



# **Focus Myanmar Overview of the Opportunities in Myanmar Infrastructures, Energy, Manufacturing (Agro Industry, Food Processing, Garment)**

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# Outline



1 Myanmar at a Glance

2 Major Economic Reform : in 2011-2015

3 Economic Policy of Myanmar

4 Foreign Direct Investment

5 SEZ in Myanmar

6 Emerging Business opportunities

\* Current Foreign Trade Situation

\* Key Investment opportunities

7 Issues and Challenges in Myanmar

8 Conclusion

# Myanmar at a Glance



| Land                        | Largest country on the mainland of South East Asia<br>(The World: 40)                                                              |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Area                        | 676577 sq. km (land: 653,508 sq km, water: 23,070 sq km)                                                                           |
| international borders       | 5,858 km (Bangladesh 271 km, China 2,129 km, India 1,468 km, Laos 238 km, Thailand 2,416 km)                                       |
| Population                  | 56890418 (Male : 49.3%, Female: 50.7%)<br>(30/ 1/ 2017)                                                                            |
| Climate                     | tropical monsoon; cloudy, rainy, hot, humid summers ; less cloudy, scant rainfall, mild temperatures, lower humidity during winter |
| GDP                         | 62.6 USD Billion                                                                                                                   |
| GDP Growth Rate             | 8.1 (2016 est)                                                                                                                     |
| GDP per capital             | 6 000 USD (2016 est)                                                                                                               |
| GDP (Composition by sector) | Agriculture : 26.3%<br>Industry : 27.5%<br>Services : 46.2 % (2016 est)                                                            |
| Labor Force                 | 37.5 Million                                                                                                                       |
| Minimum Wages               | 3600 per day (8 working hrs)                                                                                                       |
| Inflation                   | 7% (2016 est)                                                                                                                      |
| Trade Balance               | - 181 Million (Export: 755, Import: 936) (April , 2016)                                                                            |

Reference from World Fact Book

# Major Economic Related Development in 2011- March, 2016



- ▶ Creating an investor friendly atmosphere
- ▶ Managed floating rate system adopted
- ▶ More autonomy for central Bank.
- ▶ Issued operating license to foreign bank in October, 2014
- ▶ Attempting to improve doing business score rating by own effort and by the assistance of IFC
- ▶ Liberalizing the telecommunication sector
- ▶ Stimulating foreign direct investment by enacting the new foreign investment law & SEZ laws.
- ▶ Setting up investment in connectivity and infrastructure development.
- ▶ Private sector development reforms which aims to improve business environment.
- ▶ Enacted new Myanmar Investment Law in 2016
- ▶ Reviewing Myanmar Companies Law

## Economic development

- ▶ Myanmar GDP rate was 7.6 percent (2015-2016). Yangon stock exchange center officially opened in December 2015. Thilawa SEZ was materialized and licence granted to 78 foreign companies in Zone A. (39 companies are from Japan)
- ▶ Healthy growth in foreign trade and inward investment.

# Economic Policy of Myanmar

## (New Government)



In 1 April, 2016, the new NLD Government was handle the nation and they release the economic policy in 29 July, 2016.

The objective of the economic policy: The economic policy of the country is a people-centred policy, and it aims that all can participate and improve the economy. It aims to help national reconciliation, protect natural resources and set an economic framework in order that natural resources will be allocated equally among states and regions. The objectives of the country

- ❖ To give high priority to develop infrastructure such as electricity, roads and ports
- ❖ To create job opportunities for all Myanmar citizens who live in Myanmar and who arrived back from foreign countries to Myanmar, to give high priority to the businesses what can create many jobs
- ❖ To establish an economic environment in which the agricultural sector and industrial sector are balanced and improve equally in order to progress in every field, to create enough food sources and to increase exports
- ❖ In accordance with the market economy, [we need to] draw and set other separate policies to improve the private sector, to allow every citizen to freely operate the businesses they want, and to increase foreign investments, and [we need to] work in order to protect copyrights and to have rule of law
- ❖ To adopt techniques and procedures that will support intellectual property rights in order to encourage abilities related to innovation and advanced technology



