

# **THE LATEST BUSINESS & INVESTMENT ENVIRONMENT IN MYANMAR**

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# CONTENT

1. **Introduction**
2. **Foreign Direct Investment (FDI) Policy**
3. **Union of Foreign Investment Law (FIL)**
4. **Objectives of Myanmar FIL**
5. **Allowable Economic Activities**
6. **Form of Investment**
7. **Minimum Capital Requirement**
8. **Land Utilization**
9. **Application Procedure**
10. **Approval Process**
11. **The Incentives**
12. **Guarantees**
13. **One-Stop Service**
14. **Priority Area for Foreign Investment**
15. **Foreign Investment Inducement**
16. **Conclusion**

# COUNTRY PROFILE

- ❖ **Land Area** : 261228 Sq. miles
- ❖ **Total Int'l Boundary** : 3640 miles
- ❖ **Boundary Countries** : Bangladesh, India, China, Laos and Thailand
- ❖ **Coast Line** : 1760 miles
- ❖ **Total Land Area** : 167.2 million acres
- ❖ **Total Population** : 57.50 million
- ❖ **Growth Rate** : 1.75 percent
- ❖ **Working-age** : 33.87 million
- ❖ **Net Sown Area** : 28.8 million acres
- ❖ **Reserved Forest Area** : 62802 Sq. miles
- ❖ **Other Forest Area** : 73780 Sq. miles

