Confederation of Indian Industry

CONFEDERATION OF INDIAN INDUSTRY

MYANMAR

TRADE AND INVESTMENT REPORT

EMERGING
MARKETS
FORUM

FEBRUARY 2019

A Place of Business: *The Centrepoint Towers, near the Sule Pagoda, is a 25-storey office complex in the heart of Yangon's Central Business District. One of the earliest office towers in the city, this building has been home to many international groups, including Coca-Cola, Toyota and the Canadian Embassy.*

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COVER PICTURE

Golden Splendour: *The Shwezigon Pagoda, located close to the ancient city of Bagan, is believed to enshrine a bone and tooth of Lord Buddha and is a replica of the pyramidal Mahabodhi Temple at Bodh Gaya.*

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ASEAN	Association of South-East Asian Nations
AEC	ASEAN Economic Community
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BOT	Build-Operate-Transfer
CLMV	Cambodia, Lao PDR, Myanmar and Vietnam
CIT	Corporate Income Tax
CIA	Central Intelligence Agency
DCA	Department of Civil Aviation
FDI	Foreign Direct Investment
HDI	Human Development Index
ITC	International Trade Centre
IFC	International Finance Corporation
JICA	Japan International Cooperation Agency
LPI	Logistics Performance Index
MFS	Market Facilitation Services
MIL	Myanmar Investment Law
MCL	Myanmar Companies Law
MIC	Myanmar Investment Commission
MyCO	Myanmar Companies Online
MCA	Myanmar Companies Act
NLD	National League for Democracy
NHAI	National Highways Authority of India
OSSC	One-Stop Service Centre
PPP	Public-Private Partnerships
SPS	Sanitary and Phyto-Sanitary
TEUs	Twenty-foot Equivalent Units
UNDP	United Nations Development Programme
USTR	United States Trade Representative

1 EXECUTIVE SUMMARY

Myanmar enjoys a significantly important geo-strategic location, connecting the economically vibrant South Asian region with the dynamic South-East Asian economies. Historically, Myanmar, formerly Burma, served as an important trade route between India and China dating back to 100 BC. Down the centuries, the country had been a major trading centre in the Bay of Bengal region, having strong trade ties with the Indian Ocean littoral countries and Europe.

Endowed with exceptionally rich natural resources, including oil and gas reserves, various minerals, precious stones and gems, timber and forest products, and hydropower potential, Myanmar, once called the *Suvarnabhumi* (meaning Golden Land in Sanskrit), has for long had the potential to become a middle-income economy. However, the land was denuded of its resources and economic strengths under British colonial rule from 1824 to 1948. After Myanmar gained independence, the country faced long periods of political instability that stymied its economic progress. The political class kept the economy in relative seclusion, insulating it from global economic and technological progress.

Eventually, it was in 2011 when President Thein Sein's government came to power that major domestic economic reforms were unfurled. The country's investment laws were overhauled; these contributed to foreign investment flows increasing from about US$ 300 million in 2009–10 to nearly US$ 901 million in 2010–11 — a whopping 200% increase. Large capital inflows also buoyed the currency, the Myanmar Kyat, that encouraged the government to lift many of the import restrictions. Export taxes too came to be abolished. The economic liberalisation has put the Myanmar economy on a higher growth trajectory, with the national GDP consistently growing at over 6% since 2011.

Post-liberalisation, Myanmar has seen notable expansion of its physical infrastructure sector—the greenfield, US$ 30 billion Dawei seaport is a case in point. Upon completion, this seaport project will make Myanmar the hub of trade, connecting South-East Asia and the South China Sea, via the Andaman Sea, to the Indian Ocean, receiving goods from countries in the Middle East, Europe and Africa, and spurring growth in the ASEAN region.

The economic liberalisation has also induced multilateral organisations to engage with Myanmar and participate in its development initiatives. For instance, in 2012, the Asian Development Bank (ADB) formally began to re-engage with Myanmar, to finance infrastructure and development projects in the country. The same year, the Myanmar government released a draft investment law that opened the sluice gates for foreign investment inflows. Foreigners were permitted to start businesses in Myanmar without needing a local partner and could legally lease land.

Countries such as Japan, Thailand and China are partnering Myanmar in major infrastructure development projects. Japan is helping build the Thilawa Port, which is part of the Thilawa Special Economic Zone. Thailand is forging ahead with a bigger version of Thilawa at Dawei, on Myanmar's Tenasserim Coast. China has focused on constructing oil and gas pipelines that criss-cross the country, starting from a new terminus at Kyaukphyu, just below Sittwe, up to Mandalay and on to the Chinese border town of Ruili and then Kunming, the capital of Yunnan province.

Although a predominantly agrarian economy, Myanmar is looking to draw major investments in its industrial and services sectors, while also aiming to improve its Ease of Doing Business ranking to within 100 positions.

Domestic consumer markets are growing, powered by rising GDP per capita (estimated in 2018 at US$ 6,509 in PPP per capita and US$ 1,490 in nominal per capita). Some 98% of the population has smartphones and mobile money schemes are being implemented in the country. All this augurs well for overseas companies looking to invest and develop businesses that require good telecom connectivity.

In the industrial sector, garment manufacturing is the largest segment. By mid-2015, about 55% of officially registered garment firms in Myanmar were known to be fully or partly foreign-owned. Foreign-linked firms supply almost all garment exports, which have risen rapidly in recent years, especially since EU sanctions were lifted in 2012.

Today, as India presses ahead with its 'Act East' approach to broadening the economic engagements with East and South-East Asian countries, bilateral trade and investment relations with Myanmar assume critical importance for both countries. The current report aims to provide a comprehensive view of Myanmar's socio-economic fundamentals, the emerging business opportunities for Indian companies looking to do business in Myanmar, as also the ground-level challenges that confront companies that foray into the country for establishing long-term businesses.

More Than Just Hot Air: *Watch the sun rise, get a bird's eye view of Bagan's thousands of temples and pagodas shrouded in the early morning mist. Touted as one of the best hot air ballooning experiences in the world, Myanmar's hot air balloon season runs from October to April and is one of the best ways to take in the country's surreal beauty.*

2 THE BIG PICTURE

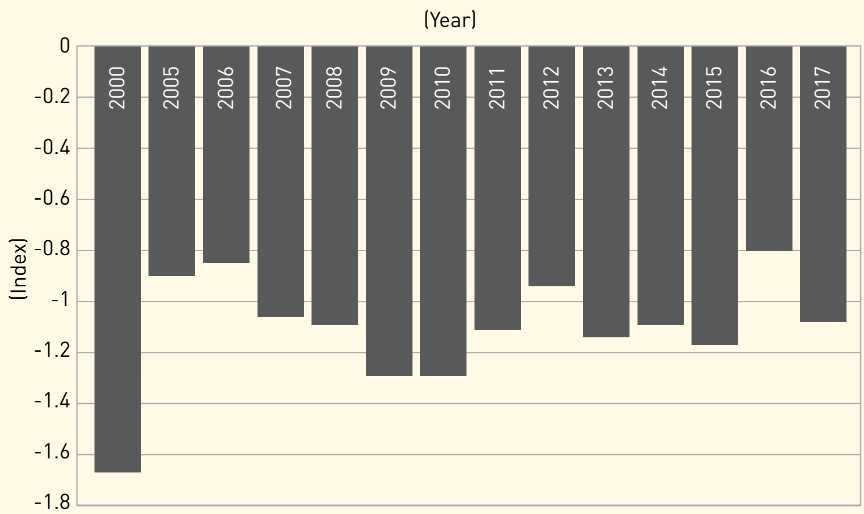
POLITICAL LANDSCAPE

PARAMETER Political Stability

INDICATOR Political Stability & Absence of Violence/Terrorism Index

YEAR	2000	2005	2010	2015	2016	2017
Index Value	-1.67	-0.90	-1.29	-1.17	-0.80	-1.08

Source: World Bank, Worldwide Governance Indicators (http://info.worldbank.org/governance/wgi/index.aspx#reports)



TRENDS ANALYSIS

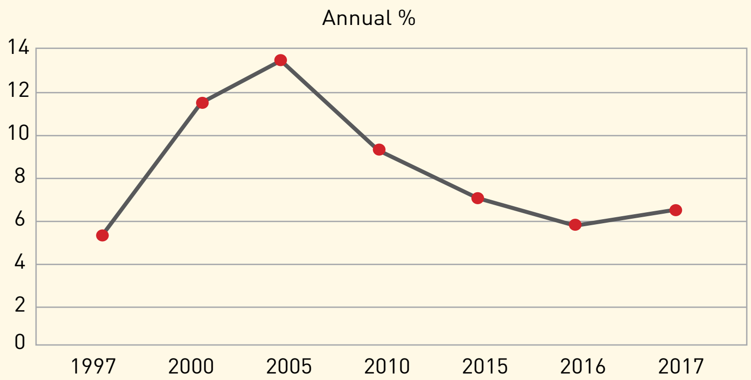
- ✓ Myanmar has gradually improved its status on the Political Stability Index from -1.67 in 2000 to -1.08 in 2017, with significant improvements in the years 2005 and 2006 at -0.90 and -0.85, respectively.
- ✓ Myanmar started on the road to fundamental political reform through a peaceful transfer of power in early 2016. The transfer was from the previous military-led regime to the National League for Democracy (NLD).
- ✓ Myanmar's transition from military rule remains far from complete, but it is moving in the right direction. Whether the transition will be to genuine democracy remains to be seen, but it involves fundamental political changes.

MACRO-ECONOMIC ENVIRONMENT

PARAMETER Economic Growth

INDICATOR Overall GDP Growth

YEAR	1997	2000	2005	2010	2015	2016	2017
%	5.65	11.34	13.57	9.63	6.99	5.87	6.37

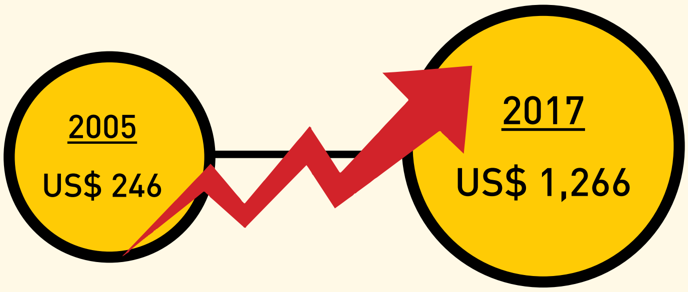


Source: World Development Indicators, World Bank

TRENDS ANALYSIS

- ✓ Myanmar's GDP rose sharply from 5.65% in 1997 to 11.34% in 2000 and 13.57% in 2005, before stabilising between 6% and 7% during the period 2015–17.
- ✓ In 2011, when President Thein Sein's government came to power, Myanmar embarked on a major policy of reforms related to anti-corruption, currency exchange rate, foreign investment laws and taxation.
- ✓ The gradual dip in growth rate since 2015 is mainly attributed to external headwinds, internal political conflicts and delays in the implementation of some of the reform policies.
- ✓ However, the GDP growth outlook for the economy is positive, trade and fiscal deficits notwithstanding.
- ✓ Increased private participation in the growth process will continue to galvanise the country's economic growth.

INDICATOR GDP per Capita, Current US$



Source: UNCTADstat

TRENDS ANALYSIS

- ✓ Myanmar's per capita GDP measured in current US$ increased by over five times during the period 2005 to 2017, registering a CAGR of 14.62% during the period 2005–17.
- ✓ This can be attributed to the high growth period in the early 2000s.

PARAMETER Economic Structure

INDICATOR Economic Structure: GDP at Current Prices by Industrial Origin (%)

SECTORS	2014	2015	2016	2017
Agriculture, forestry, and fishing	27.82	26.77	25.46	23.69
Mining and quarrying	7.35	6.11	4.39	4.81
Manufacturing	19.93	20.80	22.78	23.60
Electricity, gas, steam, air-conditioning supply, water supply; sewerage, waste management, and remediation activities	1.42	1.41	0.13	1.32
Construction	5.77	6.12	6.43	6.47
Wholesale and retail trade; repair of motor vehicles and motorcycles, Accommodation and food service activities	18.72	18.92	19.71	20.59
Transportation and storage Transportation and storage, Information and communication	13.28	13.41	13.27	12.96
Financial and insurance activities	0.21	0.23	0.30	0.29
Public administration and defense; compulsory social security	3.10	3.69	3.52	3.24
Other service activities	2.35	2.49	2.70	2.97

Source: Key Indicators for Asia and the Pacific 2018, Asian Development Bank

TRENDS ANALYSIS

- ✓ For sustained GDP growth, Myanmar will need to undergo a structural transformation from an agrarian economy to one based more on manufacturing and services.
- ✓ Modernising the agricultural sector by building linkages to complementary non-agricultural activities will likely galvanise the process of structural transformation.
- ✓ The growth of the services sector will gain momentum as agricultural and manufacturing sectors gain growth momentum.

