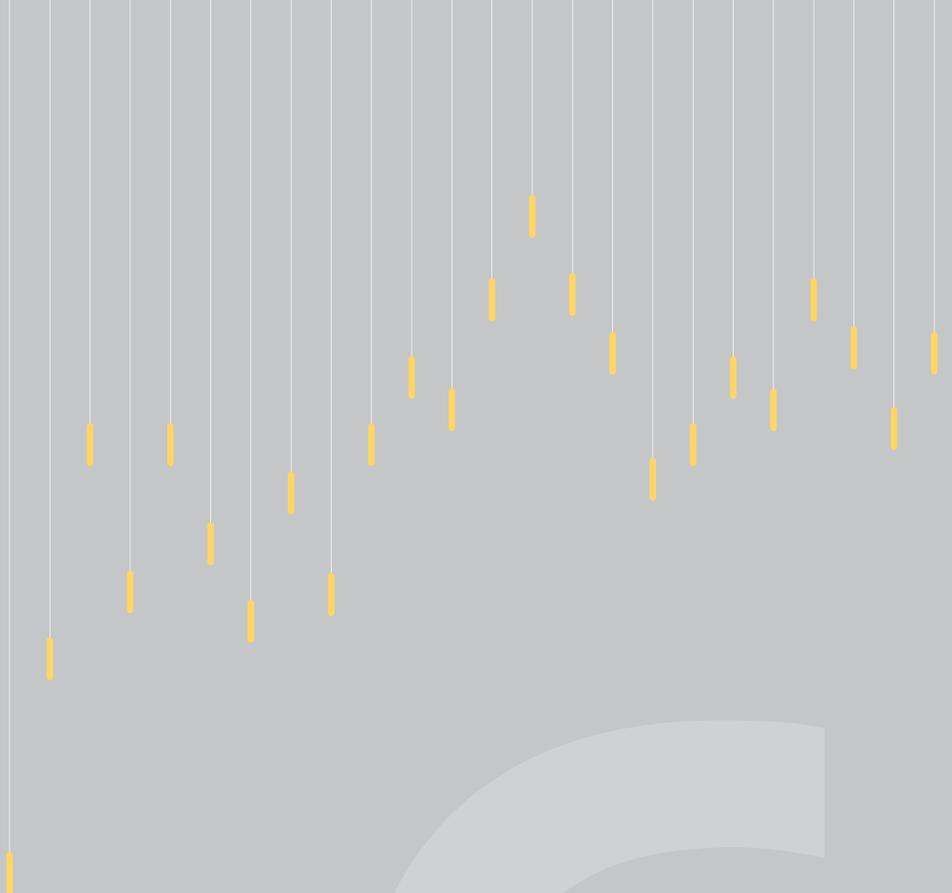
Contact

(+95) 9 425 315 222, 253 263 634
contact@mamdamyanmar.com.mm
www.mamdamyanmar.com.mm

MYANMAR PULP AND PAPER INDUSTRY ASSOCIATION

Contact

(+95) 9 506 7193



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