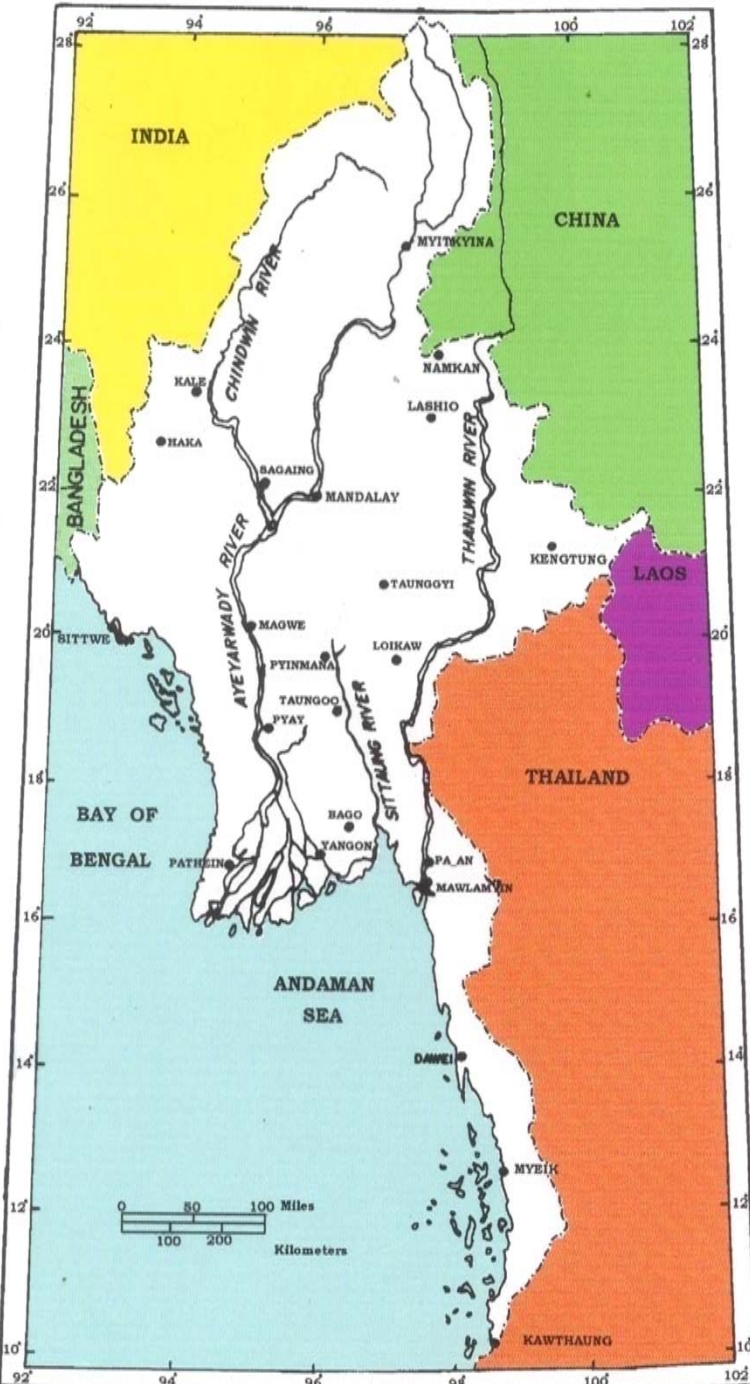


Fig.1. Map of Union of Myanmar with neighbouring Countries.

## 2. FOREIGN DIRECT INVESTMENT POLICY

- ❖ Adoption of market oriented system for the allocation of resources
- ❖ Encouragement of private investment and entrepreneurial activities
- ❖ Opening of the economy for foreign trade and investment



### **3. UNION OF MYANMAR FOREIGN INVESTMENT LAW**

- ❖ Adopted the market –oriented economic system in 1988
- ❖ Enacted the Union of Foreign Investment Law(FIL) in 1988



## 4. OBJECTIVES OF MYANMAR FIL

- ❖ Promotion and expansion of exports
- ❖ Exploitation of natural resources which require heavy investment
- ❖ Acquisition of high technology
- ❖ Supporting and assisting production and services involving large capital
- ❖ Opening up of more employment opportunities
- ❖ Development of works which would save energy consumption, and
- ❖ Regional development



# 5. ALLOWABLE ECONOMIC ACTIVITIES

## ❖ 5.1 Eligible Economic Activities

- Prescribed the 8 sectors by MIC notification no. 1/89
  - Agriculture
  - Livestock and Fishery
  - Forestry
  - Mining
  - Industry – foodstuff, textile, personal goods, household goods, leather products and the Likes, transport equipment, building materials, pulp and paper, chemicals, chemical products and pharmaceuticals, iron and steel
  - Construction
  - Transport and Communication
  - Trade



## 5. ALLOWABLE ECONOMIC ACTIVITIES (CONT.)

### ❖ 5.2 Restricted Activities

➤ According to the section 3 of the State Economic Enterprises Law (SEEs Law, 12 economic activities reserved in the domain of the State sector are as follows:-

- extraction of teak and sale of the same in the country and abroad.
- cultivation and conservation of forest plantation.
- exploration, extraction and sale of petroleum and natural gas.
- exploration and extraction of pearl, jade and precious stones.
- breeding and production of fish and prawns in fisheries which have been reserved for research by the Government.





## 5. ALLOWABLE ECONOMIC ACTIVITIES (CONT.)

- Postal and Telecommunication Service.
- Air Transport Service and Railways Transport Service.
- Banking Service and Insurance Service.
- Broadcasting Service and Television Service.
- Exploration and extraction of metals.
- Electricity Generating Services.
- Manufacture of products relating to security and defence.
- According to the section 4 of the Said Law, the Government may, in the interest of the State, permit by notification to carry out such activities.



## 6. FORM OF INVESTMENT

- ❖ Foreign investors can set up their business either in the form of :
  - a joint venture with any partner
  - a wholly foreign-owned or  
(a individual, a private company, a cooperative society or a state-owned enterprise)
- ❖ In all joint ventures, the minimum share of the foreign party is 35% of the total equity capital



## 7. MINIMUM CAPITAL REQUIREMENT

- ❖ The minimum amount of foreign capital required to be eligible under the FIL is:
  - For an industry → US\$ 500,000
  - For a service → US \$ 300,000