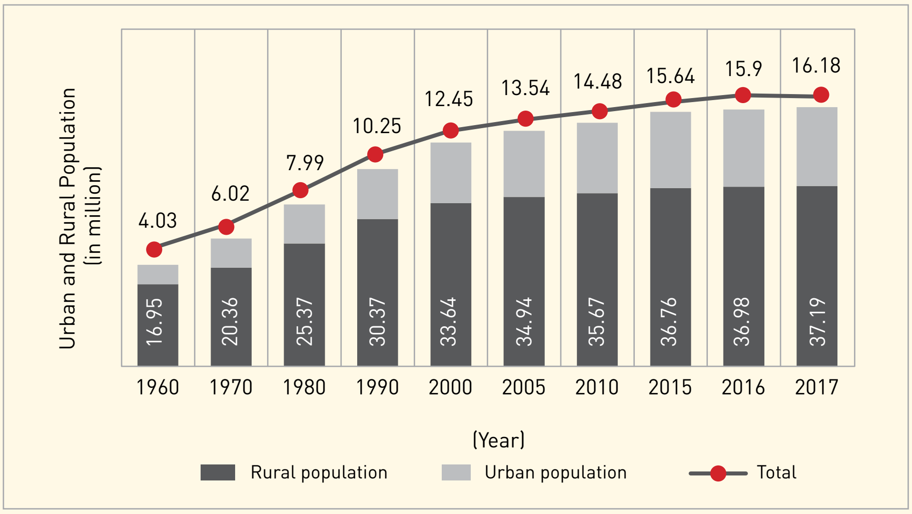
SOCIO-ECONOMIC CONTEXT

PARAMETER Demographic Trends

INDICATORS Urbanisation Level

YEAR	1960	1970	1980	1990	2000	2005	2010	2015	2016	2017
Total Population	20.98	26.38	33.36	40.62	46.09	48.48	50.15	52.40	52.88	53.37
Urban Population	4.03	6.02	7.99	10.25	12.45	13.54	14.48	15.64	15.90	16.18

(in million)



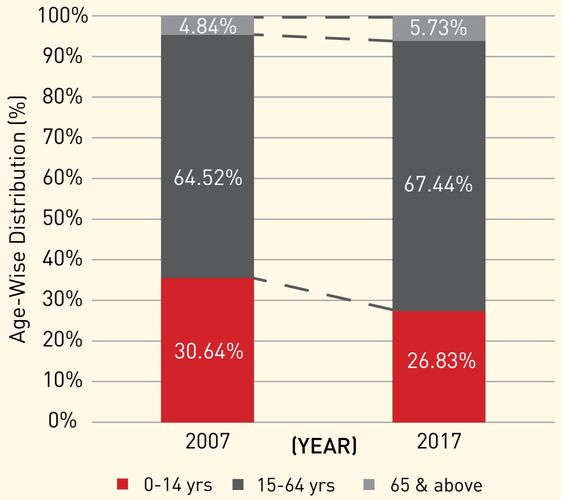
Source: World Development Indicators, World Bank

TRENDS ANALYSIS

- ✓ Myanmar has seen a gradual urbanisation of its population from 19.20% in 1960, 23.95% in 1980, 27.01% in 2000, to 29.84% and 30.31% in 2015 and 2017, respectively.
- ✓ The urban population in Myanmar increased from 4.03 million in 1960 to 7.99 million in 1980, 12.45 million in 2000, 14.48 million in 2010 and 16.18 million in 2017, registering a CAGR of just 1.55% during the period 2000–2017.

INDICATOR Age-wise Distribution of Population

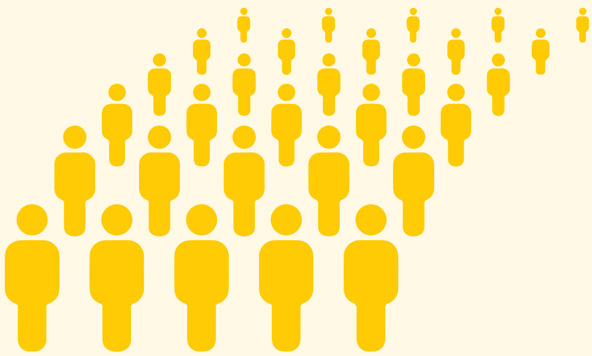
	2007	2017
0–14 years	30.64	26.83
15–64 years	64.52	67.44
65+ years	4.84	5.73



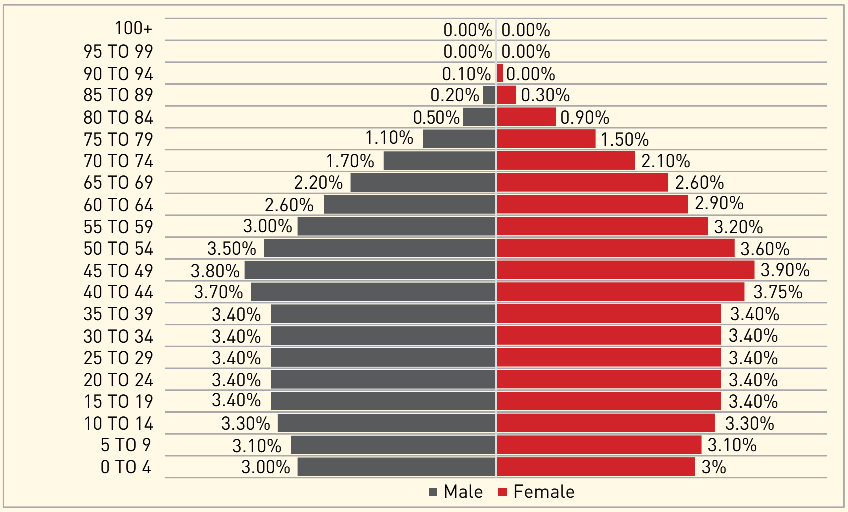
Source: https://www.statista.com/statistics/526512/age-structure-in-myanmar/

TRENDS ANALYSIS

- ✓ Myanmar's total population, estimated at 53.4 million in 2017 (about 0.70% of world population), is projected to reach 63.57 million by 2050. The total population grew at a CAGR of 0.87% during the period 2000–2017; the estimated CAGR is likely to reduce to 0.65% over the period 2000–2050.
- ✓ The relative size of the 15–64 age group, that is the working age group, has increased from 64.52% in 2007 to 67.44% in 2017, whereas the relative size of the 0–14 age group has reduced from 30.64% in 2007 to 26.83% in 2017.
- ✓ The fertility rate in Myanmar has consistently reduced from 6.1 births per woman in 1960, to 4.9 births per woman in 1980, 2.9 births per woman in 2000 and 2.2 births per woman in 2016.



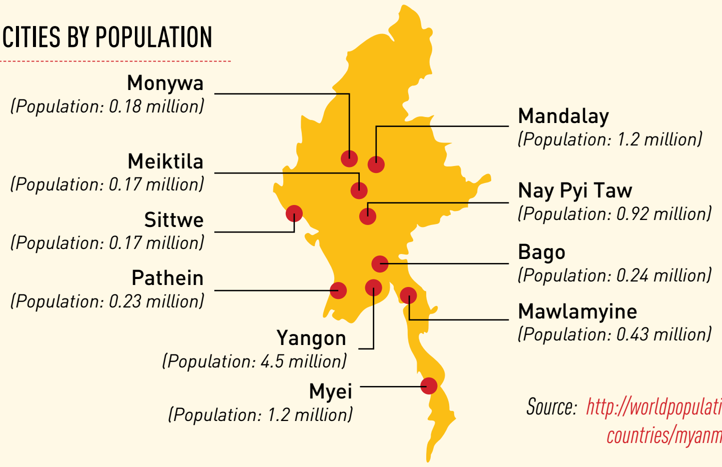
ESTIMATED POPULATION IN YEAR 2050 — AGE (IN YRS) AND GENDER-WISE DISTRIBUTION



Source: https://www.populationpyramid.net/myanmar/2050/

INDICATOR Regional Distribution of Population

TOP 10 CITIES BY POPULATION



Source: http://worldpopulationreview.com/countries/myanmar-population/

TRENDS ANALYSIS

✓ Yangon and Mandalay account for close to 10% of the total population, with the capital city alone housing a population of 4.4 million.

✓ Myanmar's urban population is roughly 30% of the total, with only 13% residing in big cities. According to a McKinsey report on Myanmar, this percentage could increase sharply by 25% by the year 2030, with around 10 million people migrating to large cities. The increasing flow of migrants from rural to urban areas is driven by aspirations for better living conditions and work opportunities.

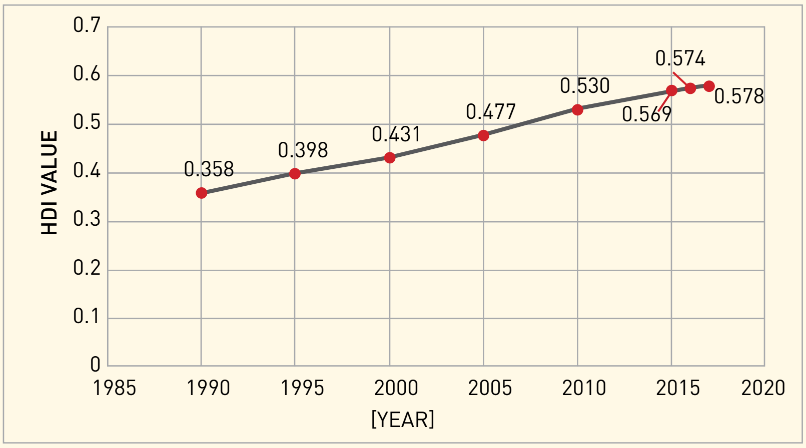
✓ Cities such as Nay Pyi Taw and Mawlamyine are expected to experience greater urbanisation in coming years. Nay Pyi Taw, a planned city, is being promoted by the Myanmar government as an international events destination, whereas Mawlamyine, a port city and an important part of the 1,450-km East-West Corridor, has two industrial zones.

TRENDS ANALYSIS

- ✓ A faster rate of urbanisation will also necessitate greater development of urban infrastructure, which will open up additional avenues for investments in urban areas.
- ✓ Myanmar's rural population forms 70% of the total population that resides in its nearly 40,000 villages. According to a UNDP report, rural poor account for 84% of the total poor population. Rural poverty is the result of a series of factors such as small or no farms, output that is sold at low prices, limited availability of non-agrarian jobs and lack of credit facilities.
- ✓ As urban areas see accelerated economic activities and industrialisation, a greater number of the rural poor are likely to migrate to the urban areas to pursue better livelihood opportunities.

PARAMETER Socio-Economic Development

INDICATOR Human Development Index (HDI)



Source: UNDP, Human Development Index, http://hdr.undp.org/en/composite/HDI

TRENDS ANALYSIS

- ✓ According to the Human Development Index (HDI) published by the United Nations, Myanmar's HDI has achieved steady improvement, from below 0.4 in 1990 to 0.57 in 2017.
- ✓ Overall, Myanmar's HDI ranking in 2017 stood at 148.
- ✓ Myanmar stands significantly behind its ASEAN neighbours on several indicators of human development.
- ✓ Improvements in education, skill development and healthcare are critical, as are income-earning opportunities for the vast majority of its people. That would significantly contribute to an improvement in its human development indicators.
- ✓ Also, a lot more has to be done in terms of institutions and governance, particularly on policy predictability and framing of rules and procedures for rolling out policies.

EASE OF DOING BUSINESS

PARAMETER Doing Business Rankings

INDICATOR Doing Business Ranking for Myanmar

DOING BUSINESS RANK & INDICATORS	RANK 2018	RANK 2017	CHANGE IN RANK (2017 to 2018)
Overall	171	170	▼
Starting a business	152	146	▼
Dealing with construction permits	81	66	▼
Getting electricity	144	149	▲
Registering property	136	143	▲
Getting credit	178	175	▼
Protecting minority investors	185	179	▼
Paying taxes	126	119	▼
Tracking across borders	168	159	▼
Enforcing controls	188	188	No change
Resolving insolvency	164	164	No change

Source: World Bank, Doing Business 2017 and Doing Business 2018 reports

TRENDS ANALYSIS

- ✓ In the World Bank's *Doing Business 2018* report, Myanmar ranked 171 out of 190 countries, moving one rung below its 2017 ranking.
- ✓ The rankings improved in 2018 over 2017 in the regard to the following parameters — Getting Electricity and Registering Property — while there was no change in ranking with regard to Enforcing Controls and Resolving Insolvency. The rankings declined in relation to all other parameters.
- ✓ Foreign investment inflows will be affected if the ease of doing business in Myanmar does not improve. The Myanmar government has set a goal of achieving an under-100 ranking by 2020, and into the top 40 by 2035.
- ✓ According to a survey conducted by the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) in 2018, 10 key factors have constrained the economy — higher taxation and tariffs; restrictions on financing and banking; depreciation of Myanmar's currency kyat; unstable economic rules and regulations; lack of market demand; delays in import and export procedures; increases in local costs and inflation; foreign competition; a lack of skilled human resources; and poor infrastructure.

IMPLICATIONS ON ATTRACTIVENESS OF TRADE AND INVESTMENT

CONTEXT Political Landscape

PARAMETER Political Stability — *Medium, satisfactory impact*

INDICATOR Political Stability Index

- ✓ Myanmar's democratically-elected government is stable, but the military holds three key Cabinet posts — Home Affairs, Defence and Border Affairs.
- ✓ The government is proactively seeking private investment across sectors, but its general lack of governance experience is causing delays in policy implementation and reforms processes.
- ✓ Political and ethnic conflicts in the Kachin and Shan regions pose downside risks to road cargo transport and infrastructure projects.

IMPLICATIONS ON ATTRACTIVENESS OF TRADE AND INVESTMENT

CONTEXT Macro-economic Environment

PARAMETER Economic Growth — *High, positive impact*

INDICATOR Overall GDP Growth and Trends in GDP per Capita, Current US$

- ✓ Sustained, high single-digit GDP growth will increase the GDP per capita, leaving higher disposable incomes in the hands of people, which in turn will spur consumerism.
- ✓ Higher incomes will result in an increase in the savings rate, which in turn will boost the investment rates.

PARAMETER Economic Structure — *Medium, satisfactory impact*

INDICATOR GDP at Current Prices by Industrial Origin (%)

- ✓ As an agrarian economy, Myanmar would do well to modernise the sector through technology adoption, creation of adequate storage and logistics infrastructure, and value-added activities.
- ✓ Agriculture growth will also contribute to industrial growth, as increasing farm incomes will increase the demand for consumer goods. Also, with industrialisation, the overall demand for industrial goods will pick up.
- ✓ Accelerated agricultural and industrial growth will serve as the foundation for expansion of the services sector.

IMPLICATIONS ON ATTRACTIVENESS OF TRADE AND INVESTMENT

CONTEXT	Socio-Economic Environment	
PARAMETER	Demographic Trends	*Low, negative impact*
INDICATOR	Urbanisation Level	

- ✓ Myanmar's urbanisation rate has generally lagged behind those of its neighbouring countries, reaching 30.31% in 2017.
- ✓ Yangon and Mandalay, the country's first- and second-largest cities, do not meet the World Bank's criteria for large urban areas, as they do not have 5 million people residing in the respective cities.
- ✓ Although the country's population remains largely rural, urban population growth was faster than spatial growth, according to the World Bank. In the first decade of the 2000s, the area of urban land in the country increased from 760 sq. km. to 830 sq. km., an increase of 0.8% per year, one of the lowest rates of increase in the ASEAN region.
- ✓ The Myanmar government has initiated steps to augment urban infrastructure, especially in the capital city of Yangon. The Yangon Region Investment Committee has outlined the sub-centres, new towns, railway stations and industrial zones that will be established as part of the new urban development plan. The four sub-center projects are planned for Mindanma Secondary Central Business District where a trade centre, convention centre, social service centre, logistics, information technology and software centre, commercial, business and tourist centres, a sports complex, an amusement park and an inland port will be established. The railway station area development projects will be carried out in six main station areas, including Yangon Central, Kyimindine, Insein, Yegu, Mingaladon and Danyingone railway stations.
- ✓ As the pace of urbanisation picks up, new avenues for investments will likely be created in areas such as transport infrastructure, telecom services, retail services, education and healthcare.

