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## EUROPEAN CHAMBER OF COMMERCE IN MYANMAR

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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.

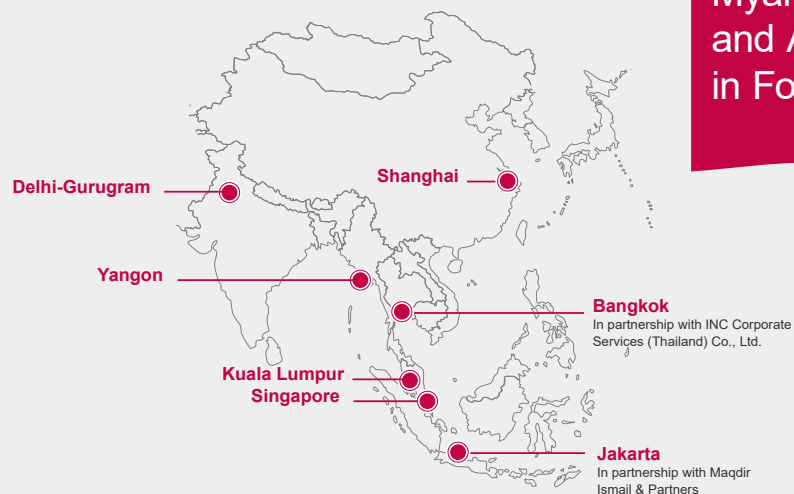
Yangon, November 2019



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# CONTENTS

<b>1. Macroeconomic Overview - Myanmar</b>	<b>8</b>
<b>2. Myanmar Manufacturing Sector Assessment</b>	<b>12</b>
2.1 FDI – Key Enabler of Economic Diversification	13
2.2 Trade Imbalance	16
<b>3. Special Economic Zones and Industrial Zones in Myanmar</b>	<b>18</b>
3.1 Special Economic Zones Overview	18
3.2 Industrial Zones in Myanmar	23
<b>4. Myanmar Foreign Investment Regulatory Landscape</b>	<b>26</b>
4.1 General Legal / Investment Structure Regulations	26
4.1.1 Myanmar Investment Law	26
4.1.2 Myanmar Investment Commission	27
4.1.3 Myanmar Companies Law	28
4.2 Manufacturing-Related Rules and Regulations	28
4.2.1 Activities permitted for 100% foreign ownership	29
4.2.2 Activities permitted for joint ventures	29
4.2.3 Activities not allowed to be carried out by foreign investors only allowed to be carried out by the Union	30
4.2.4 Activities permitted by relevant ministries	30
<b>5. Investment Opportunities</b>	<b>31</b>
5.1 Opportunities for Foreign Companies	31
5.2 Tender Information	32
<b>6. Challenges and Outlook</b>	<b>33</b>
6.1 Challenges	34
6.2 Outlook	35
6.3 Industry Contacts	35
6.3.1 Government Offices	37
6.3.2 Business Association	37
<b>7. References</b>	<b>38</b>

## TABLES

Table 1	Macroeconomic Benchmarking – ASEAN	9
Table 2	Comparison of Myanmar Investment Law and SEZ Benefits	19
Table 3	Overview of Special Economic Zones in Myanmar	20
Table 4	Thilawa SEZ Overview	23
Table 5	Industrial Zones in Yangon	24
Table 6	Overview of Myanmar Investment Law	26
Table 7	Activities Permitted by Relevant Ministries	30

## FIGURES

Figure 1	Myanmar's Nominal GDP and GDP Growth Rates	8
Figure 2	Industry Growth Contribution by Sector	9
Figure 3	Myanmar's Total Population 2005–2024	10
Figure 4	GDP and Demographic Trend by States and Regions	11
Figure 5	GDP share in Myanmar by sector	12
Figure 6	FDI and Manufacturing FDI Approvals	13
Figure 7	FDI Share in Myanmar by Sector	14
Figure 8	FDI Share in Myanmar by Country of Origin	15
Figure 9	FDI in Myanmar – Direct European Source	15
Figure 10	Myanmar Trade Balance	16
Figure 11	Myanmar Export by Commodity in FY2018	17
Figure 12	Special Economic Zones in Myanmar	20
Figure 13	Permitted Enterprises in Thilawa by Sector as of August 2019	22
Figure 14	Permitted Enterprises in Thilawa by Country as of August 2019	22
Figure 15	Map of Industrial Zones in Yangon	25

## ACRONYMS

ASEAN	Association of Southeast Asian Nations
CAGR	Compounded Annual Growth Rate
CSO	Central Statistical Organisation
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
ITC	International Trade Centre
JICA	Japan International Cooperation Agency
JV	Joint Venture
MSME	Micro-, Small- and Medium-Sized Enterprises
MIC	Myanmar Investment Commission
MIL	Myanmar Investment Law
NES	National Export Strategy
NTB	Non-Tariff Barriers
OEM	Original Equipment Manufacturers
SEZ	Special Economic Zones
SKD	Semi Knocked Down
SMART	SMEs for Environmental Accountability, Responsibility and Transparency
WTO	World Trade Organisation



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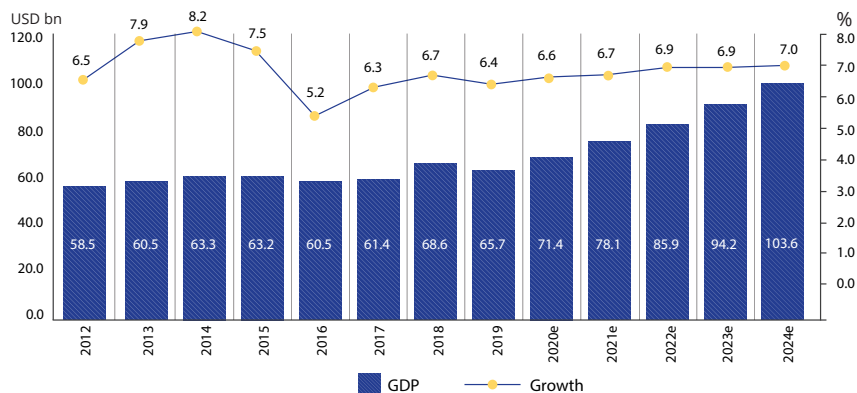
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# 1 MACROECONOMIC OVERVIEW MYANMAR

Myanmar is the second largest country in Southeast Asia in terms of land area at 676,578 square kilometres. With a population of 53 million as of 2019 it is the fifth largest country in the region in terms of population, a number that is estimated to grow to 54.7 million by 2024. The neighbouring countries of China, India, Bangladesh, Thailand and Laos, account for approximately 40% of the global population and approximately 20% of the global gross domestic product (GDP). Among the ASEAN countries, Myanmar is expected to have the highest continued GDP growth rate at 6.8% until 2024. Strategically located between China and India, with vast natural resources and a large coastline, Myanmar holds significant potential as a regional player. Yet, during almost five decades of economic isolation under a debilitating military rule, most of its natural resources remained largely untapped.

Figure 1: Myanmar's Nominal GDP (in USD billion) and GDP Growth Rates 2012–2024e



Source: IMF-World Economic Outlook Database, 2019

A series of economic and political reforms were started by the quasi-civilian government since March 2011, attracting foreign investment into the market. There was a slight decrease in growth rate in 2015, which has since recovered and is expected to stabilise in the next five years.