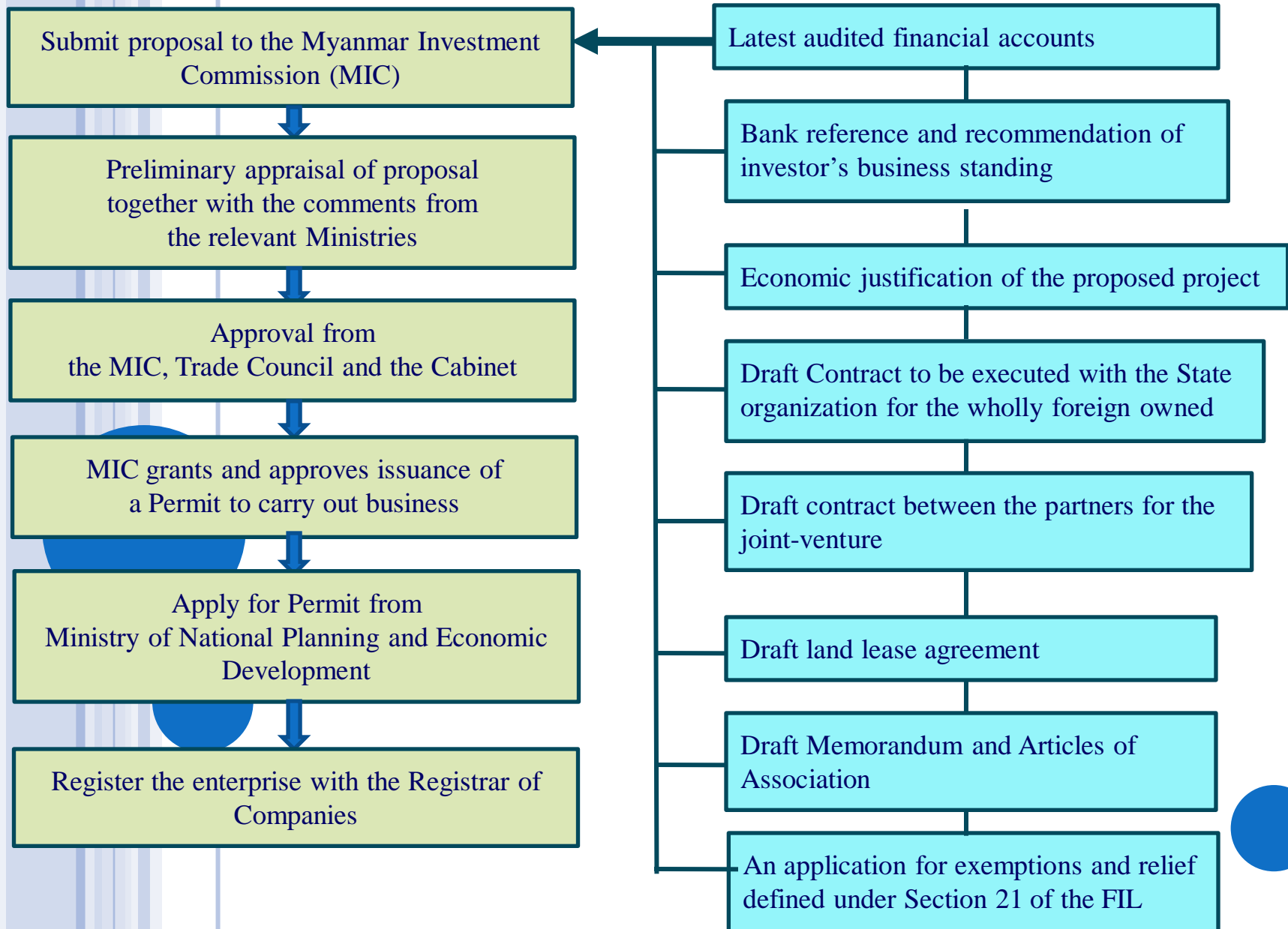


## 8. LAND UTILIZATION

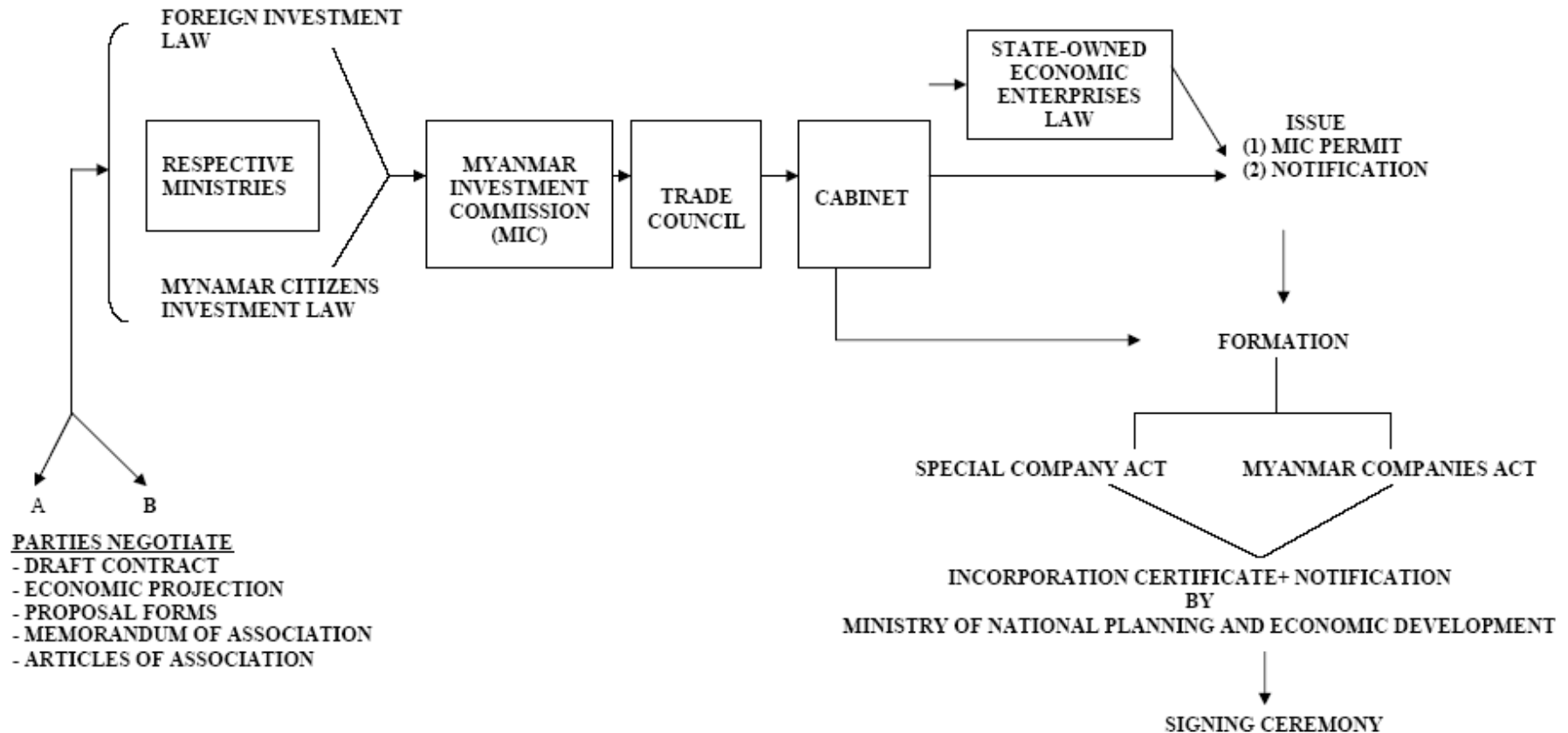
- ❖ According to the existing Land Laws of Myanmar, a foreigner or foreign company cannot own land
- ❖ However, a foreigner or foreign company can lease it for long-term period from the State to carry out investment activities.



## 9& 10. APPLICATION PROCEDURES & APPROVAL PROCESS



## 9& 10. APPLICATION PROCEDURES & APPROVAL PROCESS (CONT.)



# 11. THE INCENTIVES

- ❖ Under the FIL Chapter 10 Section 21 , the incentives are:-
  - Enjoy a tax holiday period of three years inclusive of the year enterprise commences its commercial operation;
  - Exemption or relief from income-tax on reinvested profits within one year;
  - Accelerated depreciation rates approved by the MIC
  - Fifty percent relief from income-tax on profits accrues from exports;
  - Right to pay in tax on behalf of foreign experts and technicians employed in the business and the right to deduct such payment from the assessable income;
  - Right to pay income tax on the income of foreign employees at the rates applicable to Myanmar nationals;



# 11. THE INCENTIVES(CONTS:)

- Right to deduct R&D expenditures from the assessable income;
- Right to carry forward and set off losses up to three consecutive years from the year the loss is sustained;
- Exemption or relief from customs duty or other internal taxes or both on import of machinery, equipment, instruments, machinery components, spare parts and materials used in the business during the period of construction; and
- Exemption or relief on customs duty or other internal taxes or both on imported raw materials for the first three years of commercial operation after completion of construction.