SECTORAL OPPORTUNITIES

Transport infrastructure	*Telecom services*	*Retail services*	*Education and healthcare*
Agri-processing	*Textiles*	*Automobiles*	*Pharmaceuticals*

INDICATOR Age-Wise Distribution of Population

- ✓ An increasing working-age population will spur domestic demand for skills development, consumer retail services, FMCG and consumer goods, automobiles, real estate, telecom services and financial services.
- ✓ The 0–14 age group has not grown at the same pace as the working age group, and that presents the government an opportunity to upgrade the education, healthcare and other basic services targeted at this age group.

SECTORAL OPPORTUNITIES

Retail services | *Education and healthcare* | *Financial services* | *Real estate*

INDICATOR Regional Distribution of Population

- ✓ The majority of the country's population is concentrated in the Yangon region in the southern part of the country, followed by Mandalay and Naypyitaw — these three regions are the key centres of economic activity in Myanmar.
- ✓ The rest of the regions are sparsely populated, thereby limiting the size of the domestic consumer market.

PARAMETER Socio-Economic Development *Medium, satisfactory impact*

NDICATOR Human Development Index (HDI)

- ✓ Myanmar's steady improvement in its HDI score and ranking points to the country's social sector undergoing a gradual transformation, while achieving the Medium Human Development status.
- ✓ The Myanmar government is now directing sharp focus on education and healthcare. The national education strategic plan of 2016–21 identifies transformational goals in the education sector which would ensure significant gains in the coming years. Similar efforts are underway in the healthcare sector.
- ✓ Realising that human development goals have to be taken up in a mission mode to achieve the UN SDGs, the UNDP has initiated a five-year country programme by which it will work with the government, development partners, civil society groups, the private sector and all communities to help Myanmar achieve sustainable development.
- ✓ Considering that Myanmar lags behind other ASEAN countries with regard to HDI ranking, there is ample scope for the country to improve on this count.

IMPLICATIONS ON ATTRACTIVENESS OF TRADE AND INVESTMENT

CONTEXT	Ease of Doing Business	
PARAMETER	Doing Business Rankings	*Low, negative impact* ⬇
INDICATOR	Doing Business Ranking and Indicators	

✓ Myanmar has not improved its *Ease of Doing Business* ranking in line with the government's aim of achieving a below-100 ranking by the year 2020. However, the political, economic and administrative reforms launched by President Thein Sein's government in 2011 are expected to have a positive cascading effect on the country's business environment, which will encourage more foreign companies to establish their footprints in Myanmar.

***City of Pagodas:** Bagan, on the banks of the Irrawaddy, is home to more than 2,000 temples and pagodas, such as the Ananda Temple and the Dhammayazika Pagoda. Once the capital of a powerful ancient kingdom, Bagan is an age-old city of both peace and power.*

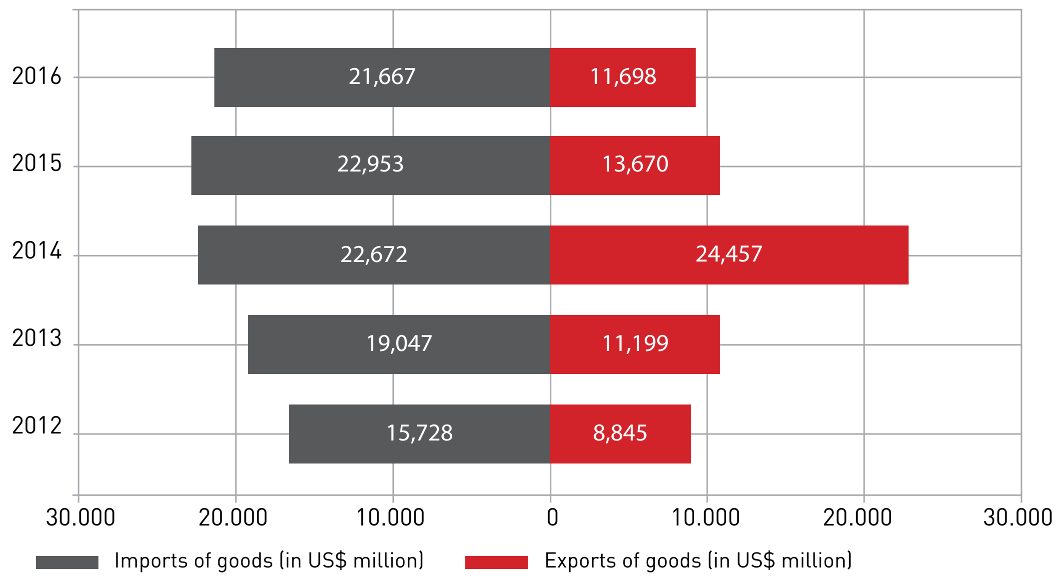
3 TRADE PATTERNS AND TRENDS

Myanmar, a member of the World Trade Organization (WTO) and classified as a least developed country (LDC), has significant potential to become a major trading economy given its geographical location that connects two economically-vibrant regions — South Asia and South-East Asia. Today, as India's steps up its 'Act East' initiatives, Myanmar becomes the natural gateway for Indian industry to connect with the CLMV (Cambodia, Lao PDR, Myanmar and Vietnam) region, as well as with ASEAN countries. Once completed, the under-construction India-Myanmar-Thailand Trilateral Highway will likely provide a major impetus to Myanmar's trade flows. Besides, Myanmar's rich energy and other natural resources' base reinforces the country's trade prospects.

The country is endowed with rich deposits of silver, copper, tungsten, zinc, tin, lead, antimony and industrial minerals, and large reserves of fossil fuels such as petroleum and natural gas, which accounts for an estimated 40% of total exports. Myanmar is also a world leader in producing gemstones, including jade, diamonds, rubies, sapphires, and jadeite, which is the highest quality of jade. Less common metals are also present in valuable quantities, including tungsten and molybdenum.

Myanmar was ranked 80th in terms of exports globally and 82nd in terms of imports in 2017 by the WTO. Myanmar's import and export flows during the period 2012–16, as is illustrated in Figure 1, indicate a steady increase in overall trade flows from 2012 to a peak in 2014 (91.79% increase during the period 2012–14), following which there was a steady decline until 2016 (declining by 29.20% during the period 2014–16). The extraordinary surge in trade flows in 2014 was influenced by the country's economic expansion in that year; 2014 also saw Myanmar record a trade surplus for the year, which was an exception to the trade patterns for the preceding and succeeding years.

FIGURE 1: MYANMAR'S IMPORT-EXPORT FLOWS OVER THE PERIOD 2012–16

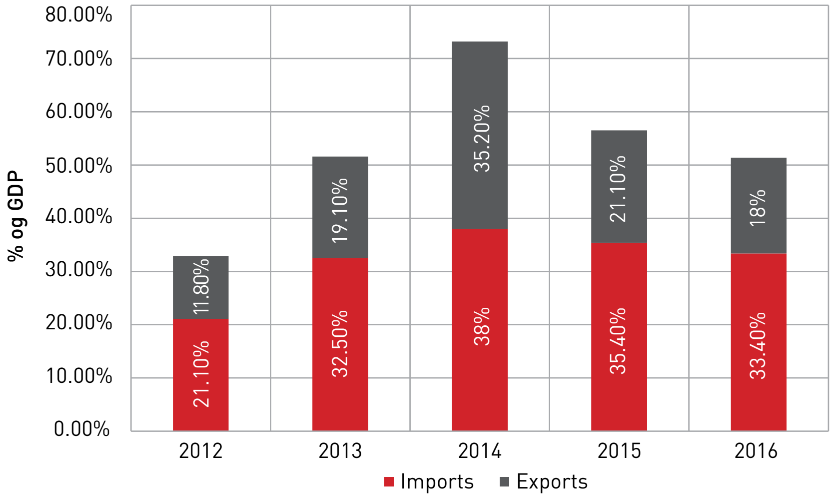


Source: ITC Trade Map

Note: Myanmar has not yet reported its trade statistics for the full period under review and figures are based on mirror statistics (trade data reported by partner countries)

Presently, Myanmar accounts for a miniscule 0.1% (US$ 13,878.7 million) of total world merchandise exports and 0.1% (US$ 19,253.4 million) of total world merchandise imports. However, despite its abysmally negligible share of world trade numbers, trade is an important feature of the country's GDP, accounting for a high of 73.2% of its GDP in 2014, as illustrated in Figure 2 below. Total trade as a percentage of GDP declined to 56.5% and 51.4% in 2015 and 2016, respectively.

FIGURE 2: MYANMAR — TRADE AS A PERCENTAGE OF GDP



Source; ITC Trade Map (Trade), World Bank (GDP)

Note: Myanmar has not yet reported its trade statistics for the full period under review and figures are based on minor statistics (trade data reported by partner countries)

Myanmar's major trading partners are largely concentrated in its neighbourhood, with China being the largest trade partner. Table 1 captures the country's trade balance with its major trade partners.

TABLE 1: MYANMAR'S TRADE BALANCE WITH MAJOR PARTNERS *(values in US$ thousands)*

S. No.	COUNTRY	2013	2014	2015	2016	2017
1.	China	-5,72,794	-47,68,319	-47,09,531	-40,23,021	-53,74,691
2.	Thailand	-6,09,462	-9,91,433	-16,01,485	-6,36,423	-7,17,699
3.	Japan	-8,09,417	-11,04,532	-10,47,673	-5,91,270	-1,52,074
4.	Singapore	-16,18,994	-32,05,380	-29,89,036	-13,77,521	-21,95,910
5.	India	4,39,939	1,75,780	5,39,950	-56,590	-2,66,993
6.	Germany	-1,614	-7,149	-12,064	95,606	1,50,632
7.	S Korea	-10,78,418	-85,950	-1,19,537	-1,38,987	-2,27,604
8.	UK	35,437	37,397	15,137	40,030	2,40,424
9.	US	-1,00,390	-4,48,857	-33,615	-66,147	-4,16,741
10.	Malaysia	-1,89,466	-7,11,053	-3,44,053	-5,46,316	-8,11,310

Source: ITC Trade Map

THE FOLLOWING TRENDS EMERGE FROM THE ANALYSIS OF MYANMAR'S TRADE BALANCE WITH ITS TRADING PARTNERS:

- Largest trade partner: China was Myanmar's largest trade partner year-on-year during the period 2014 to 2017.
- Increasing trade deficit: Myanmar's trade deficits have increased with China (838.32%), Thailand (17.75%), Japan (81.21%), Singapore (35.63%) and Malaysia (328.2%).
- Reducing trade deficit: Myanmar's trade deficit has reduced with Japan and South Korea.
- Change in trade balance: With India, Myanmar enjoyed a trade surplus during the period 2013–15, but that changed to a trade deficit over the period 2016–17. At the same time, the country's trade deficit with Germany during the period 2013–15 changed to a trade surplus over the period 2016–17.
- Growing trade surplus: Myanmar's trade surplus with the UK increased by 578% over the period 2013 to 2017.

China tops the list of the top 10 import countries for Myanmar with a 31.76% share of the country's total imports (US$ 19.2 billion), followed by Singapore (15.22%), Thailand (11.25%), Japan (5.48%) and Malaysia (5.18%) in 2017. While most of the top importing countries have witnessed a growth in imports by Myanmar over the period 2013 to 2017, South Korea's exports to the country reduced dramatically by US$ 1.4 billion in 2013 to US$ 0.23 million in 2017.

TABLE 2: MYANMAR DIRECTION OF IMPORTS — TOP 10 IMPORT COUNTRIES *(values in US$ thousands)*

S. No.	COUNTRY	2013	2014	2015	2016	2017	IMPORTS' CAGR
1.	China	36,62,524	50,26,807	64,32,330	54,03,104	61,15,764	13.68%
2.	Singapore	22,76,368	37,55,145	36,59,402	22,68,281	29,31,134	6.52%
3.	Thailand	10,31,314	15,85,389	19,57,263	19,85,908	21,66,677	20.39%
4.	Japan	15,89,393	16,36,760	15,34,262	12,54,704	10,55,100	-9.74%
5.	Malaysia	4,32,892	9,67,009	5,29,857	6,90,675	9,99,105	23.26%
6.	India	3,71,591	6,59,803	4,74,041	10,94,704	9,75,108	27.28%
7.	Indonesia	3,35,941	5,29,338	5,87,190	5,93,404	9,18,501	28.59%
8.	US	1,11,526	4,92,118	1,03,123	2,16,450	6,94,753	57.98%
9.	Vietnam	1,47,508	2,38,349	2,68,555	3,55,188	5,71,956	40.33%
10.	South Korea	14,05,310	4,62,698	21,931	1,06,450	2,38,492	-35.82%

Source: ITC Trade Map

As can be seen from the table above, while China is the number one imports' country for Myanmar in terms of absolute volumes, the imports' CAGR for China is lower compared to other countries such as the US, Vietnam, Indonesia, India, Malaysia and Thailand. The only two countries that show negative imports' CAGR are South Korea and Japan.

MYANMAR'S TRADE AGREEMENTS

As a member of ASEAN, Myanmar participates in all intra-ASEAN agreements as well as multilateral free trade agreements with Australia, New Zealand, China, India, Japan and South Korea.