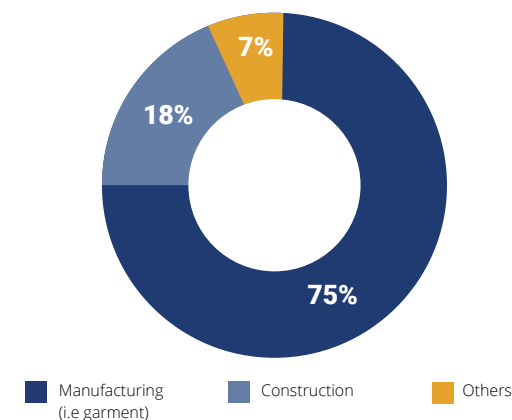
Table 1: Macroeconomic Benchmarking – ASEAN

	Population 2018 (mn)	Current GDP 2018 (USD bn)	GDP / Capita 2018 (USD)	GDP Growth (2018-2024)
Indonesia	261.9	1,022.4	3,870.6	5.2%
Philippines	106.6	330.8	3,103.6	6.6%
Vietnam	94.6	241.2	2,551.1	6.6%
Thailand	67.8	487.2	7,187.2	3.6%
Myanmar	52.8	68.6	1,297.7	6.8%
Malaysia	32.4	354.3	10,941.8	4.8%
Cambodia	16.2	24.5	1,508.8	6.6%
Laos	6.8	18.4	2,720.3	6.7%
Singapore	5.6	361.1	64,041.4	2.6%

Source: IMF-World Economic Outlook Database, 2019

With the further relaxation of regulations for foreign investment in Myanmar, a renewed sense of business optimism led to an influx of foreign firms and strong manufacturing led economic growth, primarily driven by foreign direct investment (FDI). Myanmar, being one of the last accessible frontier markets in the world, is experiencing an accelerated pace of development, similar to economic transformations experienced by its Asian peers such as Thailand and Vietnam.

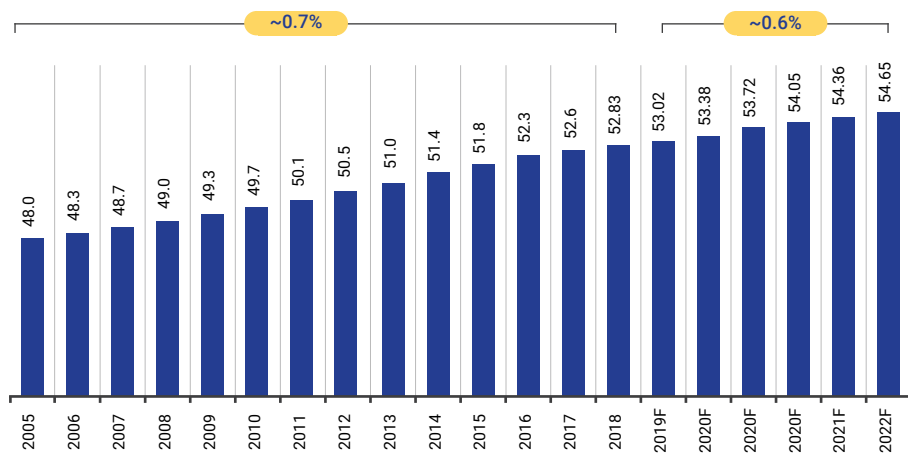
Figure 2: Industry Growth Contribution by Sector



Source: Asian Development Bank, 2019



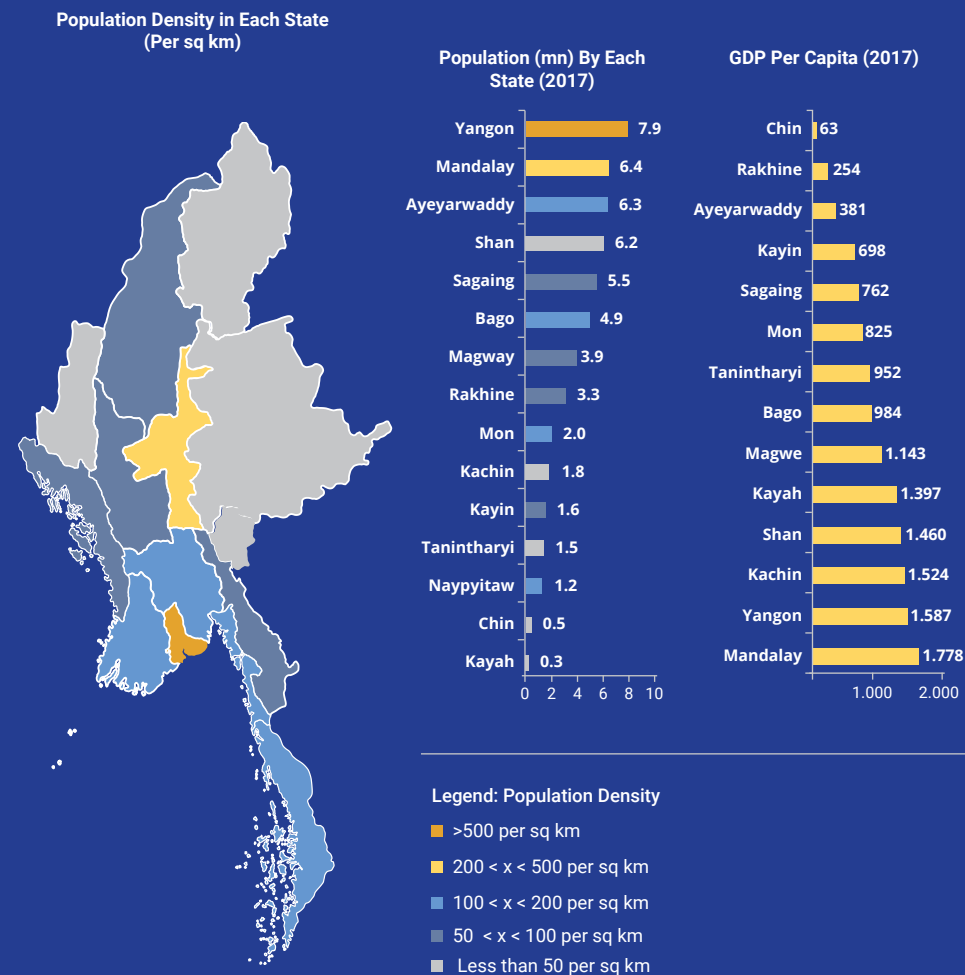
Figure 3: Myanmar's Total Population 2005–2024 (in million)



Source: Asian Development Bank, 2019

Myanmar's population as of 2019 is estimated to be 53 million with age groups below 24 years old accounting for ~45% of the population. As the commercial centre of Myanmar, Yangon accounts for the highest population density in the country and approximately 15% of Myanmar's population at 7.9 million people with approximately 700 people per square kilometer (sq km)<sup>ii</sup>.

Figure 4: GDP and Demographic Trend by States and Regions

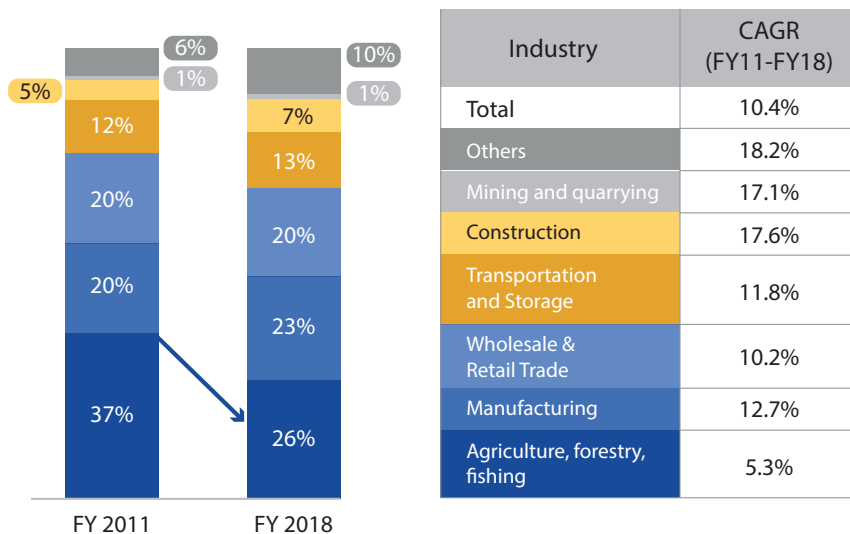


Source: Central Statistical Organisation, Myanmar Development Institute, 2019

# 2 MYANMAR MANUFACTURING SECTOR ASSESSMENT

Closed off for decades from the global economy, Myanmar has heavily relied on agriculture, with the sector accounting for 47% of GDP in 2005, reducing gradually to 37% in 2011 and 26% in 2018. On the other hand, the manufacturing share of GDP has increased from 20% in 2011 to 23% in 2018. Key drivers for this economic diversification include manufacturing-focused foreign direct investment (FDI), primarily due to favourable wages in Myanmar, as well as a government-driven effort to promote manufacturing in order to mitigate the net trade imbalance and subsequent volatility in exchange rates.