# Industrial Development Vision-Private Sector Perspective (2016-2020)

- ▶ Development of Labor-Intensive Industries
- ▶ Development of Agro-based Higher Value-added Industries
- ▶ Development of Value-added Industries with potential in regional & international markets
- ▶ Development of Human Capital as Foundation for Higher Value-added Industries
- ▶ Formulation of Effective Investment Policy supportive of long-term strategy
  - ▶ Encouraging FI in Industries in-line with overall economic development plans
- ▶ Improvement of Necessary Infrastructures
- ▶ Clustering of Supportive & Related Industries
  - ▶ Effective Utilization of Existing Industrial Zones & Examination of Strategic Location Potential
- ▶ Creation of Enabling Business Environment
  - ▶ Legislative Facilitation
  - ▶ Strengthening Public Institution



# To Promote Foreign Direct Investment

- ▶ Myanmar Investment Law (18 Oct, 2016)
- ▶ Company Act (Draft)
- ▶ Farmland Law (will be reform)



# Foreign Investment of Existing Enterprises by Sector (31/12/2016)

Figures in USD Million

| No.          | Particulars               | Existing Enterprises |                  |            |
|--------------|---------------------------|----------------------|------------------|------------|
|              |                           | No. Approved         | Amount           | Percentage |
| 1            | Oil & Gas                 | 96                   | 21486.951        | 38.03      |
| 2            | Power                     | 11                   | 14260.314        | 25.24      |
| 3            | Mining                    | 33                   | 6537.979         | 11.57      |
| 4            | Manufacturing             | 597                  | 6118.122         | 10.83      |
| 5            | Hotel & Tourism           | 10                   | 2352.624         | 4.16       |
| 6            | Real Estate               | 50                   | 2283.255         | 4.04       |
| 7            | Industrial Estate         | 24                   | 2074.252         | 3.67       |
| 8            | Agriculture               | 20                   | 288.361          | 0.51       |
| 9            | Transport & Communication | 16                   | 211.185          | 0.39       |
| 10           | Livestock & Fisheries     | 3                    | 189.113          | 0.33       |
| 11           | Other Services            | 49                   | 688.567          | 1.22       |
| <b>Total</b> |                           | <b>909</b>           | <b>56500.723</b> | <b>100</b> |

Source : Directorate of Investment and Company Administration

# Foreign Investment of Existing Enterprises by Country as of (31/12/2016)



| No. | Countries         | Permitted Enterprises |                 | Figures in USD Million<br>% |
|-----|-------------------|-----------------------|-----------------|-----------------------------|
|     |                   | No.                   | Approved Amount |                             |
| 1.  | China             | 132                   | 18357.087       | 32.49                       |
| 2.  | Singapore         | 183                   | 14925.293       | 26.42                       |
| 3.  | Hong Kong         | 121                   | 7442.497        | 13.17                       |
| 4.  | Thailand          | 61                    | 2470.836        | 6.14                        |
| 5.  | Republic of Korea | 118                   | 3442.822        | 6.09                        |
| 6.  | U.K               | 51                    | 3430.914        | 6.07                        |
| 7.  | Malaysia          | 29                    | 1323.853        | 2.34                        |
| 8.  | The Netherlands   | 12                    | 760.066         | 1.35                        |
| 9.  | India             | 22                    | 728.149         | 1.29                        |
| 10. | Viet Nam          | 13                    | 695.462         | 1.23                        |
| 11. | Japan             | 78                    | 579.901         | 1.03                        |