- ASEAN Free Trade Area (AFTA) was established in Myanmar in 1998 with an objective to eliminate tariffs for all tariff lines by 2018.
- Myanmar has bilateral trade agreements with Bangladesh, Sri Lanka, China, South Korea, Laos, Malaysia, the Philippines, Thailand and Vietnam in the Asian region, as well as with several Eastern European countries.
- Myanmar is a member of the WTO and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).
- Myanmar has border trade agreements with China, India, Bangladesh, Thailand and Laos.
- The US and Myanmar signed a Trade and Investment Framework Agreement in May 2013 — while a detailed study on the impact of FTAs on Myanmar's trade relations has not been undertaken, a review of the table above shows that imports from the US shot up by a stupendous 341% in 2014, a year after the framework agreement was signed.
- ASEAN Economic Community (AEC)
- India-ASEAN Free Trade Agreement

Myanmar's import basket reveals that mineral oils and products of their distillation; bituminous substances; mineral waxes, etc., accounted for 18.56% of total imports in 2017, whereas the share of vehicles other than railway or tramway rolling stock, and parts and accessories thereof, was 11.49% in the same year. Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof, had an 8.84% share in 2017.

TABLE 3: TOP 10 IMPORT ITEMS FOR MYANMAR, 2013–17 *(values in US$ thousands)*

S. No.	PRODUCT	2013	2014	2015	2016	2017
1.	Mineral oils and products of their distillation; bituminous substances. Mineral...	18,24,027	28,73,596	20,24,231	17,71,612	35,75,323
2.	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	17,24,247	22,69,708	26,11,563	24,33,747	22,13,296
3.	Machinery, mechanical appliances, nuclear reactors, boilers, parts thereof	13,78,425	21,25,988	18,96,373	15,90,747	17,02,737
4.	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television...	5,65,357	7,90,145	12,62,351	11,28,413	13,15,922
5.	Iron and steel	6,75,399	10,08,468	10,45,175	8,63,636	8,84,633
6.	Sugars and sugar confectionary	34,602	52,485	4,05,583	13,76,453	8,60,668
7.	Plastics and articles thereof	4,51,467	5,03,828	5,21,433	5,82,556	6,93,532
8.	Animal or vegetable fats and oils and their cleavage products, prepared edible fats; animal...	4,47,885	6,00,337	5,84,739	5,52,948	7,85,233
9.	Man-made staple fibres	4,78,943	3,59,134	2,38,926	4,44,796	6,79,146
10.	Articles of iron and steel	5,52,289	6,01,783	6,78,082	5,79,816	5,40,645

Source: ITC Trade Map

Of its top imports, the highest growth is depicted by sugars and sugar confectionery at 123.32% over the period 2013 to 2017, followed by electrical machinery and equipment and parts thereof, sound recorders and reproducers, televisions, etc., far behind with a second-best growth rate of 23.52%.

With respect to Myanmar's export flows, China is the largest importer from Myanmar with 33.89% share of Myanmar's total world exports (US$ 13.8 billion) as in 2017. Thailand (19.44%), Japan (6.5%), Singapore (5.29%) and India (5.10%) are the next largest export destinations in that order.

TABLE 4: MYANMAR DIRECTION OF EXPORTS — TOP 10 EXPORTS COUNTRIES *(values in US$ thousands)*

S. No.	COUNTRY	2013	2014	2015	2016	2017	EXPORTS' CAGR
1.	China	30,53,062	40,35,374	48,30,845	47,66,681	53,98,065	15.31%
2.	Thailand	45,98,134	27,46,023	33,59,358	22,41,497	26,98,657	-12.47%
3.	Japan	7,79,976	5,32,228	4,86,589	6,63,434	9,03,026	3.73%
4.	Singapore	6,57,374	5,49,765	6,70,366	8,90,760	7,35,224	2.84%
5.	India	8,11,530	8,35,538	10,13,991	10,38,114	7,08,115	-3.35%
6.	Germany	26,193	63,498	79,418	1,72,360	3,60,347	92.59%
7.	South Korea	3,26,892	3,76,748	2,92,657	3,34,816	3,00,657	-2.07%
8.	UK	56,144	58,285	39,243	68,759	2,88,875	50.61%
9.	US	11,136	43,261	69,508	1,50,303	2,78,012	123.53%
10.	Malaysia	2,43,426	2,55,621	1,85,804	1,44,359	1,87,795	-6.28%

Source: ITC Trade Map

Myanmar's export basket is dominated by mineral fuels, mineral oils and products of their distillation; bituminous substances, mineral waxes, etc., accounting for 26.6% of Myanmar's total exports in 2017. The other major export items in 2017 were articles of apparel and clothing, not knitted or crocheted (13.93%), cereals (9.63%), edible vegetables and certain roots and tubers (6.77%), and sugars and sugar confectionary (5.90%).

Table 5 provides an overview of Myanmar's top 10 export items for the period 2013–17.

TABLE 5: TOP 10 EXPORT ITEMS FOR MYANMAR, 2013-17 *(values in US$ thousands)*

S. No.	PRODUCT	2013	2014	2015	2016	2017
1.	Mineral fuels, mineral oils and products of their distillation; bituminous substances. Mineral...	38,44,601	46,03,802	49,99,334	32,87,312	37,00,956
2.	Articles of apparel and clothing, not knitted or crocheted	11,26,021	9,41,312	9,13,717	14,82,859	19,34,177
3.	Cereals	7,39,553	9,88,202	9,96,982	6,64,765	13,37,887
4.	Edible vegetables and certain roots and tubers	9,21,968	9,27,691	13,38,317	14,22,760	9,40,327
5.	Sugars and sugar confectionary	48,276	15,893	2,78,736	11,09,413	8,20,182
6.	Fish and crustaceans, mollusks, and other aquatic invertebrates	6,51,449	4,23,212	4,84,911	5,37,915	6,62,237
7.	Articles of apparel and clothing accessories, knitted and crocheted	47,911	74,161	64,072	92,435	4,95,027
8.	Copper and articles thereof	83,433	1,30,640	2,30,128	2,62,563	4,89,922
9.	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad...	8,20,858	10,88,124	9,95,916	4,24,955	3,90,505
10.	Iron and steel	357	1,89,334	1,99,964	1,24,512	3,51,890

Source: ITC Trade Map

In a nutshell, China is Myanmar's top export destination, as also the top source of imports. In a similar vein, mineral fuels, mineral oils and products of their distillation; bituminous substances, mineral waxes are the top export as well as import items for the country. At the 6-digital level, the import of this item is dominated by petroleum oils and oils obtained from bituminous minerals (excluding crude), whereas the export of this item mainly comprises petroleum gas and other gaseous hydrocarbons.

3.1 INDIA AS A TRADING PARTNER

India is Myanmar's fifth-largest trading partner *(see Table 1)* globally, with balance of trade at approximately US$ 2.66 billion in 2017, much lower than around US$ 4.39 billion in 2013. In terms of imports, India was the sixth-largest source market for Myanmar in 2017, with imports at around US$ 9.75 billion *(see Table 2)*. According to ITC data, the volume of bilateral trade between India and Myanmar was worth US$ 1,683.20 million in 2017.

Until 2013, when the economic transition gathered steam, bilateral India-Myanmar trade stood third in Myanmar's overall trade, and the trade balance was heavily in Myanmar's favour, mainly on the back of Myanmar's exports of timber, beans and pulses to India which survived the nationalisation of the 1960s, and successive shocks related to crackdown on student and pro-democracy movements, international sanctions, etc., from the 1980s when normal trade with Myanmar suffered on various grounds. To that extent, at a time when political relations were practically frozen, timber, beans and pulses constituted the heart of our overall relationship, and were, therefore, much more than trade commodities. The timber trade suffered in 2014–15 because of a policy decision to ban raw timber exports as an environmental measure; the beans and pulses trade suffered a shock in 2017 on account of policy decisions in India and higher imports from other countries under bilateral trade arrangements that edged out Myanmar.

Table 6 provides a snapshot of the top 10 products imported by Myanmar, value of imports/product from the world and the value of imports/product from India, as well as India's percentage share and rank in each product's import.

TABLE 6: MYANMAR IMPORTS AND INDIA'S SHARE OF IMPORTS IN 2017 *(values in US$ thousands)*

S. No.	PRODUCT	IMPORTS FROM THE WORLD	IMPORTS FROM INDIA	% AGE SHARE OF INDIA (RANK)
1.	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral...	35,75,323	51,575	1.4% (5)
2.	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	22,13,296	83,516	3.8% (5)
3.	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	17,02,737	46,431	2.7% (8)
4.	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television...	13,15,922	31,917	2.4% (6)
5.	Iron and steel	8,84,633	66,178	7.5% (2)
6.	Sugars and sugar confectionery	8,60,668	2,83,536	32.9% (1)
7.	Plastics and articles thereof	6,93,532	10,044	1.4% (12)
8.	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal...	6,85,233	3,634	0.5% (5)
9.	Man-made staple fibres	6,79,146	2,726	0.4% (10)
10.	Articles of iron or steel	5,40,645	11,449	2.1% (9)

Source: ITC Trade Map and MFS Analysis

From the table above, it is evident that there are products in which India has existing market space in Myanmar and these can be explored further. However, in order to gauge India's competitiveness with regard to exports of products mentioned above, it is imperative to ascertain the revealed comparative advantage (RCA), which is depicted in table 7 below. According to the World Bank, RCA values are used to help assess a country's export potential. The RCA indicates whether a country is in the process of extending the products in which it has a trade potential, as opposed to situations in which the number of products that can be competitively exported is static.

While Myanmar's top imports in tables 3 and 6 are at the 2-digit, sector level, the RCA provided below in table 7 is at the product level, at the 6-digit level, drilling deeper into each sector's imports.

TABLE 7: INDIA'S RCA FOR MYANMAR'S TOP IMPORTS, 2013–17

S. No.	IMPORT PRODUCT	2013	2014	2015	2016	2017
1.	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s.	3.44	3.30	2.87	2.95	3.25
2.	Dumpers for off-highway use	2.19	1.49	2.80	4.39	4.66
3.	Self-propelled mechanical shovels, excavators and shovel loaders (excluding self-propelled mechanical shovels with a 360° revolving super-structure and front-end shovel loaders)	3.83	4.47	5.05	7.27	8.82
4.	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus (excluding telephone sets, telephones for cellular networks or for other wireless networks)	0.21	0.32	0.41	0.41	0.88
5.	Bars and rods of alloy steel other than stainless, not further worked than hot-rolled, hot-drawn or extruded (excluding products of high-speed steel or silico-manganese steel, semi-finished products, flat-rolled products and hot-rolled bars and rods in irregularly wound coils)	0.19	0.15	0.15	0.08	0.15
6.	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar containing added flavouring or colouring and raw sugar)	1.87	1.92	2.51	2.57	2.56
7.	Polypropylene, in primary forms	5.51	4.95	3.56	2.80	2.04
8.	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared	1.30	2.17	1.75	1.64	1.54
9.	Woven fabrics containing predominantly, but < 85% synthetic staple fibres by weight, mixed principally or solely with cotton and weighing > 170 g/m2, printed (excluding those of polyester staple fibre)	0.52	1.95	1.09	0.68	0.84
10.	Towers and lattice masts, of iron or steel	3.31	3.52	4.88	3.57	4.85

Source: ITC Trade Map and MFS Analysis

Note: RCA indicating the extent of competitiveness of India's exports relative to the world has been calculated at the 6-digit level for the commodities with the highest import value

BASED ON THE ABOVE ANALYSIS, INDIA'S PRODUCTS WITH EXPORT POTENTIAL FOR MYANMAR ARE AS FOLLOWS:

- Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s.
- Dumpers for off-highway use
- Self-propelled mechanical shovels, excavators and shovel loaders (excluding self-propelled mechanical shovels with a 360° revolving super-structure and front-end shovel loaders)
- Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar containing added flavouring or colouring and raw sugar)
- Polypropylene, in primary forms
- Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared
- Towers and lattice masts, of iron or steel

3.2 TRADE INFRASTRUCTURE AND LOGISTICS

Myanmar enjoys a strong geo-strategic location between China and India, which is reinforced because of the country being at the crossroads of regional and global transportation routes. Until 2010, Myanmar was not considered as a part of any major regional infrastructure projects owing to sanctions imposed on the country. Though the country's gradual integration into regional economic corridors is, in recent years, catalysing its trade infrastructure development, its long isolation from the global trade circuit has predictably resulted in the rather dismal state of infrastructure in the country, as is evidenced in the data captured by *The World Factbook (see Table 8)*.

TABLE 8: MYANMAR'S INFRASTRUCTURE AND LOGISTICS STATISTICS

INFRASTRUCTURE	NUMBER/LENGTH/QUANTITY (IN YEAR)	GLOBAL POSITION
Waterways	12,800 km (2011)	10
Merchant marine	97 (2017)	87
Airports	64 (2013)	76
Railways	5,031 (2008)	40
Roads	34,377 km (2010)	93

Source: The World Factbook, CIA

Myanmar needs to close its infrastructure gap to further integrate with the world economy and to collaborate with neighbouring countries in order to maximise its economic growth from its participation in the ASEAN Economic Community (AEC) and China's One-Belt-One-Road Initiative. Thus, the government is accelerating its implementation of infrastructure projects, particularly of roads, bridges, railways, ports, airports and logistics. The government has opened up these sectors by way of welcoming investments in infrastructure improvement projects under the Build-Operate-Transfer (BOT) or other Public-Private Partnership (PPP) agreements. According to the ADB, Myanmar's infrastructure gap from now to 2030 is worth US$ 120 billion.

3.2.1 ROADS

According to the ADB, transport infrastructure is in need of investments to the tune of US$ 45 billion to US$ 60 billion over the next 15 years. If appropriate steps and actions are not taken, this estimated amount is set to rise. At present, Myanmar's road network is only 20% paved roads. Thus, there are vast investment opportunities to modernise Myanmar's road networks, to expand roads through elevated highways, and to improve access to cities via bridges. Moreover, under the government's Framework for Economic and Social Reforms, there are opportunities for the domestic private sector and foreign investors to develop connectivity projects between cities and rural areas, and to upgrade existing road infrastructure.