Figure 5: GDP Share in Myanmar by Sector



Other include public administration and defense, compulsory social security, electricity, gas, steam and air conditioning supply, financial and insurance service

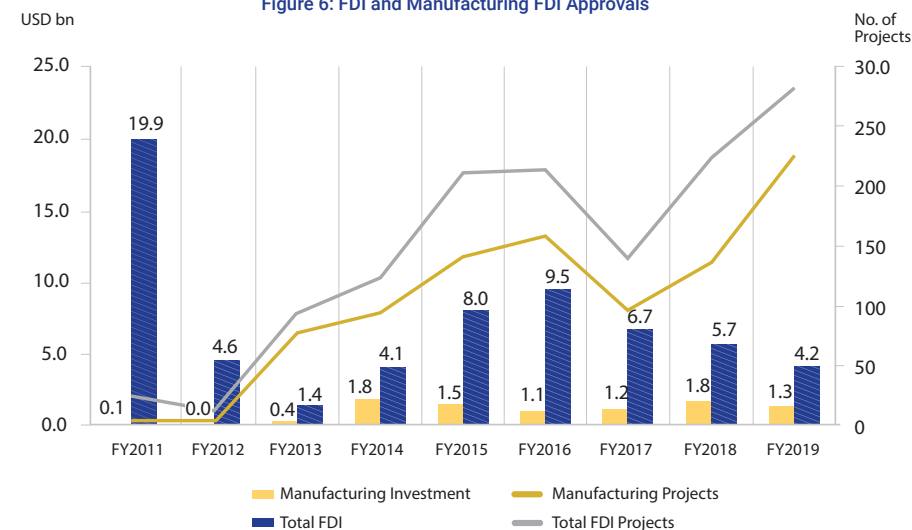
Source: Central Statistical Organisation, 2019

## 2.1 FDI - KEY ENABLER OF ECONOMIC DIVERSIFICATION

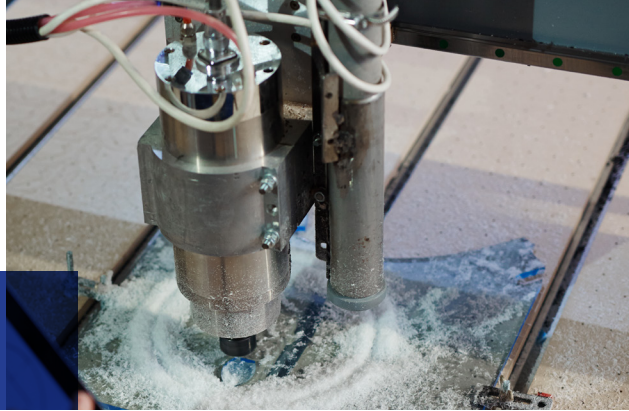
Under the 1988 Foreign Investment Law (FIL), Myanmar's resource-based sectors received the majority of the FDI. Foreign direct investment has been directed towards the manufacturing, real estate, communications, and transportation sectors. With China's era of low-cost manufacturing drawing to a close, investors are actively exploring ASEAN as a destination to diversify their manufacturing footprint. In turn, Vietnam and Cambodia have gradually established themselves as strong alternative low-cost manufacturing hubs. However, with the lowest labour costs in ASEAN and a large young labour force, Myanmar has attracted traditional labour-intensive manufacturing industries such as garment manufacturing, and is moving up the value chain to more recently automotive assembly, specifically "Semi Knocked Down" or SKD assembly.

This has also been supported by preferential policies which allow 100% foreign investment in certain sectors such as garments manufacturing. The Government of Myanmar is actively pursuing further industrialisation of the economy to narrow-down the widening trade deficit. By setting up three special economic zones across Myanmar, the Government has actively implemented initiatives that aim to transform Myanmar into a manufacturing hub. This also includes the provision of tax benefits to attract additional foreign investments. Myanmar is set to be an attractive market for European investors as corroborated by the number of manufacturing projects approved for foreign investments.

Figure 6: FDI and Manufacturing FDI Approvals

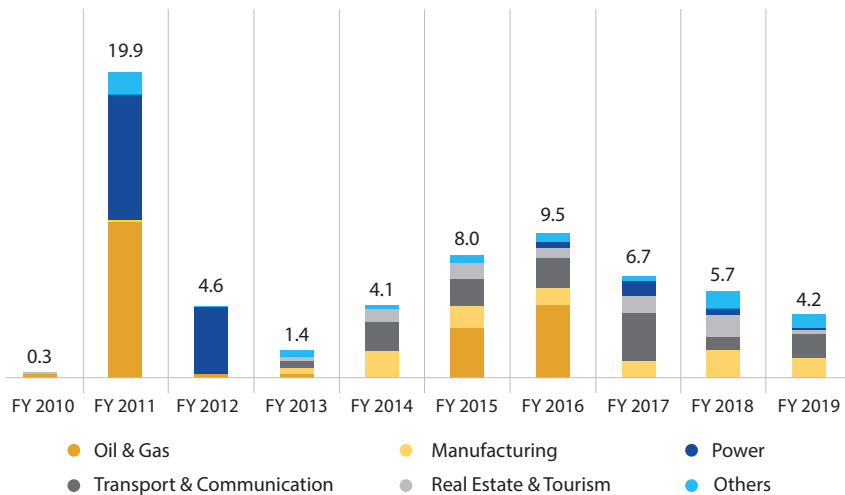


Source: Directorate of Investment and Company Administration, 2018



The manufacturing sector accounts for a large share of approved FDI in Myanmar, contributing 32% overall in FY2019 compared to only 0.3% in FY2011 by value. In terms of the number of projects approved, the manufacturing share of FDI has increased from 17% in FY2011 to 80% in FY2019. In June 2017, the Myanmar Investment Commission (MIC) identified 10 key areas to be prioritised for investment by both local and foreign investors: agriculture, livestock and fishery, export promotion industries such as garment, processed agricultural products, import substitution sectors such as automotive, machinery, construction materials, power, logistics, education, healthcare, affordable housing construction and establishment of industrial estate.