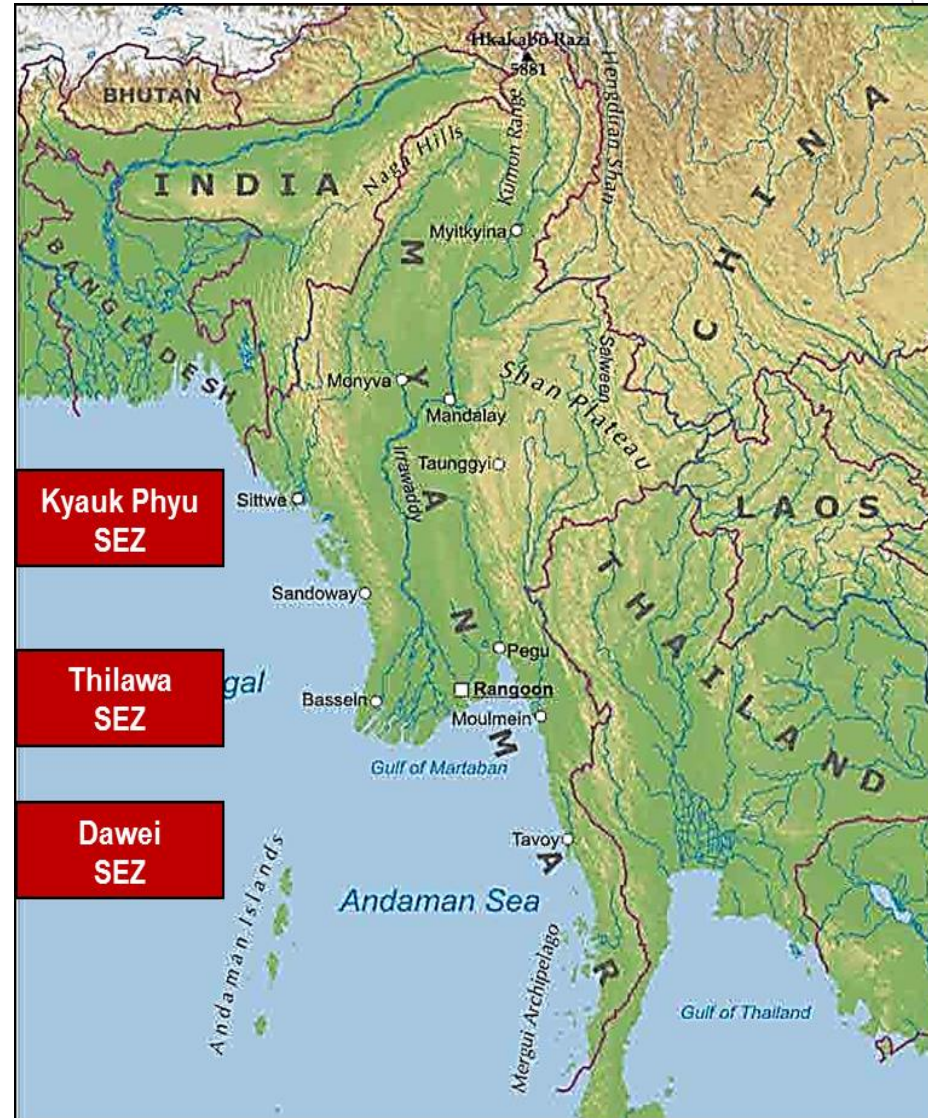
Source : Directorate of Investment and Company Administration

# SEZs in Myanmar



## Role and Important of SEZ

- ▶ Long term investments being made for ensuring job creation, manufacturing bases to export products internationally and rapid economic growth of the country
- ▶ Myanmar SEZ law approved by the President on 23 January 2014. Implementation of three special economic zones. Dawei SEZ - Tanintharyi region, Thilawa SEZ - Yangon region and Kyaukphyu - Rakhine State.
- ▶ Potential Future logistics hub of South East Asia





# The benefit of New SEZ Law

| Item        | Contents                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Income Tax  | <p>&lt;Investors in Free Zone&gt;<br/>Exports more than 75% of production<br/>Tax Exemption : First 7 years<br/>50% relief : Following 5 years<br/>50% relief : Third 5 years on such invested profit<br/>Land Lease : Any scale investment=50 years + 25 years</p> <p>&lt;Investors in Promotion Zone&gt;<br/>Exports less than 75% of production<br/>Tax Exemption : First 5 years<br/>50% relief : Following 5 years<br/>50% relief : Third 5 years on such invested profit<br/>Land Lease : Any scale investment=50 years + 25 years</p> |
| Import Duty | <p>&lt;Investors in Free Zone&gt;<br/>Following items are free from custom duty<br/>→ Raw materials, Capital goods, Machinery and parts, Construction materials for factories, office and/or motor vehicles</p> <p>&lt;Investors in Promotion Zone&gt;<br/>Following items are free from custom duty for 5 years<br/>→ Capital goods, Machinery and parts, Construction materials for factories, office and/or motor vehicles</p>                                                                                                            |