# 12. GUARANTEES

## ❖ 12.1 Right to Transfer foreign currency

- A person who has brought in foreign capital can transfer as follow:
  - foreign currency entitlement of foreign investor
  - net profit after deducting all taxes and provisions
  - foreign currency permitted for withdrawal by the Commission which may include the value of assets on the winding up of business

## ❖ 12.2 Guarantee

- The FIL provides an irrevocable state guarantee that an enterprise permitted by MIC under the FIL shall not be nationalized during the permitted period or the extended period(if any).



## 13. ONE-STOP SERVICE

- ❖ Although one-stop service has not yet been implemented, MIC always provides necessary assistance to the investors, coordinating with the respective Ministries and organizations for investment facilitation.
- ❖ Duration of getting an investment permit is taken about 6 weeks if the documents are completed when they put up the proposal to MIC.
- ❖ MIC also provides solution by coordinating with the respective Ministries if the permitted enterprises face any problem and difficulties in their business operation.



## 14. PRIORITY AREA FOR FOREIGN INVESTMENT

- ❖ Resource-based heavy investment, resource-based export-oriented value added projects, labour intensive export-oriented projects are being given priority for foreign investment in Myanmar.



## 14.1 AGRICULTURE

- ❖ an agro-basic country
- ❖ various climatic and soil conditions
- ❖ 60 crops: rice, wheat, maize, millet, beans, pulses, oilseeds, cotton, jute, rubber, sugar, cane, toddy palm, tobacco spices and many others that are edible & non-edible.
- ❖ a vast potential of land resources
- ❖ an enormous potential for the expansion of crop area by multiple cropping
- ❖ A vast potential for further development of the agriculture sector



## **14.1.1. PERIOD OF OCCUPANCY**

- ❖ Initial a maximum (30) years which can be expandable upon negotiation depending on the types of crops, Plantation crops, Orchard and Seasonal crops, or nature of investment



## ❖ 14.1.2.Opportunities for Agro-Based Industries

- Potential projects interested to invest in Myanmar are:
  - a perennial plantation for industrial crops: rubber, oil palm, cashew nuts;
  - seasonal plantations: pulses, maize, oilseeds;
  - orchard crops plantations: mango, banana, pineapple; and
  - higher value fruits & vegetable
  - a herbal plantation, organic farming
  - sugar industry
  - jute and kenaf industry
  - rubber industry
  - oil palm industry
  - edible oil industry



## ❖ 14.1.2 Opportunities for Agro-Based Industries (Cont.)

- processed foods (fruits & vegetables etc.)
- bio-fuel industry
- animal feed Industry
- tropical fresh fruit industry
- essential oil industry
- fertilizer industry
- agro-chemical industry
- pesticides industry
- seed industry
- Small scale agricultural machinery and other



## 14.2 LIVESTOCK AND FISHERY

- ❖ A vast land area with non-extreme climates
- ❖ A variety of breeds and species of the livestock and poultry
- ❖ Border countries are largely populated, so high demand for food from there
- ❖ Animals and animal products: meat, milk & eggs and by-products like hides, skin, feather, horns and bones are high demand from there
- ❖ Beef, dairy cattle, sheep and goat farming are extensively undertaken
- ❖ Self-sufficiency of food within country
- ❖ Good opportunity for foreign export





## 14.2 LIVESTOCK AND FISHERY (CONT.)

- ❖ Long sea coastline of 2,832 km associated with 229,000 sq. km of continental shelf & 486,000 sq. km of exclusive economic zone
- ❖ Fisheries can be classified into fresh water and marine
- ❖ Fresh water fisheries can be obtained through vast river systems & heavy rainfall
- ❖ Fish culture operations are undertaken extensively in ponds, lakes, & reservoirs
- ❖ Department of Fisheries granted fishing rights, initiated some joint fishery development programs & formation of JV companies with effect from 1989/90