The government has indicated that immediate priority will be given to infrastructure projects to improve land connectivity and transportation links with regional economies. In FY2017–2018, the government of states and regions such as Yangon, Mandalay, Sagaing, Chin, Kayah, Shan and Rakhine were mainly focused on improving road networks. According to U Myint Thaung, Yangon Region Minister for Planning and Finance, Yangon Region will use its budget for building new roads and repairing old ones in outskirt townships. The Yangon Regional Government has allocated a budget of over Kyat 424 billion (about US$ 275 million) for building and repairing roads in Yangon, and an additional Kyat 47 billion (about US$ 30.4 million) is reserved for outskirt townships such as Hlegu, Htantabin, Tiekkyi, Hmawbi, Thonegwa, Thalyin and Twante.

In addition, an advisory service agreement to design and implement the PPP transaction on a 20.5-km elevated toll road, expressway project in Yangon was signed between the International Finance Corporation (IFC) and the Ministry of Construction on January 11, 2018. The expressway project is expected to foster economic development by improving connectivity between Yangon Port and the Thilawa Special Economic Zone in the south, and Yangon International Airport, Yangon Industrial Park and the Yangon-Mandalay expressway in the north. The World Bank has announced that this expressway project may require between US$ 350 million and US$ 400 million as private sector investment.

The 1,360-km India-Myanmar-Thailand Trilateral Highway project, which is expected to be completed by December 2019, will give a major boost to Myanmar's border trade with India. The 160-km India–Myanmar Friendship Road, linking Moreh-Tamu-Kalemyo-Kalewa, officially inaugurated in February 2001, forms a part of the trilateral highway. It is pertinent to add here that during Myanmar President U. Htin Kyaw's state visit to India in August 2016, an MoU was signed with the Government of India under which the latter will fund the construction of 69 bridges, including approach roads in the Tamu-Kyigone-Kalewa section (149.70 km) of the highway, and also upgrade the Kalewa-Yagyi section (120.74 km).

Indian companies are also involved in the construction of roads in relatively remote areas in ethnic areas such as Rakhine and Kachin states under government lines of credit that can be used as a bridgehead for Indian industry. Similarly, the Prime Minister's announcement for a line of credit of US$ 1 billion for physical and digital connectivity in ASEAN can be used to developed new strategic roads connecting Myanmar to Laos and beyond to Vietnam and Cambodia, that can be used to penetrate markets so far outside India's horizon.

3.2.2 PORTS

Given Myanmar's geostrategic location, the development of port facilities is another attractive investment opportunity for potential investors. The Myanmar Port Authority (MPA), under the Ministry of Transport and Communications, operates ports in the country. All ports' activities are governed by the 2015 Myanmar Port Authority Law and the 2016 Myanmar Port Authority Rules, which outline the handling of international ports and port services in the country. Myanmar currently has nine ports along the western and south-eastern coast of the country, namely, Yangon, Sittwe, Kayukphyu, Thandwe, Tathein, Mawlamyine, Dawei, Myeik and Kawthaung; Yangon port handles 90% of cargo.

International cargo traffic has grown annually above 10% and the increasing trade and investment liberalisation will further increase traffic at these ports. As a result, there will be investment opportunities in the development of port infrastructure in Myanmar for the private sector. Under the new Myanmar Investment Law (MIL), foreign investment in the construction of warehousing facilities at ports can be carried out in a joint venture with Myanmar nationals. It is pertinent to highlight India's contribution in building the Sittwe Port and the Kaladan Multi-Modal Project, which connects Sittwe Port to the deep-sea port in Kolkata.

3.2.3 RAILWAYS

The railway sector in Myanmar is currently a monopoly operated by state-owned Myanma Railways. According to ADB's initial assessment of the railway sector, the rail network is in poor condition and investment in basic infrastructure — such as track renewal, replacement of sleepers, and upgrading of signalling and communications systems — has been inadequate. The government's Framework for Economic and Social Reforms has committed to improving the quality of railroad sections that connect important economic centres in Myanmar, namely, the Yangon-Mandalay-Myitkyitna section and the Bago-Mawlamyine section.

There is also growing demand to develop efficient transportation networks in rural areas since 70% of Myanmar's population lives in rural areas. As per MIL, foreign investment in railway construction can only be implemented through a joint venture with Myanmar nationals. Construction of underground railways also requires the satisfactory completion of an environmental and social impact study.

3.2.4 AIRPORTS

At present, Myanmar has a total of 69 airports, of which 32 are operational. There are three international airports in Yangon, Mandalay and Nay Pyi Taw. Operation of airports is overseen by Myanmar's Department of Civil Aviation (DCA). The government plans to transform more domestic airports into international airports in order to handle the growing number of investors and tourists. The objectives of the National Air Transport Policy include plans to develop a Civil Aviation Master Plan with assistance from the Japan International Cooperation Agency (JICA).

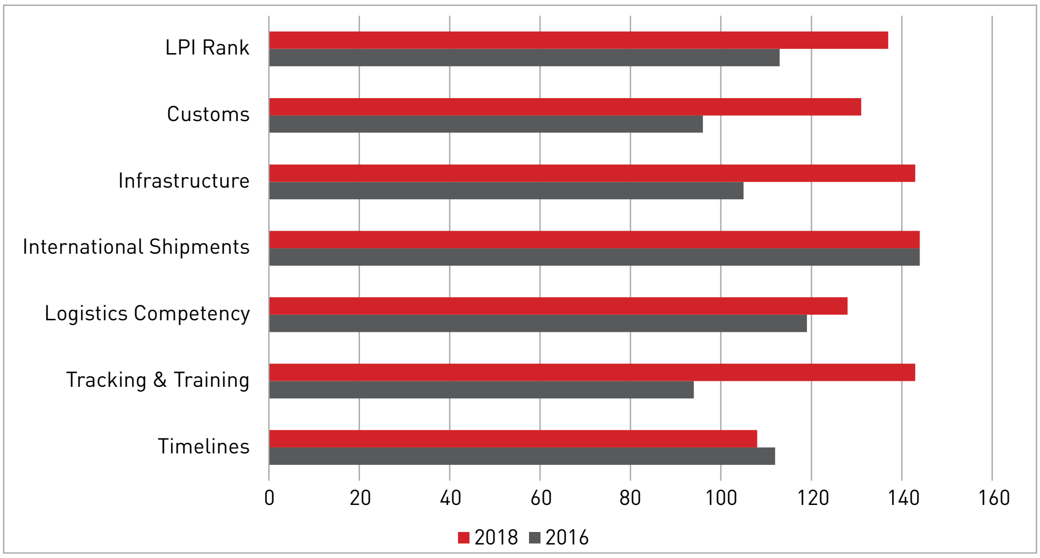
Foreign investment is prohibited in air navigation services. However, foreigners are permitted to invest in domestic and international air transport services in a joint venture with Myanmar nationals. The construction and operation of airports, aviation training, aircraft repair and maintenance, air transport services, marketing air ticketing services, aircraft leasing, air cargo services, airline catering and fuelling services, airport passenger services and airport hotels are permitted for foreign investors. To invest in these areas, foreign investors need approval from the Union Government, and need to obtain and follow the Ministry of Transport and Communications' terms and conditions.

The Myanmar government plans to upgrade existing domestic airports to match international standards and to become international airports, to further promote tourism. The Tanintharyi Region has huge potential for investment in upgrading domestic airports into international airports. The regional government plans to upgrade Dawei, Myeik and Kawthaung airports into international airports to accommodate international flights and increasing tourist arrivals. The Bangkok-based airline, New Gen Airways, is now operating direct flights between Myeik Airport and Don Mueang International Airport, Thailand.

According to the DCA, the government is preparing to upgrade three domestic airports: Kawthaung Airport in the Tanintharyi Region, Heho Airport in the Shan State and Mawlamyine Airport in the Mon State. Several companies are bidding to upgrade the airports. There are four companies bidding for the work at Kawthaung Airport, two companies for Mawlamyine Airport and three companies for Heho Airport. Flight connectivity between India and Myanmar is relatively poor as compared to other Asian nations such as China, Thailand and Singapore. There is an increasing need to improve flight connectivity between the two nations to promote tourism and trade.

The huge transport and logistics infrastructure push and efforts notwithstanding, Myanmar continues to lag behind on this count, as is evident in the country's sharp drop in the World Bank's *Logistics Performance Index* (LPI) ranking from 113 in 2016 to 137 in 2018.

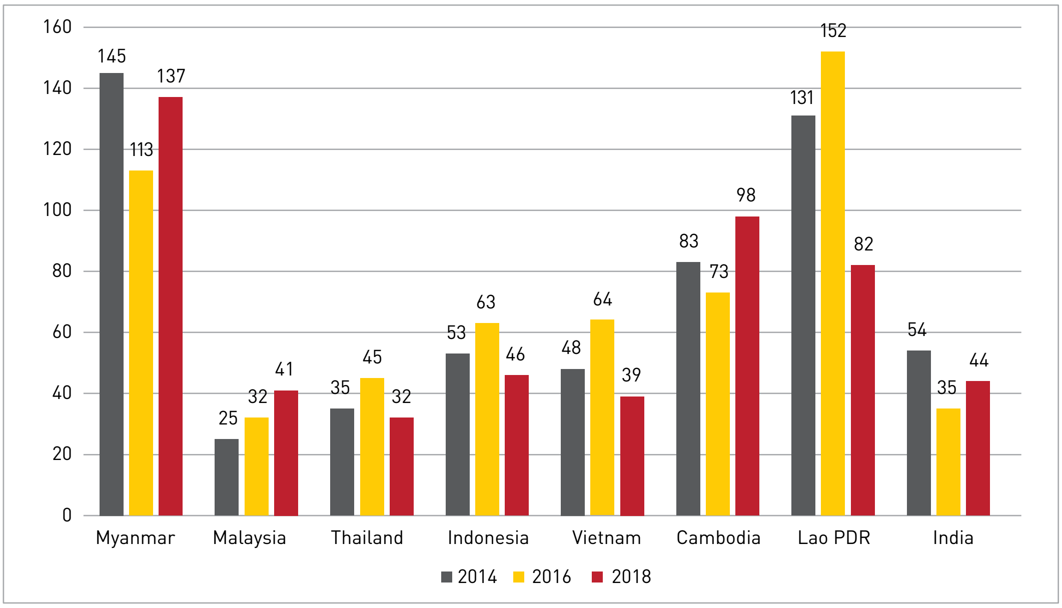
FIGURE 3: MYANMAR'S RANKING ON LPI INDICES, 2016 AND 2018



Source: World Bank Logistics Performance Index (LPI), 2016 and 2018

Myanmar's LPI for 2014, 2016, and 2018 compares rather poorly with the LPI of India and neighbouring countries in the CMLV and ASEAN regions with the exception of Lao PDR, as can be seen in figure 4 below:

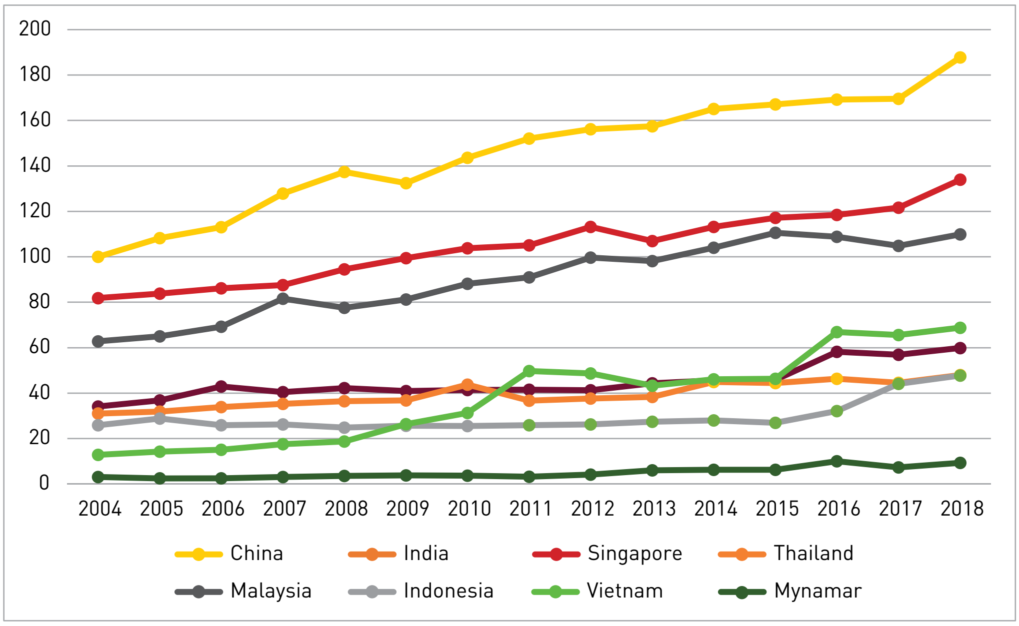
FIGURE 4: LPI RANKINGS OF MYANMAR, NEIGHBOURING COUNTRIES AND INDIA, 2014, 2016, 2018



Source: World Bank Logistics Performance Index (LPI), 2014, 2016 and 2018

If compared with select Asian economies, Myanmar's performance on the UNCTAD *Liner Shipping Connectivity Index* (LSCI) during the period 2004–2018 is at the bottom and has been consistently below the leaders China, Singapore and Malaysia *(see Figure 5)*. There is only a very marginal improvement seen in the period 2016–2018 (10.03, 7.35 and 9.29 in the three years).