# Developers and Investors Under Myanmar Economic Zone Law



| Corporate Income Tax (CIT)                            |                                                            |                                                            |
|-------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| Developers                                            | Investors                                                  |                                                            |
|                                                       | Free Zone (Export>75%)                                     | Promotion Zone (Export<75%)                                |
| ○ Exemption for the first 8 years                     | ❖ Exemption for the first 7 years (otherwise 25%)          | ❖ Exemption for the first 5 years (otherwise 25%)          |
| ○ 50% relief for the second 5 years                   | ❖ 50% relief for the second 5 years (12.5%)                | ❖ 50% relief for the second 5 years (12.5%)                |
| ○ 50% relief for the third 5 years for reinvestment   | ❖ 50% relief for the third 5 years for reinvestment(12.5%) | ❖ 50% relief for the third 5 years for reinvestment(12.5%) |
| ○ 5 years loss carry forward                          | ❖ 5 years loss carry forward                               | ❖ 5 years loss carry forward                               |
| ○ Exemption from income tax on shareholder's dividend | ❖ Exemption from income tax on shareholder's dividend      | ❖ Exemption from income tax on shareholder's dividend      |
|                                                       | ❖ Workers training expenditure deductible                  |                                                            |



# Incentives for Developers and Investors Under Myanmar Economic Zone Law

| Customs Duty                                                                                      |                                                                                             |                                                                                                                          |
|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Developers                                                                                        | Investors                                                                                   |                                                                                                                          |
|                                                                                                   | Free Zone (Export>75%)                                                                      | Promotion Zone (Export<75%)                                                                                              |
| ○ Exemption for imported construction material, machinery and equipment, heavy machinery, vehicle | ❖ Exemption for imported raw material, machinery, equipment, spare parts and vehicle        | ❖ 50% relief for up to 5 years for imported machinery, equipment, spare part, construction material, vehicle and goods   |
|                                                                                                   | ❖ Exemption for imported motor vehicle and goods for wholesale, export and logistic service | ❖ Non-exemption for imported raw material and goods but reimbursable if the finished product to be used in the Free Zone |



# Emerging Business Opportunities



# Current Foreign Trade Situation

- ▶ Trade mainly with Asian Countries
- ▶ 70% of export to Asian region
- ▶ 90% of import comes from the region
- ▶ China, Singapore and Thailand are the biggest trade partners
- ▶ Export primary products
- ▶ Import Manufactured goods.

# Current Foreign Trade Situation

## Foreign Trade-Total & Normal Vs Border Trade



USD Million

| FY               | Total Trade | Exports   |          |          | Imports   |           |          |
|------------------|-------------|-----------|----------|----------|-----------|-----------|----------|
|                  |             | Total     | Normal   | Border   | Total     | Normal    | Border   |
| 2012-2013        | 18,045.9    | 8977.0    | 6843.0   | 2134.0   | 9068.9    | 7830.3    | 1238.6   |
| 2013-2014        | 24,963.5    | 11,204.0  | 8442.8   | 2761.2   | 13,759.5  | 11,932.6  | 1,826.9  |
| 2014-2015        | 29156.863   | 12523.717 | 8230.733 | 4292.984 | 16633.146 | 22369.739 | 6787.124 |
| 2015- 2016       | 27714.826   | 11136.878 | 6587.948 | 4548.930 | 16577.948 | 20560.955 | 7153.871 |
| 2016 (Nov)- 2017 | 17298.370   | 7479.544  | 4527.012 | 2952.532 | 9818.826  | 12489.715 | 4808.655 |