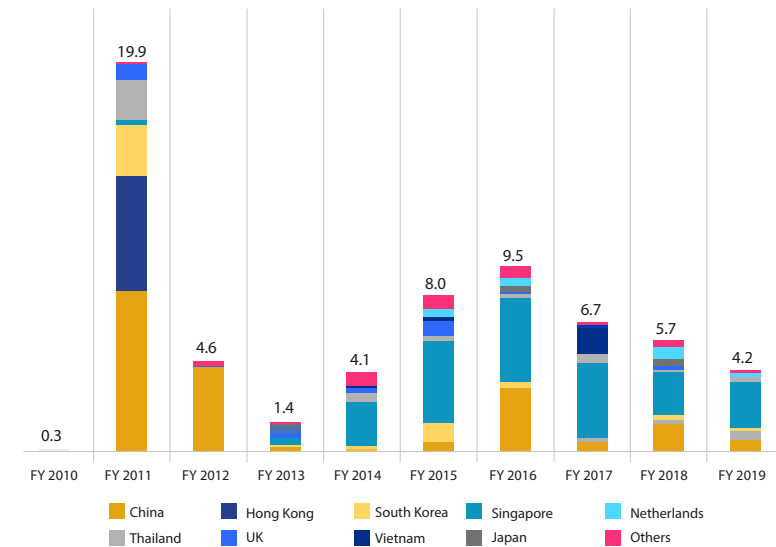
Figure 7: FDI Share in Myanmar by Sector (in USD billion)



Source: Directorate of Investment and Company Administration (DICA) Myanmar, 2019<sup>9</sup>; FY2018 = April 2017 – March 2018; FY2019 = October 2018 – September 2019, reflecting the new financial year reporting implemented by the Government

With the US sanctions on Myanmar in place until 2016, the majority of the early FDI came from Asian and European companies. These firms gained a significant first-mover advantage in terms of local market knowledge, industry relations, untapped distribution networks and access to reputable local companies as potential partners. Singapore's share of FDI in Myanmar increased from 1% in FY2011 to 58% in FY 2019 as the largest investor in Myanmar at USD 2.4 billion followed by China at 15% (USD 635 million). However, this includes investment from multinational Western companies with their regional headquarters in Singapore which are usually responsible for investments in Asia.

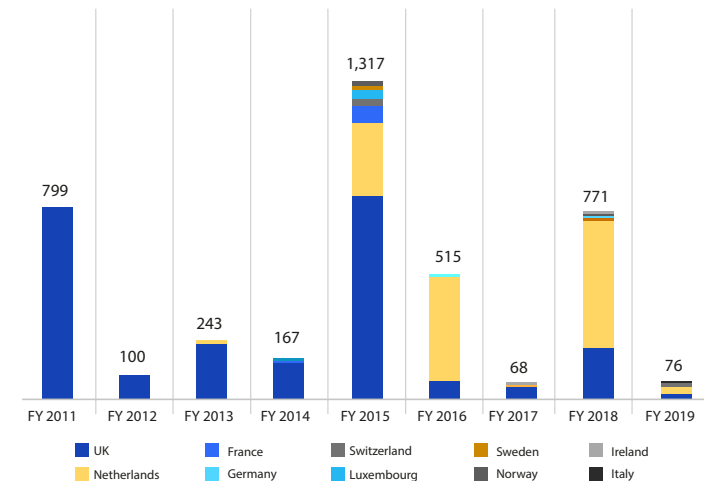
Figure 8: FDI Share in Myanmar by Country of Origin (in USD billion)



Source: Directorate of Investment and Company Administration, 2019

Direct investment from European countries totalled USD 76 million in FY2019, led by the UK and the Netherlands, and accounted for 1.8% of total approved FDI of USD 4.2 billion.

Figure 9: FDI in Myanmar – Direct European Source (in USD million)



Source: Directorate of Investment and Company Administration, 2019



## MINIMUM WAGE ASSESSMENT AND BENCHMARKING

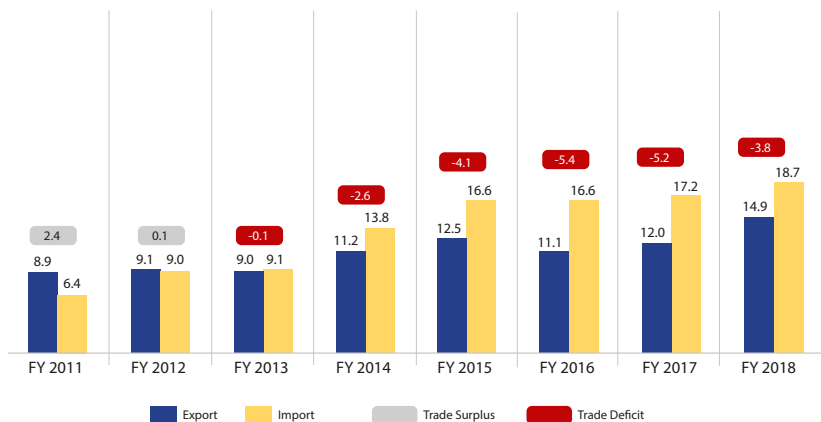
A lower minimum wage than China and key regional competitors in ASEAN is cited as the major pull factor for investors relocating or establishing their manufacturing facilities in Myanmar. Minimum wages in Myanmar are reviewed every two to three years according to the Labour Law - to be aligned with increasing living expenses and inflation. According to the Notification 2/2015 under the Minimum Wage Law (2013) enacted in 2015, the minimum wage of Myanmar was fixed at MMK 3,600 per day (USD 2.68 per day) or ~USD 80 per month. In May 2018, the minimum wage was further revised to MMK 4,800 per day (USD 3.13 per day) or ~USD 94 per month. This continues to remain significantly lower than China, Vietnam and Thailand<sup>iv</sup>. As a result, manufacturers, especially those focused on the low-cost and labour-intensive sectors such as garment or consumer products, have been moving their manufacturing facilities to Myanmar.

Manufacturing is a major and growing source of employment. While agriculture continues to be the main occupation for both men and women, the latest Myanmar Annual Labour Force Survey from 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.

## 2.2 TRADE IMBALANCE

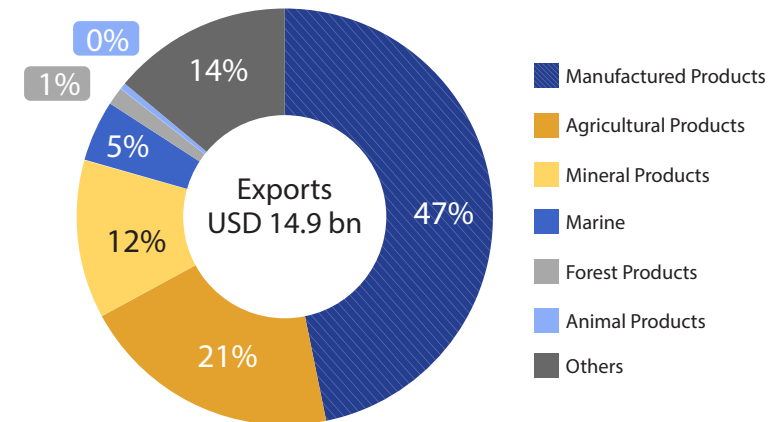
Since FY2013, Myanmar has been recording a trade deficit with a heavier reliance on import of goods and machinery to support the rapid economic development. However, the Government has undertaken various efforts to reduce and narrow the trade deficit to USD 3.8 billion for FY2018 compared to USD 5.4 billion for FY2016. Based on a recent announcement from the Ministry of Commerce, the trade deficit has been further reduced to USD 1.1 billion in FY2019\*. Higher exports driven by growth in demand for garment and natural gas from Myanmar, together accounted for almost half of Myanmar's total exports in FY2019.

Figure 10: Myanmar Trade Balance (in USD billion)



Source: Myanmar Customs Department, 2019

Figure 11: Myanmar Export by Commodity in FY2018



Source: Myanmar Customs Department, 2019



# 3 SPECIAL ECONOMIC ZONES AND INDUSTRIAL ZONES IN MYANMAR



## 3.1 SPECIAL ECONOMIC ZONES OVERVIEW

In 2014, Myanmar enacted the Special Economic Zones Law to set up three economic zones – Thilawa Special Economic Zone, Dawei Special Economic Zone and the Kyaukphyu Special Economic Zone - that are expected to further boost economic growth in Myanmar by providing more generous investor benefits than industrial zones<sup>vi</sup>.