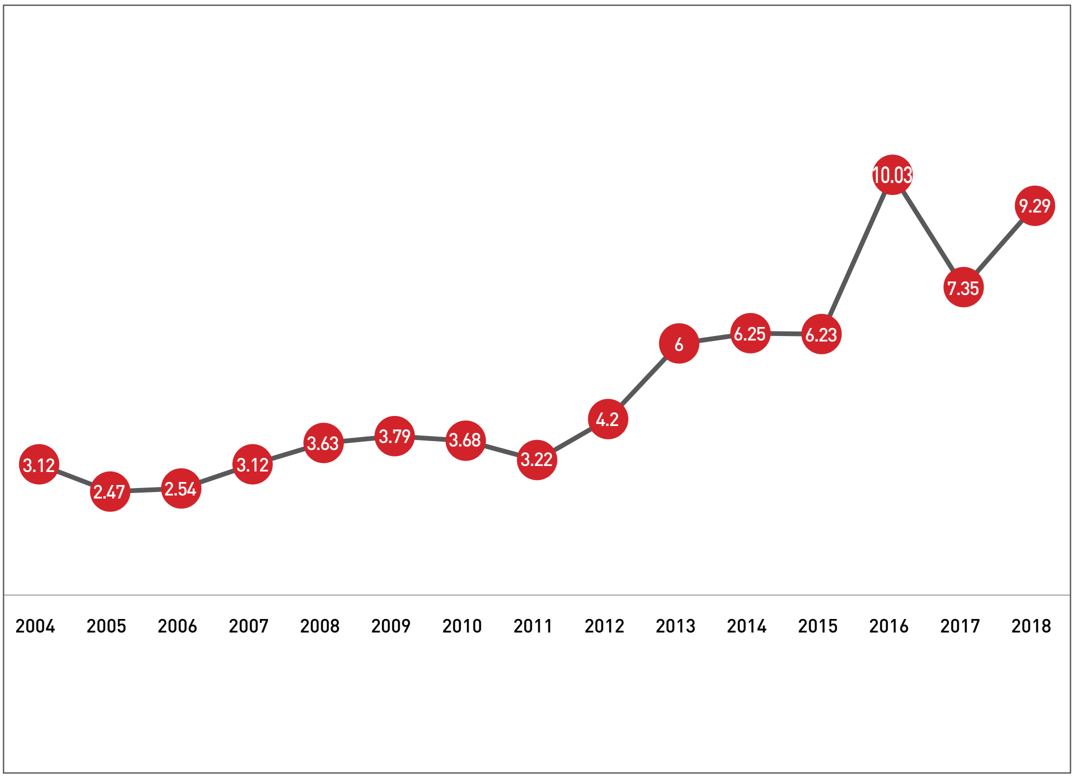
FIGURE 5: COMPARISON OF LSCI OF MYANMAR AND SELECT ASIAN ECONOMIES



Source: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

Even if Myanmar's performance is taken on its own, there is no distinct improvement in its LSCI ranking, except for a minor improvement in the period 2016–18 *(see Figure 6)*. This also indicates that there is vast scope for improvement of the country's shipping infrastructure and connectivity with the rest of the region.

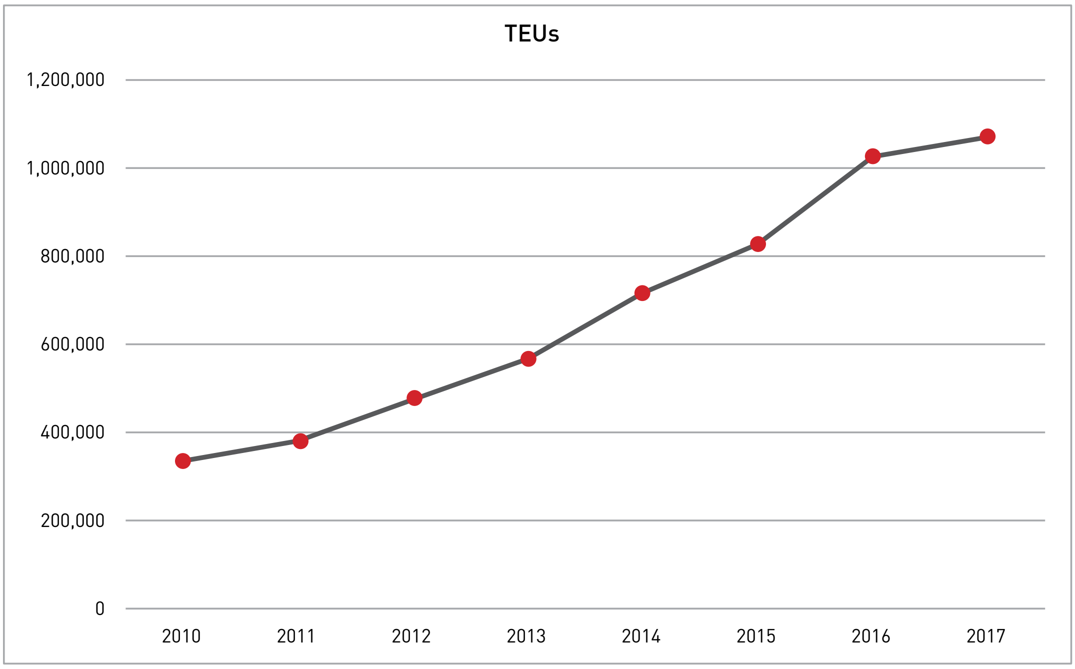
FIGURE 6: LSCI FOR MYANMAR, 2004–18



Source: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx

The improvement in connectivity in the period 2016–18 is borne out of an increase in container throughput in the same period from 827,249 TEUs (twenty-foot equivalent units) to 1,026,216 TEUs in 2017 and 1,070,343 TEUs in 2018 *(see Figure 7)*.

FIGURE 7: TRENDS IN ANNUAL CONTAINER PORT THROUGHPUT, 2010–2017



Source: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=13321

3.3 TRADE POLICIES

With the onset of economic reforms and liberalisation, Myanmar has removed several trade barriers on the trade front, such as restrictive license requirements, export taxes and arbitrary exchange rates. In 2012, the Myanmar government also formally terminated the dual exchange rate system that hindered foreign trade and investment and replaced it with the current exchange rate, a managed float regime that closely reflects the true market rate.

Currently, trading with Myanmar requires certificates of exporter/importer registration, import permits and licenses by the Ministry of Commerce. International firms were prohibited from participating in any form of onshore trade until recently when a relaxation was allowed owing to urgent domestic needs in the agricultural and medical sectors. Foreign investors need to register a joint venture company in Myanmar in order to carry out any form of trading activity. Import/export licenses are only granted to such trading companies.

While foreigners are not given import or export licences, there are certain exceptions to the rule. In June 2017, the Myanmar government passed a notification allowing foreigners to operate trading business without having the need to form a JV with a Myanmar citizen with regard to the following items:

- Construction materials
- Hospital equipment
- Fertilizers
- Pesticides
- Seeds

Also, based on a Ministry of Commerce Directive 25/2018 dated May 9, 2018, wholesale, trading and retail business in the country has been opened to 100% foreign investment and joint ventures are allowed in these activities. This pertains to all goods that are domestically manufactured or imported from abroad, except those prohibited by law. The liberalisation move was guided by the objective of fostering more competition and to encourage more foreign investments in this area. However, there are minimum capital requirements laid down, as given in Table 9 below:

TABLE 9: PROVISIONS FOR FOREIGNERS DOING BUSINESS IN WHOLESALE, TRADING AND RETAIL BUSINESS

FORM	RETAIL	WHOLESALE
100% foreign-owned	US$ 3 million	US$ 5 million
Joint venture (with at least 20% local shareholding)	US$ 0.7 million	US$ 2 million

Source: www.consult-myanmar.com

Foreigners can also own 100% of the following economic activities:

- Production and distribution of hybrid seeds
- Production and propagation of high-yield seeds and local seeds
- Manufacturing of rubber and rubber products
- Ecotourism

There is also the option for a foreign company to appoint a Myanmar agent in Yangon to be the importer or exporter of its products and thus legally circumvent any restriction.

Myanmar ratified the WTO Trade Facilitation Agreement on December 16, 2015. Though a WTO member, international tariff standards cover only 18% of goods and services in Myanmar. As such, Myanmar generally levies tariffs that are comparable or lower than that of other countries in the region. The country's overall simple average bound tariff rate is 83.3%, while the average applied tariff rate is around 5.6%. Agricultural goods have an average bound tariff rate of 102.9%, while the average applied tariff rate is around 8.6%.

In May 2013, the government removed license requirements for 593 imported goods, including processed foods, garments, paper products, paints, cosmetics, automobile parts, tyres, construction materials, electrical appliances, computer accessories and medical products. It still requires import and export licenses for all other remaining goods. The government maintains an unpublished list of restricted imports and it is unclear what, if any, regulations are currently enforced.

Different rules apply to imports depending on whether they are commercial or non-commercial in nature. As the laws and regulations governing imports are complex, most importers use professional experts such as freight forwarders and customs brokers to assist in planning and carrying out import transactions.

In regard to anti-dumping measures, Myanmar in its communication dated May 3, 2017, to the WTO Committee on Anti-Dumping Practices notified that "Myanmar has not established an authority competent to initiate and conduct an investigation within the meaning of Article 16.5 of the Agreement and thus has not, to date, taken any anti-dumping actions within the meaning of Article 16.4 of the Agreement and does not anticipate taking any anti-dumping actions for the foreseeable future. Myanmar shall promptly notify the Committee on Anti-Dumping Practices of any changes that may take place in this regard."

According to the *2018 National Trade Estimate Report on Foreign Trade Barriers* by the Office of the United States Trade Representative (USTR), there have been concerns about non-science based sanitary and phytosanitary (SPS) measures taken by Myanmar. The US has expressed concern about new pest risk assessment requirements, burdensome meat inspection procedures and a lack of avian influenza (AI) regionalisation protocols. The US is also monitoring the development of a new Food Law in Myanmar.

Myanmar announced pest risk assessment regulations in 2016, requiring additional information regarding plant products before they are approved to enter the country. The new rules came into effect on January 1, 2017. To avoid any disruption to ongoing trade, in September 2017, Myanmar's Ministry of Agriculture, Livestock, and Irrigation, Plant Protection Division, reached an agreement with the US Department of Agriculture on a process for achieving market access for major impacted commodities. All major impacted US commodities have now been approved or expect prompt approval for entry into the country.

As stated in the earlier part of this chapter, Myanmar has entered into trade agreements with several regions and countries, as part of ASEAN and individually. In particular, looking at India and Myanmar, both countries are signatories to the ASEAN-India Free Trade & Economic Integration Agreement that was implemented in 2010. The WTO ASEAN-India FTA Factual Presentation released in December 2016 cites that Myanmar provided duty free access to India on an MFN basis for 355 lines (4.1% of the tariff) in 2010 when the Agreement entered into force. The country was to liberalise duties on a further 5,411 lines on December 31, 2018, corresponding to 77.4% of its imports from India, and 583 lines on December 31, 2021. At the end of implementation, it will retain duties on 2,278 lines (26.4% of the tariff) corresponding to 6.9% of its imports from India. Myanmar will also reduce duties on some 72.3% of its tariff, relating to 80.6% of its imports from India.

TABLE 10: TARIFF ELIMINATION AND REDUCTION COMMITMENTS UNDER THE ASEAN-INDIA FTA AND CORRESPONDING AVERAGE TRADE WITH INDIA *(values in US$ million)*

<table>
<tr><th rowspan="3">DUTY PHASE-OUT PERIOD</th><th colspan="4">DUTY LIBERALISATION</th><th colspan="4">DUTY REDUCTION</th></tr>
<tr><th rowspan="2">No. of lines</th><th rowspan="2">% of total lines in tariff schedule</th><th colspan="2">Average imports from India (2007 – 2009)</th><th rowspan="2">No. of lines</th><th rowspan="2">% of total lines in tariff schedule</th><th colspan="2">Average imports from India (2007 – 2009)</th></tr>
<tr><th>Value of imports in US$ million</th><th>% Imports</th><th>Value of imports in US$ million</th><th>% Imports</th></tr>
<tr><td>MFN duty free (2010)</td><td>355</td><td>4.1</td><td>1.7</td><td>1.0</td><td></td><td></td><td></td><td></td></tr>
<tr><td>01-Jan-11</td><td></td><td></td><td></td><td></td><td>1,295</td><td>15.0</td><td>1.8</td><td>1.0</td></tr>
<tr><td>01-Jan-12</td><td></td><td></td><td></td><td></td><td>342</td><td>4.0</td><td>0.7</td><td>0.4</td></tr>
<tr><td>01-Jan-13</td><td></td><td></td><td></td><td></td><td>952</td><td>11.0</td><td>4.8</td><td>2.8</td></tr>
<tr><td>01-Jan-14</td><td></td><td></td><td></td><td></td><td>102</td><td>1.2</td><td>2.7</td><td>1.6</td></tr>
<tr><td>01-Jan-16</td><td></td><td></td><td></td><td></td><td>540</td><td>6.3</td><td>3.7</td><td>2.2</td></tr>
<tr><td>01-Jan-18</td><td>5,411</td><td>62.7</td><td>131.0</td><td>77.4</td><td>1,941</td><td>22.5</td><td>65.6</td><td>38.8</td></tr>
<tr><td>01-Jan-20</td><td></td><td></td><td></td><td></td><td>25</td><td>0.3</td><td>0.3</td><td>0.2</td></tr>
<tr><td>31-Dec-21</td><td>583</td><td>6.8</td><td>2.6</td><td>1.5</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Remain dutiable</td><td>2,278</td><td>26.4</td><td>33.9</td><td>20.0</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td>8,627</td><td>100.0</td><td>169.2</td><td>100.0</td><td>6,238</td><td>72.3</td><td>136.4</td><td>80.6</td></tr>
</table>

Source: WTO ASEAN-India FTA Factual Presentation, December 14, 2016

If we examine India's top RCA products/commodities that have the greatest potential for exports to Myanmar, the existing tariff structure emerges:

TABLE 11: EXISTING TARIFF STRUCTURE FOR TOP IMPORT ITEMS

S. No.	HS CODE	PRODUCT DESCRIPTION	MFN TARIFF
1.	271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, n.e.s.	1.5%
2.	870410	Dumpers for off-highway use	8.8%
3.	842959	Self-propelled mechanical shovels, excavators and shovel loaders (excluding self-propelled mechanical shovels with a 360° revolving super-structure and front-end shovel loaders)	3.0%
4.	851762	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus (excluding telephone sets, telephones for cellular networks or for other wireless networks)	4.6%
5.	722830	Bars and rods of alloy steel other than stainless, not further worked than hot-rolled, hot-drawn or extruded (excluding products of high-speed steel or silico-manganese steel, semi-finished products, flat-rolled products and hot-rolled bars and rods in irregularly wound coils)	3.0%
6.	170199	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar containing added flavouring or colouring and raw sugar)	3.0%
7.	390210	Polypropylene, in primary forms	1.5%
8.	151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared	5.0%
9.	551449	Woven fabrics containing predominantly, but < 85% synthetic staple fibres by weight, mixed principally or solely with cotton and weighing > 170 g/m2, printed (excluding those of polyester staple fibre)	15.0%
10.	730820	Towers and lattice masts, of iron or steel	3.0%

Source: WTO

Currently, as per data with WTO, none of the above exports from India are under a preferential tariff regime even though India and Myanmar are both signatories to the ASEAN-India Free Trade & Economic Integration Agreement. The items shortlisted above do not enjoy any preferential tariff for the time being.