Source: Customs Department

# Trading Myanmar and EU

(FY 2015- 2016)



| Countries      | Import Value to the EU/MS (EURO) | Export Value from the EU/MS (EURO) |
|----------------|----------------------------------|------------------------------------|
| Austria        | 16,729,127                       | 13,289,179                         |
| Belgium        | 40,139,884                       | 31,854,019                         |
| Bulgaria       | 4,884,784                        | 445,975                            |
| Croatia        | 893,681                          | 769,859                            |
| Cyprus         | 249,986                          | 991,369                            |
| Czech Republic | 3,809,995                        | 2,613,417                          |
| Denmark        | 3,694,228                        | 8,465,230                          |
| Estonia        | 40,784                           | 301,432                            |
| Finland        | 887,784                          | 5,259,142                          |
| France         | 85,086,633                       | 130,119,652                        |
| Germany        | 186,593,895                      | 147,102,798                        |
| Greece         | 2,141,506                        | 76,070                             |
| Hungary        | 45,675                           | 3,937,443                          |
| Ireland        | 3,001,483                        | 4,253,693                          |

| Countries      | Import Value to the EU/MS (EURO) | Export Value from the EU/MS (EURO) |
|----------------|----------------------------------|------------------------------------|
| Italy          | 56,240,293                       | 70,269,853                         |
| Latvia         | 290,456                          | 1,143,307                          |
| Lithuania      | 1,263,358                        | 204,366                            |
| Luxembourg     |                                  | 2,340,351                          |
| Malta          | 96,158                           | 78,268                             |
| Netherlands    | 75,900,839                       | 19,060,556                         |
| Poland         | 9,245,331                        | 25,918,897                         |
| Portugal       | 1,233,903                        | 2,980,280                          |
| Romania        | 654,610                          | 4,680,583                          |
| Slovakia       | 463,638                          | 981,584                            |
| Slovenia       | 725,416                          | 617,536                            |
| Spain          | 64,675,503                       | 21,001,625                         |
| Sweden         | 6,317,656                        | 26,028,880                         |
| United Kingdom | 109,869,873                      | 22,228,411                         |
| Total          | 675,176,479                      | 547,013,775                        |

# Major Export & Import items



| Major Export Items | Major Import Items                    |
|--------------------|---------------------------------------|
| Natural Gas        | Petroleum Products                    |
| Jade               | Machinery and spare parts             |
| Timber             | Iron and steel construction materials |
| Pulses and Beans   | Plastic raw materials                 |
| Marine Products    | Palm oil                              |
| Raw Rubber         | Vehicles and spare parts              |
| Garment            | Pharmaceuticals                       |
| Rice               | Cements                               |
|                    | Fertilizers                           |

# Key Investment Opportunities



## Agriculture Sector :

- ▶ Myanmar's agricultural industry is modernizing and the sector continue to play a major part in economic growth. Agriculture generated 30% of GDP, 20% of export earning and employed 60 % of the labour force in 2014. The Production capacity ranks high in the region, with the country counting twice as much arable land per capital than the Asian average. Myanmar has worked with international developing partners (OECD, JICCA, USAID, Others NGOs) to improve agriculture sector and inflow of foreign investment, So far USD 243 million has been invested in Myanmar's agriculture sector.

## Key investment areas:

- ▶ Trading in Agriculture products (Rice, pulses, bean, vegetables, fruits, etc...)
- ▶ Trading agriculture machinery & equipment, fertilizer and agro-chemicals
- ▶ High cultivation and value-added manufacturing of agro-based food products.

# Key Investment Opportunities

## Food processing in Myanmar



| Strength                                                                                                                                                                                                                                   | Weakness                                                                                                                                                                                                                                                                                    | Opportunities                                                                                                                                                                                                                                                                                                                                                                      | Threat                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Abundant natural resources</li><li>• Adequate human capital</li><li>• Government support in food sector</li><li>• Sufficient local market</li><li>• Easy access to international markets</li></ul> | <ul style="list-style-type: none"><li>• Low production capacity</li><li>• Using traditional wisdom in manufacturing</li><li>• Low local and international branding</li><li>• Low access to international markets</li><li>• Lack of awareness in international standards and norms</li></ul> | <ul style="list-style-type: none"><li>• Abundant potential to set up industries</li><li>• Availability of raw materials at reasonable cost</li><li>• Positive synergies between the local growers and manufacturers</li><li>• Establishment of high technology industries to meet global demand</li><li>• Can export to the big markets like China, Bangladesh and India</li></ul> | <ul style="list-style-type: none"><li>• Compliance of international norms</li><li>• High competition from international brands</li><li>• Lose control over imported food items</li><li>• Lack of testing equipment for imported products</li><li>• Lack of accreditation organizations for the processed foods for overseas market</li></ul> |