Table 2: Comparison of Myanmar Investment Law and SEZ Benefits

	Industrial Zones (Myanmar Investment Law)	SEZ (SEZ Law)
<b>Corporate Income Tax Incentives</b>	<ul style="list-style-type: none"> <li>Exemption for the first 3-7 years</li> <li>Up to 50% relief on profit invested within 1 year, depending on business type</li> </ul>	<ul style="list-style-type: none"> <li>Exemption for first 5-7 years depending on type of business</li> <li>50% relief on subsequent 5 years of exemption and 5 more years on reinvested profit</li> </ul>
<b>Custom Duty</b>	<ul style="list-style-type: none"> <li>Exemptions on raw materials needed during the construction period</li> <li>Exemption on imported raw material for the first 3 years of commercial production</li> </ul>	<ul style="list-style-type: none"> <li>Exemptions on raw materials needed during the construction period</li> <li>Exemption on raw materials, machinery and parts and construction materials for the first 5 years of commercial operation</li> </ul>
<b>Land Lease</b>	<ul style="list-style-type: none"> <li>Investors can lease land up to 70 years</li> </ul>	<ul style="list-style-type: none"> <li>Investors can lease land up to 75 years</li> </ul>
<b>Pros</b>	<ul style="list-style-type: none"> <li>Established in 2016 with the aim of easing doing business and receiving relevant licenses</li> <li>63 industrial zones in Myanmar, spread across the country</li> </ul>	<ul style="list-style-type: none"> <li>More generous incentives and longer lease</li> <li>More stable and better power supply and infrastructure</li> <li>Centralised approval process supported by the One-Stop Center, online payments and fixed land lease rates while in industrial zones there are likely to be price swings subject to speculation</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>Electricity and power supply are not equal among different industrial zones</li> <li>Limited infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Offers a plug-and-play model and hence can be more expensive</li> <li>Dawei and Kyaukphyu SEZs have been delayed so far</li> </ul>

Source: Myanmar Investment Commission, 2018; Thilawa SEZ Management Committee, 2018; YCP Solidiance, 2019



Figure 12: Special Economic Zones in Myanmar



Table 3: Overview of Special Economic Zones in Myanmar

Thilawa SEZ	Kyaukphyu SEZ (under construction)	Dawei SEZ (planned)
<ul style="list-style-type: none"> <li>Developed by Japan and Myanmar private and public sectors.</li> <li>Deep-sea port, industries mainly manufacturing, construction materials and garment over 24 sq km with 3-phases.</li> <li>Timelines: 1st Phase - operational in Aug-2015; 2nd phase - end of 2016 Japan is the main investor while firms from South Korea, Thailand, Hong Kong and the US have also invested.</li> <li>4th phase of zone B is set to begin in 2020 with area space of 490,000 square metres<sup>viii</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>To be developed by China and Myanmar.</li> <li>Deep-sea port, industrial and estate area zones, strategically located between China and India.</li> <li>International firms being reviewed for developing this 75 sq km zone.</li> <li>Implementation scheduled in three phases, initially expected to finish by 2016, 2020 and 2025 but has been delayed.</li> <li>Expected to rival Singapore as a petrochemical hub with a USD 2.5 billion oil and gas pipeline supplying to China.</li> </ul>	<ul style="list-style-type: none"> <li>To be developed by Thailand and Myanmar with support from Japan.</li> <li>Deep-sea port, multiple industrial zones and shipyard covering a total of 196 sq km with the future largest industrial zone in Southeast Asia.</li> <li>Suspended in 2013 due to financial hurdles faced by the developer, Italian-Thai Co.</li> <li>To be re-initiated with a USD 1.7 billion deal for the first phase.</li> <li>Japan, South Korea, Thailand and China are potential investors.</li> </ul>

Source: Thilawa SEZ Management Committee, 2018; YCP Solidiance, 2019

The Thilawa SEZ is located on the outskirts of Yangon next to two existing cargo port terminals: the Myanmar International Terminal Thilawa and the Myanmar Integrated Port. The Thilawa SEZ covers a developed area of 5.83 million square metres of which over half has been occupied as of today. The SEZ has been established by a Myanmar-Japan joint venture (JV) named Myanmar Japan Thilawa Development Ltd., with 51% of the ownership attributed to Myanmar (10% attributed to the Myanmar Government and the remaining 41% attributed to a Myanmar consortium of private companies). Japanese stakeholders own a 49% share with 10% of this attributed to the Japanese Government through the Japan International Cooperation Agency (JICA) and the remaining held by a consortium of private Japanese companies. Thilawa SEZ provides a range of facilities including Free Ports, Free Transit Zones, Free Trade Zones, Export Processing Zones, Economic Special Zones, Free Zones, and Sector Specific Zones. For investors, the SEZ offers the following two types of zones:

**Free Zone:**

Similar to Export Processing Zones with separate customs stations and focus on at least 75% export cargo with duty and tax exemptions. Investors in this zone are exempted from tax payments for 7 years after which for the next 5 years, only 50% of the applicable tax is applied. Thereafter 50% of the applicable tax is applied only to the reinvestments.

**Promotion Zone:**

Similar to Free Economic Zone or Industrial Zones, under the purview of the customs departments and available for import cargo as well as local distribution, with tax refund provided for exports. Investors in this zone can claim a 5-years tax exemption followed by a 50% tax cut over another 5 years and an additional reduced 50% tax on reinvestment within 5 years thereafter.

Key advantages of investing in Thilawa SEZ are its One-Stop Service (OSS) centre as well as the Enterprise Resource Planning (ERP) system that allows a more efficient setup and company registration. Other factors include applicable SEZ law which grants more benefits to foreign companies compared to the Myanmar Investment Law applicable outside the SEZ, provision of plug and play infrastructure facilities, importance on environmental management as well as the emphasis on non-cash payments to avoid corruption. Further, its strategic location is expected to facilitate growth in export-oriented industries.

The majority of the 113 investments in the Thilawa SEZ are focused on manufacturing (89 entities accounting for a 79% share), followed by logistics both in terms of volume, as well as the value of investments. Manufacturing investments in the Thilawa SEZ amount to a total of USD 1.4 billion as of 31 August 2019, accounting for 81% of the total USD 1.7 billion in investment value. Of the 113 permitted enterprises, 74 companies are in commercial operation, while 40 companies are under construction. Export-oriented companies mainly manufacture garment, shoes, toys, automotive parts and electric devices. Companies targeting the domestic market primarily manufacture construction materials, food, consumer products and fertiliser. Some prominent firms are Japan Pile for construction piles, JFE Steel in the steel plate business, Ajinomoto for seasoning, Marubeni and Mitsui & Co for fertilisers, and Kubota in the agricultural machinery segment.