## 14.3 FORESTRY

- ❖ Rich in forest resources
- ❖ Forest covers about 50 % of total land area
- ❖ Teak forest of Myanmar – one of the largest forests in the world
- ❖ Many hardwood & softwood species exploited for processing value-added products commercially
- ❖ Unexploited hardwood & softwood species, lesser-known species can be exploited for processing value added products commercially for export as well



## 14.4 MINING

- ❖ Rich in mineral resources: copper, gold, lead & zinc, silver, tin & tungsten, antimony, chromium & nickel
- ❖ High in minerals potential among Asian Countries
- ❖ Policy objective of Ministry of Mines: to boost up the present production to fulfill the growing domestic needs of mineral and metal products and promoting exports
- ❖ Administer of Mineral industry is Ministry of Mines in accordance with the State Economic Objectives
- ❖ Encouragement of increase in private sector ownership in Mineral industry
- ❖ Foreign investors can apply applications for prospecting, exploration permits and upon discovering the economic mineral deposits
- ❖ Foreign investors can proceed with production sharing agreements for exploitation of the deposits except gemstones



## 14.5 ENERGY

### ❖ 14.5.1 Crude Oil and Natural Gas

- Ministry of Energy (MOE) invites multi-national oil companies to explore and produce crude oil and natural gas jointly with Myanma Oil and Gas Enterprise (MOGE) on PSC basis
- A total of various types of contracts → 85
- Companies → 81 companies for 89 onshore & offshore blocks
- Contracts 40 are currently operated in 41 onshore & offshore blocks
- Three commercial scale major gas fields:
  - **Yadana Natural Gas (Moattama offshore)**
    - 780 mmscfd → selling to Thailand
    - 50 mmscfd → utilizing in domestic
    - TOTAL E & P Myanmar, UNOCAL, PTTEPI and MOGE



## 14.5.1 CRUDE OIL AND NATURAL GAS ( CONT.)

### ➤ Yetagun Natural Gas ( Taninthayi offshore)

- wet gas, condensate
- 12,000 bpd
- condensate → utilizing in domestic

### ➤ Shwe Field (Rakhine offshore)

- Daewoo Int'l Corporation
- Reserves amount → 4.2 to 5.8 TCF
- possibility of finding up to 14 TCF

❖ Two other structures: Shwe Phyu and Ngwe

➤ hydrocarbon

❖ exist opportunities for cooperation in Downstream projects:  
refinery plant and fertilizer plants



## 14.6 POWER

- ❖ High potential of **hydropower**
- ❖ 37,000 megawatts can be generated from hydro
- ❖ rivers: Ayeyearwaddy, Sittaung, Thanlwin & Chindwin
- ❖ 1541 megawatts has been developed
- ❖ **Natural Gas**- one of main resources for electricity generation in Myanmar
- ❖ Ministry of Electric Power:
  - **(a) Ministry of Electric Power (1) (MOEP-1)**
    - entrusted the implementation of hydropower projects& operation of all existing major hydropower stations and coal-fired thermal power station
  - **(b) Ministry of Electric Power (2) (MOEP-2)**
    - electric power transmission and distribution
- ❖ total developed capacity of hydropower plants existing plus under implementation is 30,349 MW and 5233 MW



## 14.7 MANUFACTURING

- ❖ To boom together with the development of agri, fishery, forestry, mining, oil & gas
- ❖ Labor intensive industries: textile factories, shoes factories, & electrical components factories are being encouraged under the FIL & Myanmar Citizens Investment Law
- ❖ SMEs are being encouraged for further industrial development of the SMEs
- ❖ Regional Production Network FDI products including forward & backward linkages of production functions is a great potential
- ❖ Myanmar's comparative advantages are with natural resources, human resources & cultural heritage, resource-based heavy investment, resource-based export oriented, value added industry, labor intensive export oriented projects are being given priority