## Industry Sector:

- ▶ Myanmar has made considerable progress towards the development of a sustainable industrial base. Its key manufacturing sectors which include/garments/apparels, Shoes, Electronic parts, food and beverage products, and construction materials have attracted growing investment and, consequently have rapidly expanded output. In 2014-2015, the industrial sector as a whole accounted for 30 % nearly triple compare to GDP share of 11% in 2008. Similarly FDI in the country's manufacturing sectors shared considerable growth in 2014 and 2015, reaching US 1.5 billion over the period. Manufacturing and other industrial activities are widely expected to play an increasingly important role. There are ample of mineral resources agriculture resources energy resources and human resources with reasonable labor cost.
- ▶ **Key Investment areas:**
- ▶ Setting up resource based manufacturing industry (Wood base, Agro-based, Mineral based and Energy)
- ▶ Setting up labor intensive industry (Textile, Garment, shoes, Electronic Spareparts, etc)
- ▶ Development of supporting industry park
- ▶ Development of cluster industry park.

# Garment & Textile Sector



- ▶ *Myanmar's clothing industry is predicted to grow significantly in the coming years, according to a report in the latest issue of Global Apparel Markets from the business information company Textiles Intelligence.*
- ▶ A business information company, Textiles Intelligence, through its recently released report on Global Apparel Markets, forecasts that Myanmar, which was once subjected to 50 years of military rule, is gathering the requisite pace to grow significantly in the coming years, including the clothing industry.
- ▶ The Myanmar government has also published a strategy for the textile and garment industry as part of a document, titled National Export Strategy 2015-2019. The report pushed the industry to move from operating on a cutting, making and packaging (CMP) basis to operating on an FOB (free-on-board) basis; increase volume; improve quality; produce a greater volume of knitted products. On a wider scale the government aims to build its export markets.
- ▶ Forecasters have predicted that there could be up to 1.5 million jobs in the garment industry by 2020, compared to approximately 230,000 in mid-2015, and that garment exports could rise from US\$1.5 million in 2014 to as much as US\$12 billion in 2020. Foreign direct investment (FDI) in the garment industry has been growing at an impressive pace in recent years and, following the removal of sanctions, clothing exports from Myanmar shot up by 26.5 per cent in 2013, and by a further 27.4 per cent in 2014.
- ▶ This compelled leading retailers to source garments from Myanmar. Like H&M in 2013 was the first western brand to have started garmenting business with Myanmar, followed by GAP in 2014.
- ▶ However, there are a slew of measures that needs to be taken for further growth, like the industry will need modern machinery, raw materials, skilled labour, social and environmental certification, energy sources that are reliable, a logistics infrastructure and a financing system which runs smoothly.

# Growing Industries



## Competitive Industries

- Food & Beverages Industries
- Garment & Textile
- Household Woodwork Production
- Gems & Jewelry Production
- Construction Materials Production

## Potential Industries

- Automobile Parts
- Industrial Raw Material
- Minerals & Crude Oil Products
- Pharmaceutical Industries
- Paper & Publishing