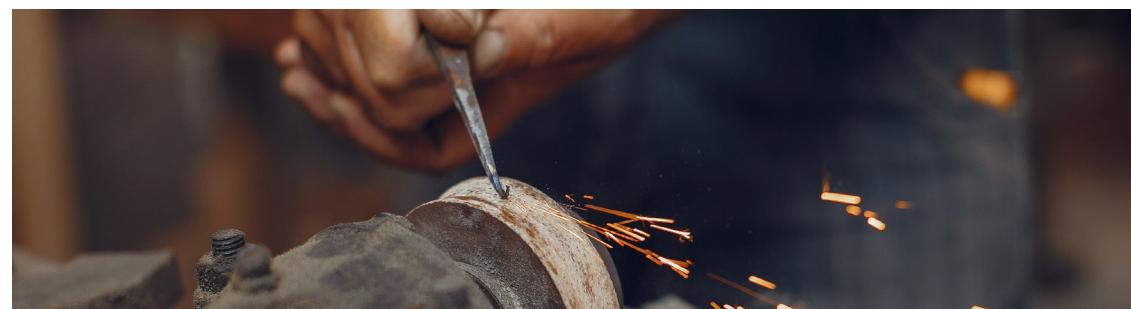
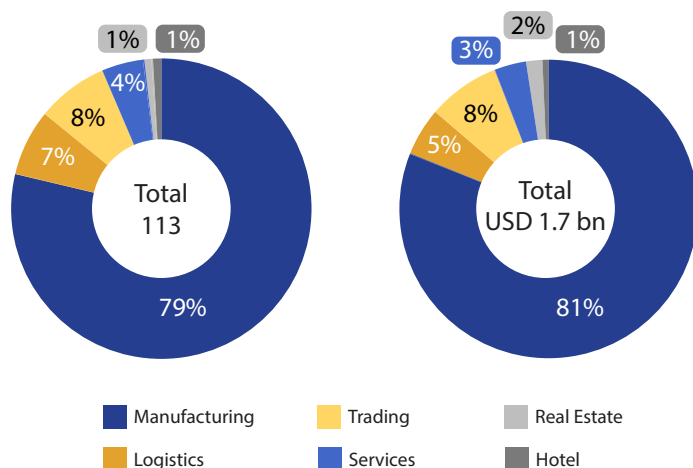


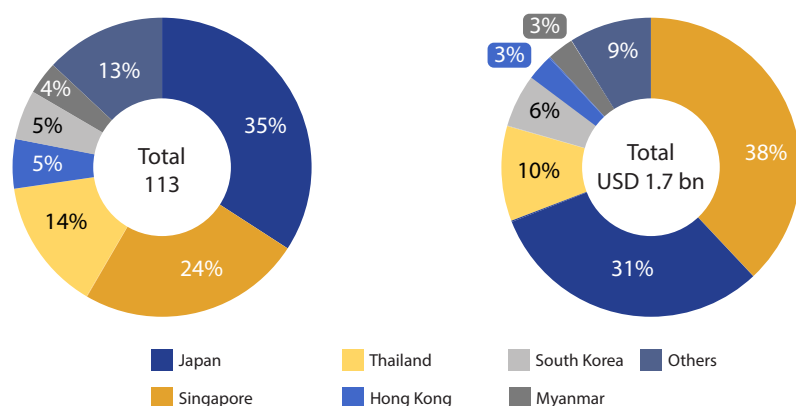
Figure 13: Permitted Enterprises in Thilawa by Sector as of August 2019



Source: Myanmar Thilawa SEZ Committee, 2019

The SEZ allows both 100% foreign investments and Myanmar-foreign joint ventures to establish operations in Thilawa SEZ. Japan is the dominant investor in terms of the number of enterprises permitted to establish their presence in the Thilawa SEZ with 39 entities as of August 2019. However, in terms of value of investments, Singapore surpasses Japan with a total of USD 646.7 million compared to USD 537.7 million invested by firms from Japan.

Figure 14: Permitted Enterprises in Thilawa by Country as of August 2019



Source: Myanmar Thilawa SEZ Committee, 2019

Table 4: Thilawa SEZ Overview

Zone	Industrial Area	Status
Zone A	370 Hectares	Operational since September 2015 Comprises fully operational infrastructure including residential and commercial areas of 35 hectares
Zone B	224 Hectares	Phase 1, 101 hectares, operational since August 2018 Phase 2, 77 hectares operational since August 2019 Phase 3, 46 hectares, expected to start operations in April 2021 Phase 4, 0.49 hectares, construction expected to start by 2020

Thilawa SEZ's strategic location, reliable infrastructure, steady supply of electricity and waste management coupled with generous benefits for export-oriented companies and efficient operations makes it an attractive destination for investment in Myanmar. However, the legacy of a previous land grab in the area in 1998, combined with early problems in the land acquisition process for Zone A means a small reputational risk is attached to the SEZ. Albeit that, its environmental and social governance is significantly better than other Industrial Zones in Myanmar.

## 3.2 INDUSTRIAL ZONES IN MYANMAR

Myanmar currently has 63 industrial zones and parks in operation, majority of which are located in the Yangon Region. Industrial zones were first introduced in Myanmar back in the 1990s to attract private sector investments and move manufacturing outside residential areas. However, poor planning and management has meant that many industrial zones have large infrastructure gaps and low maintenance and upkeep, leading to a lack of investments<sup>18</sup>. While management practices and service standards in each industrial zone differ, some of them – including South Dagon and Hlaing Tharyar – have adopted measures to upgrade their utilities. This includes building electrical substations, and installing back-up generators and waste water treatment facilities. The Mingaladon Industrial Park (MIP), located approximately 20 km north of Yangon's city centre and 24 km from Yangon Port, was developed in the late 1990s, and is the first industrial park considered to meet international standards. Owing to its favourable location and facilities, and regular management committee meetings and oversight of upgrades and maintenance, all plots in the MIP are leased out, demonstrating a clear demand for industrial zones. To address deficiencies in industrial zones, a draft Industrial Zone Law is currently under discussion in the Parliament.



Table 5: Industrial Zones in Yangon

No.	Industrial zone name	Location	Aggregate Area (acres)
1	South Okkalapa	East Yangon District, South Okkalapa Township, 8 Ward	35.0
2	Dagon Seikkan (1,2)	East Yangon District, New Dagon (port)	1,208.7
3	South Dagon 1	23 Ward, Dagon New Town (South Side)	475.4
4	South Dagon 2	East Yangon District, Dagon Township (South), 63/64 Ward	214.5
5	South Dagon 3	64 Ward, Dagon New Township (South)	53.3
6	North Dagon	Yangon District, Dagon Township (North), 34 Extension Ward (Balli Bridge)	25.0
7	North Okkalapa	North Okkalapa Township, Thudama Road, beside No. 3 Road	109.8
8	East Dagon	Corner of No. 2 High Way Road and Kanaung Min Thar Gyi Road	666.0
9	Shwe Poukkan	Yangon District, North Okkalapa Township, Shwe Poukkan New Town	94.6
10	Tharkayta	East Yangon Region, Tharkayta Township	200.0
11	Mingalardone	Corner of No.3 High Way Road & Khayaepin Road	184.0
12	Pyin Ma Bin	Mingalardon Township	560.1
13	Yangon	Yangon District, Mingalardon Township, Mingalardon Garden City, No. 3 High Way Road	902.5
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 = 1401.4, Industrial area = 1088.0
15	Hlaing Tharyar 5	No. 196, Anawratha Road, Hlaing Tharyar Township	222.9
16	Shwe Lin Ban	Hlaing Thayar Township	1,100.0
17	Shwe Pyi Thar (1)	Between No. 4 High Way Road and Yangon- Pyi Railway, Shwe Pyi Thar Township	336.0 (385 lots)
18	Shwe Pyi Thar (2/3/4)	Shwe Pyi Thar, Insein Township	SPT2 = 204.5 SPT3 = 394.5 SPT4 = 388.3
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)	682.6
20	Wartayar Woodbase	31 lots, 21,22 ward, Shwe Pyi Thar Township, Yangon District	468.2

Source: Myanmar Industries Association, 2018

Industrial zones are slowly being added outside of Yangon Region. The first areas for development are near Yangon, in the neighbouring Ayeyarwady Region and Mon State, and especially Bago Region. Secondary industrial centres are emerging as well, particularly in the Mandalay Region where 12% of industrial zones are located in Mandalay\*.