According to the World Bank's *Doing Business Report 2018*, Myanmar is ranked 168 out of 190 countries on the Trading Across Borders sub-index; the documents required for importing to Myanmar include the bill of lading, SAD delivery order, customs import declaration, commercial invoice, packing list, cargo release order, terminal handling receipts, technical standard/health certificate, certificate of origin and a SOLAS certificate.

3.4 TRADE BARRIERS, OTHER IMPEDIMENTS

The Department of Trade within the Ministry of Commerce, Myanmar, oversees amendments to the commerce ministry's list of prohibited imports, as cited in the *2018 National Trade Estimate Report on Foreign Trade Barriers* by the USTR. The list is published in trade bulletins and publications, but changes with little notice. The current list includes counterfeit money and goods, pornographic articles, narcotic drugs, playing cards, and items featuring images of the Buddha, Burma's pagodas and the flag of Myanmar.

Businesses looking to export products/commodities to Myanmar need to bear in mind the exhaustive list of prohibited import items for Myanmar:

- WTO permits members to prohibit the importation of certain articles that endanger public morals, threaten human, plant or animal life, involve the importation of gold and silver, arms and ammunition, and similar items.
- The Department of Trade of the Ministry of Commerce has exercised its rights under these WTO provisions to prohibit the following importations:
    - Counterfeit currency and coins
    - Pornographic material
    - All kinds of narcotic drugs and psychotropic substances
    - Playing cards
    - Goods bearing the emblem of Buddha and pagodas of Myanmar
    - Arms and ammunition
    - Antiques and archeologically valuable items
    - Wildlife endangered species
    - Other prohibited commodities in accord with existing law

Myanmar ranks 171 out of 190 countries on the World Bank's Doing Business 2018 index (ranked 170 in 2017); it has an equally dismal ranking on the Trading Across Borders sub-index, at 168 out of 190 countries. Cross-border trade in Myanmar is seen to be hamstrung by delays and higher process costs for incoming cargo at the Yangon port. There is also the issue of illegal trade that affects the performance of the country's standing on the Trading Across Borders sub-index. Table 12 provides an overview of the country's performance on the Trading Across Borders sub-index in 2018:

TABLE 12: MYANMAR'S PERFORMANCE ON TRADING ACROSS BORDERS SUB-INDEX (2018)

INDICATOR	MYANMAR	EAST ASIA & PACIFIC	OECD HIGH INCOME	BEST REGULATORY PRACTICE
Time to export: Border compliance (hours)	142	54.7	12.5	1 (19 economies)
Cost to export: Border compliance (US$)	432	382.2	139.1	0 (19 economies)
Time to export: Documentary compliance (hours)	144	57.6	2.4	1 (26 economies)
Cost to export: Documentary compliance (US$)	140	109.4	35.2	0 (20 economies)
Time to import: Border compliance (hours)	230	69.2	8.5	0 (25 economies)
Cost to import: Border compliance (US$)	457	415.8	100.2	0 (28 economies)
Time to import: Documentary compliance (hours)	48	57	3.4	1 (30 economies)
Cost to import: Documentary compliance (US$)	210	109.5	24.9	0 (30 economies)

Source: World Bank's Doing Business 2018 Report

Currently, the specific barriers and impediments faced by Indian companies while exporting to Myanmar can be summarised as follows:

i. Limited export basket: Most of India's exports to Myanmar, except pharmaceuticals, are mainly engineering goods. Indian brands and consumer goods that provide visibility are generally absent.

ii. Competition: Indian industrial goods, pharmaceutical products and IT services have started entering the Myanmar market and enjoy a good reputation for quality, but given the head start that other key exporting countries have, cost and price considerations, and the logistical handicaps that Indian companies continue to face, it will be an uphill task for Indian companies as they compete for wider access to the Myanmar market.

iii. Soft infrastructure: Myanmar needs to develop its soft infrastructure in tandem with hard infrastructure in order to boost bilateral trade exchanges with countries such as India, Bangladesh, Nepal and Bhutan. In June 2018, India's then Ambassador to

Myanmar, Vikram Misri, said at a meeting of senior Myanmar officials, businessmen and international experts in Nay Pyi Taw that it is important to supplement hard infrastructure with soft infrastructure, such as trade facilitation agreements, border infrastructure, border-crossing agreements and motor vehicle agreements that will enable both passenger and cargo traffic to move between countries. Speaking on the theme of 'Creating an Enabling and Inclusive Policy and Political Economy Discourse for Trade, Transport and Transit Facilitation in and among Bangladesh, Bhutan, India, Nepal and Myanmar', Mr Misri said that Myanmar should consider coming up with a policy for cross-border transport agreements with Bhutan, Bangladesh, India and Nepal, similar to the plan for the Greater Mekong sub-region or the Association of Southeast Asian Nations framework.

3.5 SWOT ANALYSIS AS AN EXPORT DESTINATION

STRENGTHS

- Strong economic growth prospects likely to drive demand for imported goods and commodities.
- Under-developed sectors, such as infrastructure, healthcare and manufacturing, signal growth potential

WEAKNESSES

- Myanmar ranks quite low at 168 out of 190 countries on the Trading Across Borders sub-index in the *Doing Business 2018* index published by the World Bank.
- Complex laws and regulations governing imports to Myanmar.
- Although import license requirements removed for 593 imported goods, there is still a requirement for import and export licenses for all remaining goods.
- Myanmar economy lagging behind on development of infrastructure and logistics facilities, as is evident in the country's sharp drop in the World Bank's LPI ranking from 113 in 2016 to 137 in 2018.
- Lack of transparency as the government maintains an unpublished list of restricted imported items.
- India is not a part of ASEAN, thus posing disadvantageous for bilateral trade.

OPPORTUNITIES

- India is the sixth-largest market for imports into Myanmar, thus presenting an opportunity for India to further scale up exports.
- India and Myanmar have forged strong trade ties in recent years; globally, India is Myanmar's fifth-largest trading partner.
- India exhibits a significant RCA in seven of the top 10 commodities presently imported by Myanmar.
- Huge untapped potential in sectors such as agri-processing, textiles, automobiles and pharmaceuticals.

THREATS

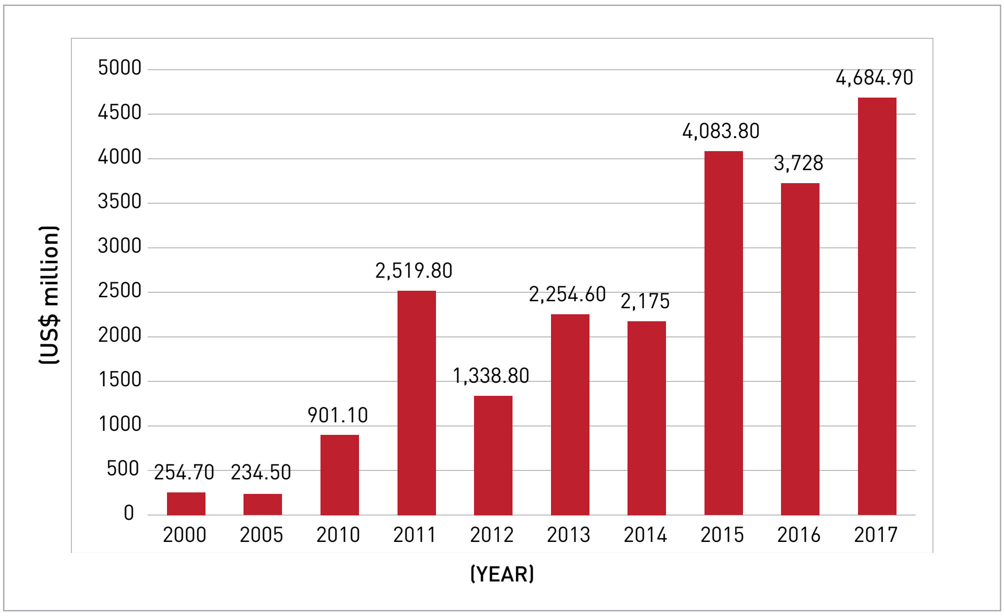
- List of prohibited import items for Myanmar constraints potential for exports to Myanmar.
- Size of domestic market is limited owing to lower population base; declining population growth further acts as an impediment for growth in exports.
- Many other key exporting countries have a comparative advantage vis-à-vis India, thus making it an uphill task for Indian companies to take on competition in gaining wider access to Myanmar market.

Eternal Vigil: *Gigantic Bobyoki Nat (half-lion, half-dragon) statues stand guard at the southern and main approaches to the primitive Mandalay Hill Pagoda complex, which towers over the city of Mandalay.*

4. INVESTMENT PATTERNS AND TRENDS

Myanmar has witnessed substantial growth in FDI after 2011, when the government ushered in a series of political, economic and administrative reforms resulting in the opening up of different domestic sectors to foreign investments. According to the Directorate of Investment and Company Administration (DICA), the company register of Myanmar, approved FDI in the country has varied significantly year-on-year as indicated in Figure 8. FDI inflows increased by 25.6% over 2016 to reach an all-time high of US$ 4.68 billion in 2017.

FIGURE 8: FDI INFLOWS *(in US$ million)*



Source: World Bank

The post-2011 FDI scenario is a study in contrast to the FDI inflow patterns seen in the aftermath of the sanctions imposed by the US on Myanmar in 1997. The country, today likened as Asia's final frontier, experienced a continuous decline in FDI inflows until 2006. In the late 2000s, investments from ASEAN countries and China made a considerable contribution to FDI inflows to Myanmar. However, the country once again saw a slowdown in FDI inflows in the period 2009–2010 in the face of the global economic crisis.

The contraction in FDI inflows was also attributed to the sanctions imposed by Canada and the European Union. The economic sanctions resulted in MNCs such as Adidas, Levi Strauss, Wal-Mart and Tommy Hilfiger pulling out investments from Myanmar. Notably, in that period, as the FDI flows from Western countries declined, some of the Asian economies started to channel their investments into Myanmar. Initially, Thailand became a major geographical source of FDI flows to Myanmar, but China subsequently emerged as the largest source of FDI. In the post-2011 period, the bulk of FDI continued to come from the neighbouring Asian countries such as China, Thailand, Hong Kong and South Korea as Western sanctions on Myanmar were still in force.

In October 2016, the US government lifted sanctions on Myanmar, including restrictions on the banking sector, thereby laying the foundations for Western banks to re-engage in the country and for Myanmar to regain full access to the international financial system. Correspondingly, the National League for Democracy (NLD) government pushed ahead with its economic reforms, including the passage of a new investment law that combined and replaced the overlapping foreign investment and Myanmar citizen's investment laws. The new law simplified the investment process and allowed the government to use tax breaks and other incentives, such as establishing special economic zones, to make specific regions and sectors more attractive for investment. For instance, President U Thein Sein's government has granted licenses to 13 foreign banks, signalling liberalisation of the country's investment regime.

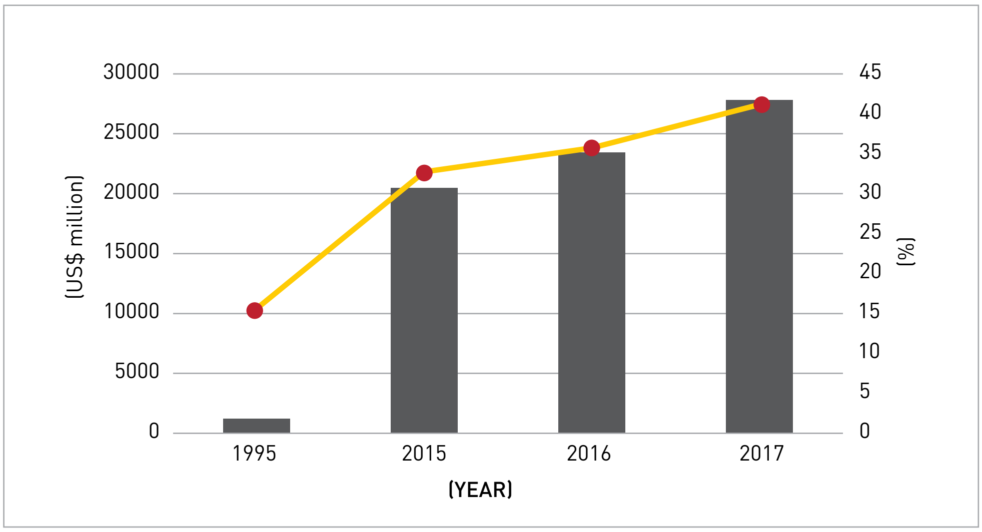
The Myanmar Companies Law came into effect in late 2017, modernising the business environment, and bringing Myanmar in line with basic international standards of corporate governance and frameworks, with provisions including the strengthening of shareholder rights, outlining the responsibilities of company directors, etc. The new companies act was envisioned to reduce compliance costs and regulatory burdens for firms.

In the wake of these developments, Western multinationals such as KFC, Shell, Coca-Cola and Nestlé began to re-enter the country. Gaining licenses in 2013, Norway's Telenor and Qatar's Ooredoo have sunk multi-million dollar investments into the country. The liberalisation of the sector and subsequent investment in towers and telco-technology infrastructure have increased mobile and Internet penetration vastly.

On a larger plane, young demographics, cheap labour costs, huge untapped domestic consumption with a population of around 60 million, and the geographic advantage of being the largest country in mainland Southeast Asia — sandwiched between the Asian giants of China and India — make Myanmar an ideal investment destination.

Myanmar is expected to keep up the pace of FDI inflows on the back of more business-friendly measures taken by the government. FDI inflows will also be sustained by Myanmar's high-single digit GDP growth momentum (6.4% in 2017) achieved since the turn of the millennium. Figure 9 illustrates the rising FDI inward stock and commensurate increase of FDI as a percentage of national GDP in Myanmar.