## Basic Industries

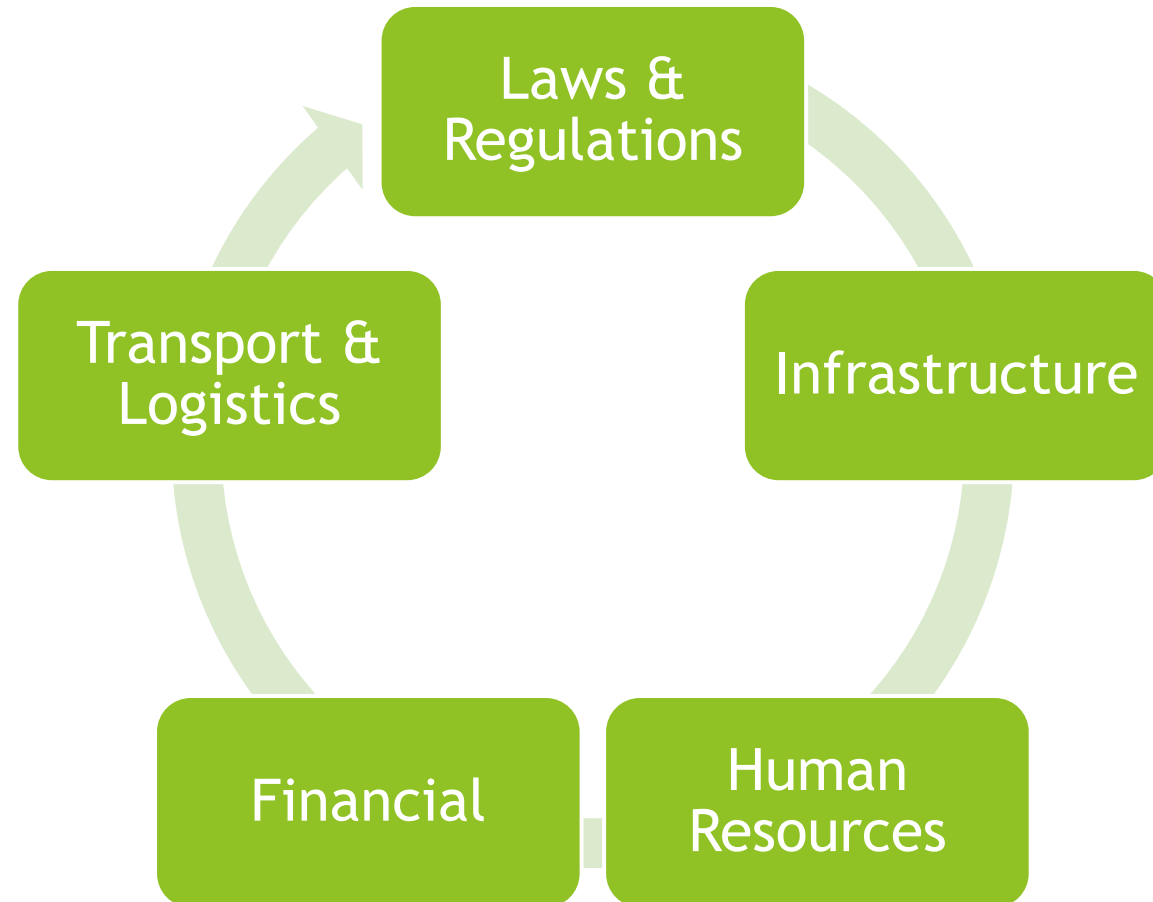
- Agricultural Machinery
- Agricultural Fertilizer Production
- Machinery & Spare Parts Production
- Electrical & Electronics Industries
- Renewable Energy Production
- Household Products Industries



# Issues and Challenges in Myanmar



# Issues and Challenges in Myanmar



Myanmar is undergoing reforms and making efforts to implement measures in order to develop these areas to reach international standards with the help of international organizations and agencies.

Infrastructure includes electricity, water, technology,



## Conclusion;

# Opportunities for Trade and Investment Cooperation

- ▶ Myanmar is the last frontier in South East Asia with an untapped market and opportunities.
- ▶ Investments in infrastructural development are welcome
  - ▶ Investments in power generation and transport infrastructure development are encouraged.
  - ▶ Participation in ODA schemes, BOT and PPP programs are encouraged.
- ▶ Cooperation opportunities allowing Myanmar's businesses, especially SMEs, to participate in regional & international supply chains through International partnership.
- ▶ Investment in SEZ are encouraged.





**Thank you for your kind attention**  
**Let's Grow Together**