The most recent development is the Yangon New City Project with a proposed area of 4,745 hectares of land development in southwest Yangon. Phase one of this project is optimistically slated for completion by 2020 with the intention to create two million jobs. An agreement with a China-owned construction company has also been signed to further improve and build the facilities and infrastructure.

Figure 15: Map of Industrial Zones in Yangon



Source: HKTDC Research, 2016

# 4 MYANMAR FOREIGN INVESTMENT REGULATORY LANDSCAPE

## 4.1 GENERAL LEGAL / INVESTMENT STRUCTURE REGULATIONS

### 4.1.1 MYANMAR INVESTMENT LAW

The Myanmar Investment Law (MIL) was enacted on 18 October 2016 which consolidated and replaced the Foreign Investment Law 2012 and Citizen Investment Law 2013. The purpose of enactment is to simplify and clarify investment application processes and offering tax breaks, incentives, and rights protection for businesses<sup>xi</sup>.

The Investment Law is underpinned by the Myanmar Investment Rules 2017 (Investment Rules), and a variety of notifications including Notification 13/2017 dated 1 April 2017 and Notification 15/2017 dated 10 April 2017.

Table 6: Overview of Myanmar Investment Law

Key Highlights	Description
<b>Ease of Foreign Investments</b>	Foreign investors are permitted to own 100% of businesses which are not on restricted or prohibited lists.
<b>Investment Screening</b>	<p>An investor may submit an investment screening application to the Myanmar Investment Commission (MIC) for non-binding guidance on whether a proposed investment:</p> <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 In a Promoted Sector under the MIL and related notifications</li> </ul>

<b>Devolvment of Authority for Endorsement Application</b>	Applications 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.
<b>Removal of Blanket Incentives</b>	<p>Businesses 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) grant 7 years of tax exemption;</li> <li>Moderately developed regions (Zone 2) grant 5 years of tax exemption;</li> <li>Adequately developed regions (Zone 3) grant 3 years of tax exemption.</li> </ul>
<b>Long-term Land Lease</b>	<p>Foreign investors that invest under the Myanmar Investment Law scheme can lease land from the government for 50 years and then extend it for another 20 years with two 10-year extensions.</p> <p>Lease of land must be situated at industrial zones or permissible area for business.</p>
<b>Compensation for Expropriation</b>	<p>Expropriation of investments is allowed under the following conditions:</p> <ol style="list-style-type: none"> <li>necessary for the public interest;</li> <li>carried out in a non-discriminatory manner;</li> <li>carried out in accordance with due process of law;</li> <li>on payment of prompt, fair and adequate compensation.</li> </ol>
<b>Grievance Mechanism</b>	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.

### 4.1.2 MYANMAR INVESTMENT COMMISSION

The Myanmar Investment Commission (MIC) was formed under the Myanmar Investment Law. It is a government-appointed body which streamlines and approves investment proposals and comprises of high-level figures, senior officials and experts from government ministries and non-governmental bodies. The MIC also issues investment-related notifications and orders. Investors must submit a proposal to the MIC only if the investments are<sup>xii</sup>:

- 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 to the committee.



## 4.1.3 MYANMAR COMPANIES LAW

The Myanmar Companies Law enacted in December 2017 replaces the older version enacted in 1914. Key points of the Companies Law include<sup>xiii</sup>:

- Foreign investors will be able to own up to 35% of a Myanmar company before it is considered a foreign company. This enables investors to invest in local companies that previously were not able to accept foreign investment, and indirectly permits foreign investment in companies listed on the Yangon Stock Exchange.
- The replacement of the inflexible Articles of Association and Memorandum of Association with a corporate constitution;
- A company must have at least one resident director, but that director does not need to be a Myanmar citizen and allow a board of directors to determine the form of consideration for issuance of shares;
- Purchase shares in a "Myanmar Company" without obtaining advanced permission from the DICA
- Companies must register on Myanmar's Companies Online platform called MyCo.

## 4.2 MANUFACTURING-RELATED RULES AND REGULATIONS

The Notification 15/2017 issued by the MIC distinguishes business activities based on their types of ownership. The notification categorises 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.

### 4.2.1 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.



### 4.2.2 ACTIVITIES PERMITTED FOR JOINT VENTURES

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.

### 4.2.3 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 defence.
- Manufacturing of products for security and defence being specified by the notification of the Government from time to time.

## 4.2.4 ACTIVITIES PERMITTED BY RELEVANT MINISTRIES

Table 7: Activities Permitted by Relevant Ministries

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 railways	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 handsets and telephones	
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 seeds	
Importing, production and distribution of varieties of plants	
Manufacturing, storage, distribution and exporting of agricultural pesticide, fertiliser, hormone, etc.	
Production and exporting of hybrid seeds	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	
Wood-based industries and related services (restriction: must establish the forest plantations)	
Manufacturing of vaccines	Ministry Planning, Finance and Industry
Manufacturing private traditional medicine and medical products	Ministry of Health and Sports
Manufacturing of traditional drugs	

# 5 INVESTMENT OPPORTUNITIES

## 5.1 OPPORTUNITIES FOR FOREIGN COMPANIES

Various initiatives have been implemented by the Government to encourage investment in the manufacturing sector, to increase productivity in the domestic market and reduce the trade deficit. These initiatives range from streamlining the approvals processes, allowing company registration for foreign companies through the enactment of the Myanmar Companies Law and establishing Special Economic Zones with international level infrastructure.

This has opened up opportunities for investors, granting access to strategic markets of ASEAN, as well as catering to domestic demands. Further, relatively low labour costs, rich natural resources and high reliance on imports offer opportunities within the manufacturing industry, especially with the Government focusing on a reduction of the trade deficit by reducing imports and increasing exports.

Key sectors that investors can consider are as follows<sup>xiv</sup>:

- Labour-intensive industries in second-tier cities (e.g. Patheingyi, Bago, Hpa An) in sectors such as garment and shoes production, or toys and stationery articles assembling.
- Agro-processing industries.
- Production of building materials demanded by the national construction industry (e.g. cement, bricks, steel, glass, paints, doors, windows).
- Gemstone processing industries (e.g. jade, sapphires, rubies) to establish value-adding production such as design, cutting and polishing.
- Capital-intensive industries (e.g. automotive, land machinery) particularly at locations with good access to international and national markets (e.g. SEZs).
- Wood-processing industry particularly based on hardwood and bamboo (e.g. furniture production).
- The paper and cardboard industry.
- 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.
- Chemical industries (e.g. pharmaceutical and plastic articles) based on local and regional demand.
- Industrial services (e.g. wastewater management, recycling, and training).





## 5.2 TENDER INFORMATION

Most manufacturing-related government tender opportunities are issued by the Ministry Planning, Finance and Industry. In an effort to promote industrial development, the Ministry Planning, Finance and 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.

Tenders are generally circulated through state media, or available on the Ministry of Industry's website.

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

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

# 6 CHALLENGES AND OUTLOOK

The manufacturing industry in Myanmar presents significant opportunities for investors driven by domestic demand and initiatives implemented by the Government to reduce trade imbalance such as relaxing investment processes, providing tax relief and incentives and setting up of special economic zones. However, investors also need to be aware of potential challenges that may arise with any investment opportunity, especially more so in Myanmar, a market with a rapidly developing economic and regulatory landscape.

## 6.1 CHALLENGES

On a macroeconomic level, the upcoming elections scheduled to be held in November 2020 will lead to some level of uncertainty for investors, as experienced during the last election cycle which led to a slight decline in GDP growth.