## 14.8 INDUSTRIAL ESTATES

- ❖ 17 industrial zones → Yangon by the Department of Human Settlement and Housing Development under the Ministry of Construction
- ❖ More than 2,700 factories from the private sector → operating
- ❖ Nearly 1,000 → under construction
- ❖ Create the new employment opportunities for the city-dwellers
- ❖ Promote the private investments in production by using these zones
- ❖ Import substitution & export promotion basis production are getting expand based on these zones
- ❖ Totally 19 industrial zones in Myanmar
- ❖ Foreign investors are implementing pre-feasibility studies for the development of deep sea ports
- ❖ To fulfill the investors' needs within its “available limits of finance”





## 14.9 TOURISM

- ❖ Myanmar Hotels& Tourism Law (1993)
- ❖ Procedures on how to apply for licenses to operate a tour operator business, a hotel and lodging house business, a tourist transport business and a tour guide business
- ❖ Many cultural and ecotourism attractions
- ❖ Many opportunities for foreign investors and national to develop golf resorts, beach resorts, cultural villages, amusement parks, recreational centers, service apartments and condominiums



## 15. FOREIGN INVESTMENT INDUCEMENT

- Since the promulgation of the FIL in 1988, a total of **426** foreign enterprises in **12** sectors from **31** countries of the economy were permitted with a total pledge amount of **US \$15.8** billion up to the end of **31<sup>st</sup> October 2009**.



## 15. FOREIGN INVESTMENT INDUCEMENT(CONT.)

Sr. No.	Particulars	Sectors/Countries/Regions	Approved Amount (US\$ in Million)	%
1	The Leading Sectors	i. Power ii. Oil and Gas iii. Manufacturing iv. Mining v. Real Estate	6311.22 3398.48 1634.89 1395.89 1056.45	39.97 21.53 10.36 8.84 6.69
2.	The Leading Countries	i. Thailand ii. United Kingdom iii. Singapore iv. China v. Malaysia	7422.09 1860.95 1553.21 1331.44 660.75	47.01 11.79 9.84 8.43 4.19
3.	Region-Wise	i. ASEAN ii. EU iii. Other Asia	10049.91 2672.159 2531.69	63.65 16.92 16.04

## **15. 1. JAPAN INVESTMENT IN MYANMAR AS OF OCTOBER 31<sup>ST</sup> , 2009**

- The total foreign investment in Myanmar is accumulated to US\$ 14.78 billion up to the end of 31<sup>st</sup> October 2009.
- Among them, Japan ranks the 12<sup>th</sup> position with the amount of US\$ 216.76 million in 23 permitted enterprises.
- Japan possesses capital and technology and also Myanmar has natural resources & human resources.
- We do welcome investors from Japan for mutual benefits between the two countries.



## 15.1. JAPAN INVESTMENT IN MYANMAR AS OF OCTOBER 31<sup>ST</sup> , 2009

Sr. No.	Particulars	No.	Approved Amount (US\$ in Million)
1	2	3	4
1.	Livestock & Fisheries Sector	3	13.97
2.	Manufacturing Sector	12	49.51
3.	Oil & Gas Sector	1	40.00
4.	Hotel & Tourism Sector	3	68.00
5.	Real Estate	1	31.31
6.	Industrial Estate	1	12.00
7.	Others	2	1.97
	Total	23	216.76

## **15.1. JAPAN INVESTMENT IN MYANMAR AS OF OCTOBER 31<sup>ST</sup> , 2009 (CONT.)**

- Our views is that the said investment amount is much less than we expected from the Japan investors.
- We have been expecting Japanese investors to make investment bringing technology into Myanmar.



## 16. CONCLUSION

- ★ Regarding the FDI promotion in Myanmar, the target countries are Asian Countries, especially Japan, and ASEAN countries.
- ★ We do hope that FDI from Japan will enhance not only capital flows but also technology transfer, entrepreneurial skill enhancement, export market and employment opportunities.
- ★ With the view to continuous improvement of ASEAN-Japan CEP, there shall be more favorable conditions for the Japan investors especially manufacturing sector to invest in Myanmar.



# CONTACT POINT

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# CONTACT POINT

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# FOR FURTHER INFORMATION

**Web Site address:**

**<http://www.myanmar.com/ministries/index.ht>**



We hope there'll be more cooperation and investment  
not only capital flows and employment opportunities,  
export market, technology and entrepreneurial skill  
enhancement

between

Myanmar and Japan

in the near future.



*Thank You*