While there have been various efforts to improve infrastructure facilities within Myanmar, the country still has a relatively underdeveloped infrastructure quality which, combined with the lack of a skilled labour force, poses major challenges for investors in the manufacturing sector. Infrastructure quality gaps have especially widened in some of the industrial zones outside of Yangon due to the lack of support infrastructure such as waste management and staff households, as well as limited transport connectivity. Another major challenge for investors is the electricity supply. As per the Southeast Asia Energy Outlook published by the International Energy Agency, over 90% of Myanmar firms experience power outages, compared with less than 30% in Vietnam and Indonesia<sup>xxv</sup>. To overcome this challenge, manufacturers have installed their own power generators to ensure stable electricity supply. Other challenges that are 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, are also relevant in Myanmar.

Small- and medium-sized enterprises are adversely impacted by red tape and the lack of access to financing, which hampers their ability to expand and upgrade to meet local demands and especially demands from potential international investors or partners. Continued structural reform in the banking and financial sector with more flexible interest rates, alternative financing options from foreign banks can help improve access to credit and boost private sector growth including manufacturing.

Illicit trade remains a key challenge for Myanmar as well, especially from parallel trade across the border with Thailand, China and India across all key manufacturing sectors. A EuroCham Myanmar commissioned study estimated that in the financial year 2017–2018 (April 2017 to March 2018), illicit trade amounted for USD 6.5 billion with the actual figure likely to be higher<sup>xvi</sup>. For the seven consumer products – beer, whisky, cigarettes, pharmaceuticals, mobile handsets, cosmetics and personal care products – the Myanmar Customs data showed a USD 1.4 billion gap between recorded imports and exports, accounting for 22% of the overall illicit trade estimate. At current tax rates, the Government is estimated to be losing USD 570 million in tax revenue from illicit trade. In the beer segment, local breweries such as Carlsberg and Heineken have to invest in infrastructure, facilities and human resources in addition to paying the special goods tax, which smuggled beers are able to avoid, lowering price significantly. This presents a considerable threat to the existing incentives for manufacturing beer locally.

The Illegal Trade Eradication Steering Committee was established by the Government in June 2019 to develop policy strategies, programs as well as short- and long-term plans to tackle illicit trade<sup>xvii</sup>.

## 6.2 OUTLOOK

In the 2016 Industrial Development Strategy, the Government is targeting the industrial sector to grow at 5% to 6% annually through 2030, in order to drive local production and reduce reliance on imports. The outlook for the manufacturing industry therefore remains positive with manufacturing industry growth outpacing overall economic growth in the country. Investment opportunities in Myanmar have improved vastly with liberalisation, tax reforms, infrastructure improvements. The development of special SEZs, coupled with low production costs and labour costs will enhance Myanmar's attractiveness as a manufacturing location<sup>xviii</sup>, especially with the manufacturing of goods targeting domestic demand, such as construction materials, food, fertilisers and automotive. With the Government's recent initiatives to impose import restrictions on second-hand vehicles and incentivise local assembly, local automotive assembly has become an attractive investment proposition with rising car sales driven by lowered prices as a result of tax exemptions of domestically manufactured cars.

Additionally, the preferential trade arrangements that Myanmar enjoys will continue to contribute to growth in export-oriented manufacturing. For the EU market, the "Everything but Arms" initiative gives Myanmar tariff- and quota-free market access. In August 2019, the Ministry of Commerce also signed a financing agreement with the European Union (EU) to acquire up to EUR 8 million in assistance over a four-year project called ARISE Plus Myanmar.

This financial aid is to be implemented from July 2019 to June 2023 to support micro-, small- and medium-sized enterprises (MSMEs) in Myanmar to explore business opportunities in the ASEAN single economic space, European Union, and global markets. The project also provides trade policy formulation and implementation assistance for Myanmar to meet regional (ASEAN) and international (World Trade Organization and EU) commitments and addresses non-tariff barriers (NTBs) along value chains with the International Trade Center (ITC) acting as the implementation partner.



Many restrictions on foreign investments have been lifted through recent laws and notifications. Whilst infrastructure facilities, skilled labour quality and power supply remain relatively underdeveloped, there has been notable progress in terms of policymaking to encourage local manufacturing by providing a favourable regulatory and operational environment for investors. With the manufacturing sector seen as a key lever for narrowing the trade deficit, there is a renewed emphasis to promote higher-value-add sectors as part of the National Export Strategy (NES) 2020-2025 compared to the current 2014–2019 NES which focused more on low-cost manufacturing and raw commodities, highlighting Myanmar's strong ambition to move up the value chain in manufacturing.

## 6.3 INDUSTRY CONTACTS

### 6.3.1 GOVERNMENT OFFICES

#### MINISTRY OF PLANNING, FINANCE AND INDUSTRY

The Ministry of Planning, Finance and 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 product, the investor needs to obtain a recommendation from the Ministry of Health and Sports.

	Mailing Address		Contact
	Ministry of Industry		(+95) 67 405 320
	Office No. 30, Nay Pyi Taw		(+95) 405 055

#### CUSTOMS DEPARTMENT



The Customs Department is an arm of the Ministry of Planning, Finance and Industry.

	Mailing Address		Contact
	Department of Customs Ministry of Planning & Finance		(+95) 1 380 729
	Customs House, Strand Road Kyauktada Township, Yangon		

#### MINISTRY OF INVESTMENTS AND FOREIGN ECONOMIC RELATIONS

##### DIRECTORATE OF INVESTMENT AND COMPANY ADMINISTRATION (DICA); MYANMAR INVESTMENT COMMISSION (MIC)


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 Investments and Foreign Economic Relations. Companies need to be aware of procedural updates issued by the MIC in order to successfully navigate the legal aspect of investment.


	Mailing Address		Contact
	Directorate of Investment and Company Administration		(+95) 658102, 65103
	Ministry of Investments and Foreign Economic Relations		
	No. 1, Thitsar Road, Yankin Township, Yangon		


 [www.dica.gov.mm](http://www.dica.gov.mm)

## MINISTRY OF COMMERCE

Exporting and importing products 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


 Contact  
(+95) 67 408 265,  
(+95) 408 485

 [www.commerce.gov.mm](http://www.commerce.gov.mm)


## 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) 01 215 043  
(+95) 215 035

## MINISTRY OF NATURAL RESOURCES AND ENVIRONMENTAL CONSERVATION

 Mailing Address  
Lower Kyee Myin Daing  
Road, Ahlone Township,  
Yangon


 Contact  
(+95) 1 215 043, 215 035,  
22914


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

## 6.3.2 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](mailto:industries.association.mm@gmail.com)


 [www.myanmarindustries.org](http://www.myanmarindustries.org)

### MYANMAR PLASTIC INDUSTRIES ASSOCIATION


 Contact  
(+95) 1 214 835  
[info@mpia-myanmar.com](mailto:info@mpia-myanmar.com)

 [www.mpia-myanmar.com](http://www.mpia-myanmar.com)

### MYANMAR PULP AND PAPER INDUSTRY ASSOCIATION


 Contact  
(+95) 9 506 7193


### MYANMAR GARMENTS MANUFACTURERS ASSOCIATION

 Contact  
(+95) 1 230 0253  
[inquiries@myanmar-garments.org](mailto:inquiries@myanmar-garments.org)

 [www.myanmargarments.org](http://www.myanmargarments.org)

### MYANMAR AUTOMOBILE MANUFACTURER AND DISTRIBUTOR ASSOCIATION

 Contact  
(+95) 9 425 315 222, 253 263 634  
[contact@mamdamyanmar.com.mm](mailto:contact@mamdamyanmar.com.mm)

 [www.mamdamyanmar.com.mm](http://www.mamdamyanmar.com.mm)

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