FIGURE 9: FDI INWARD STOCK AND FDI AS % OF GDP



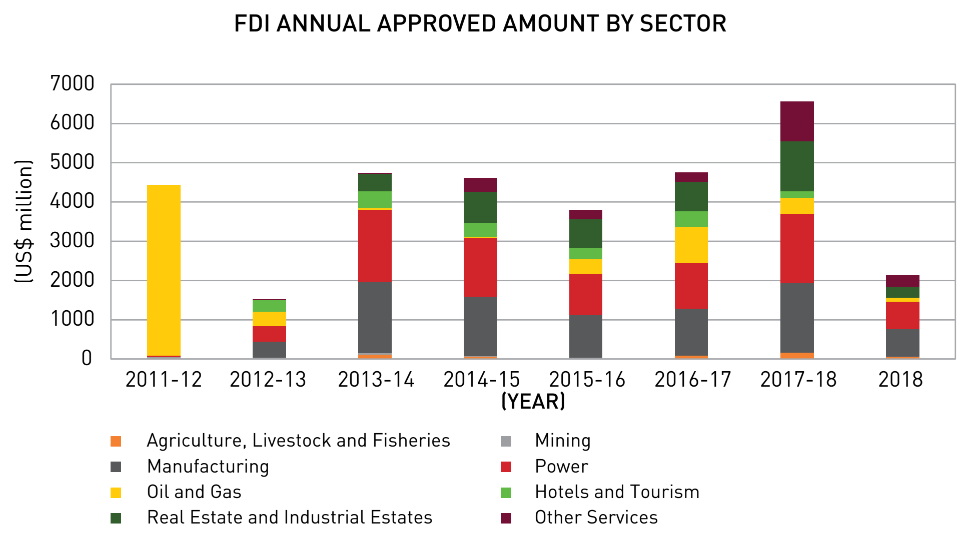
Source: World Bank

4.1. FDI INFLOWS BY SECTOR

Key sectors for FDI include oil and gas, infrastructure, manufacturing, real estate development, hotels and tourism, and mining.

According to DICA, extractive industries, manufacturing and transportation services dominate FDI inflows in Myanmar. Investments in services (accommodation and real estate) also support further growth in FDI in the country. Figure 10 provides an overview of sectoral composition of FDI during the period 2011–17.

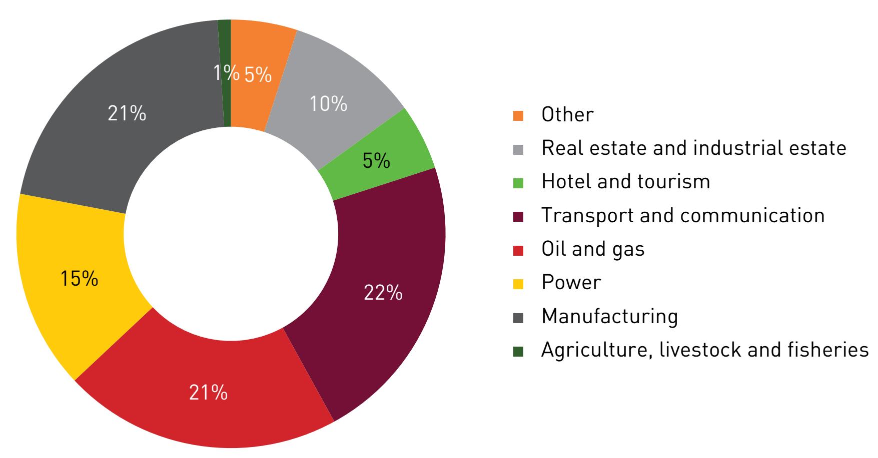
FIGURE 10: FDI BY SECTOR, 2011–17 *(in US$ million)*



Source: DICA

According to DICA, the breakdown of the FDI by sector over the period 1998–2018 shows the dominance of oil and gas, power, manufacturing, and transport and communication as key sectors for investments. These sectors accounted for almost 79% of the total FDI inflow into the country *(see Figure 11)*.

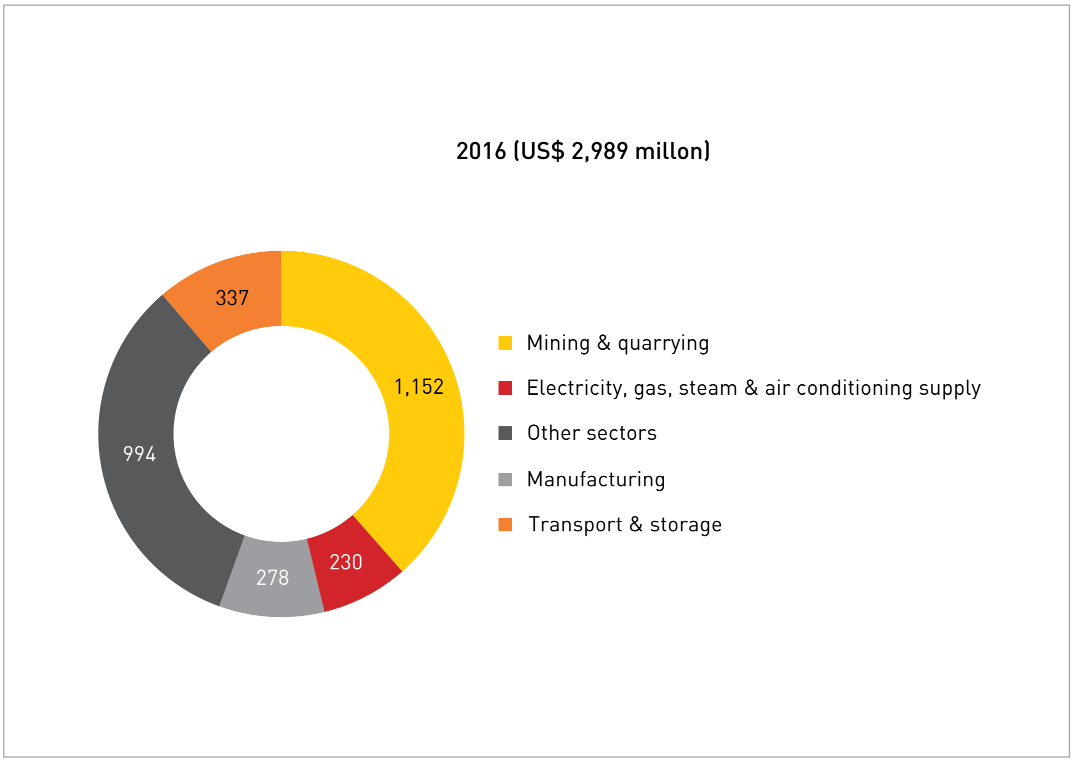
FIGURE 11: FDI BY SECTOR (1988–2018)

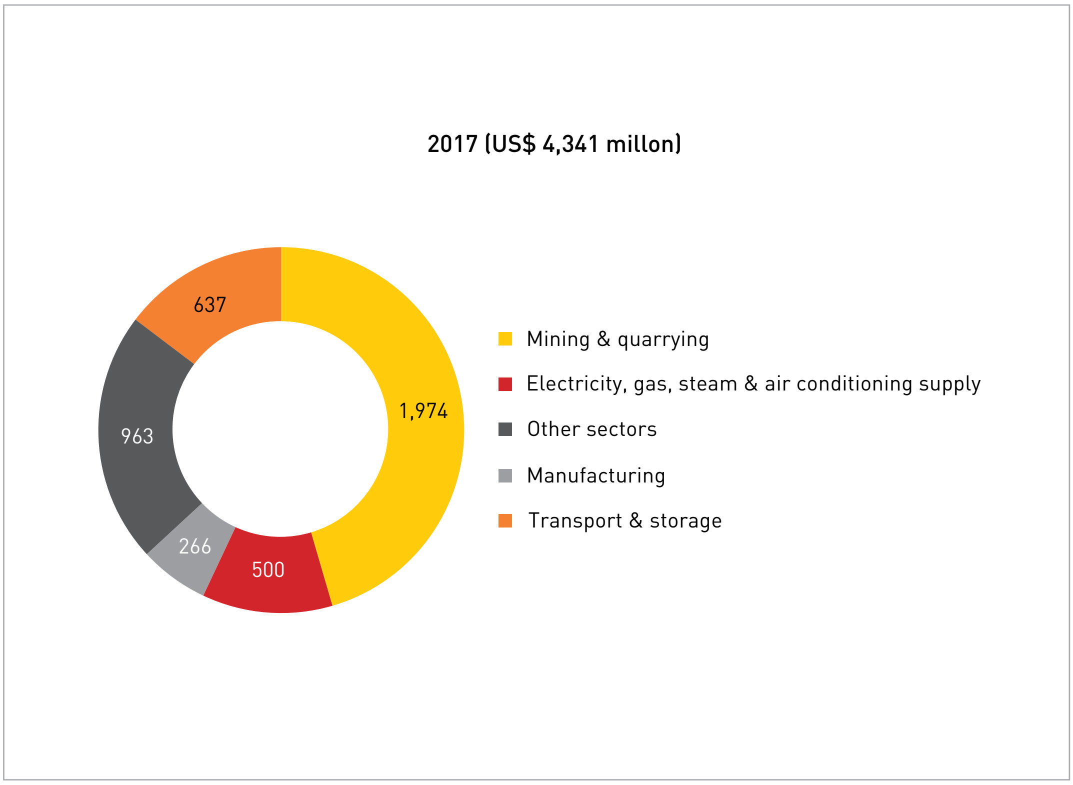


Source: DICA

Figure 11 (above) presents the historical share of FDI inflows by sector; it can be inferred from the figure that between 1988 and 2018, transport and communication sector took the largest pie of permitted FDI in the country, followed by oil and gas and manufacturing, which share similar figures. Further, power sector, real estate, and hotels and tourism also gained significantly in terms of foreign investments.

FIGURE 12: FDI INFLOWS IN MYANMAR BY INDUSTRY, 2016–17 *(in US$ million)*





Source: ASEAN Secretariat, ASEAN FDI Database

A comparative analysis of industry-wise FDI flows into Myanmar in 2016 and 2017 shows that mining and quarrying, and transport and storage continue to dominate the FDI scenario in Myanmar. The share of mining and quarrying increased from 39% in 2016 to 45% in 2017, whereas the share of manufacturing increased from 8% to 12% in the same period. The transport and storage industry saw a decline in share from 33% in 2016 to 22% in 2017.

4.2. FDI BY COUNTRY OF ORIGIN

According to data released by DICA on permitted investment of enterprises as of December 31, 2018, by country, 1,618 enterprises have been permitted to invest in Myanmar, adding up to US$ 78.53 billion. Historical data, from 1998 onwards, shows that China has the highest share (25.92%) of permitted investments aggregating US$ 20.53 billion, followed by Singapore with a 25.90% share and aggregated permitted investments of US$ 20.33 billion.

Thailand is the third-largest source of permitted investments with 14.16% share that adds up to US$ 11.12 billion, followed by Hong Kong (10.06%; US$ 7.9 billion). The UK is a distant fifth (5.75%; US$ 4.51 billion).

TABLE 13: FOREIGN INVESTMENTS BY COUNTRY*, 1998–99 TO 2017–18 *(in US$ million)*

S. No.	COUNTRY	NO. OF ENTERPRISES	APPROVED FDI	% SHARE OF TOTAL PERMITTED INVESTMENTS
1.	China	297	20,353.53	25.92
2.	Singapore	297	20,337.70	25.90
3.	Thailand	122	11,124.72	14.16
4.	Hong Kong	181	7,900.47	10.06
5.	UK**	93	4,517.66	5.75
6.	Republic of Korea	165	3,892.14	4.96
7.	Vietnam	22	2,161.10	2.75
8.	Malaysia	66	1,963.12	2.50
9.	The Netherlands	22	1,531.67	1.95
10.	Japan	112	1,183.92	1.51
11.	India	30	763.57	0.97
12.	France	20	549.74	0.70

Source: DICA

** As on December 31, 2018 ** UK includes all British territories*

The total investment by EU countries in Myanmar up to April 2018 stood at US$ 6.6 billion. There are about 300 companies from EU countries established and operating in Myanmar, according to the *Myanmar Business Guide 2019* by the European Chamber of Commerce (EuroCham) in Myanmar.

For the last five years, country-wise break-up of approved investment data shows that China, Singapore, Thailand, Malaysia, Korea, Japan, Hong Kong, South Korea, the UK, US, the Netherlands and Vietnam are among the largest foreign capital contributors in Myanmar.

TABLE 14: APPROVED FOREIGN INVESTMENTS BY COUNTRY*, 2014-15 TO 2018-19 *(in US$ million)*

S. No.	COUNTRY	2014-2015	2015-2016	2016-2017	2017-2018
1.	Singapore	4297.185	4251.223	3820.764	2163.963
2.	China	511.415	3323.853	482.591	1395.219
3.	The Netherlands	302.405	438.025	5	533.923
4.	Japan	85.74	219.793	60.423	384.119
5.	Republic of Korea	299.586	128.091	66.423	253.904
6.	Hong Kong	625.556	225.165	213.7	251.982
7.	UK	850.759	75.31	54.32	211.179
8.	USA	2.041	2.61		128.68
9.	Thailand	165.679	236.174	423.058	123.858
10.	UAE	1.692			100.5
11.	Samoa	30.214	0.45	22.06	38.64
12.	Malaysia	6.724	257.221	21.39	21.877
13.	Viet Nam	175.4	4.676	1386.2	20.806
14.	Taiwan	5.489	8.293	10.458	17.21
15.	India	208.886	224.223		10.993
16.	Germany	3.6		1.153	10.398
17.	Indonesia		13.19	9.034	9.859
18.	Seychelles		1.32	2.98	8.182
19.	Brunei Darussalam	43.873	26.483	18.026	8.074
20.	France	67.25		0.79	7.34

Source: DICA
**As on December 31, 2018*

Looking ahead, Myanmar's sustained high, single-digit GDP growth, liberalisation of its economic sectors and the dire need of investments in all its three primary sectors indicate high potential growth of FDI inflows into the country. However, according to EuroCham's *Myanmar Business Guide 2019*, despite the initiatives taken by Myanmar's government, investors still face domestic risks owing to peace agreement talks with several ethnic armed groups and the government trying to accommodate a range of stakeholders with diverging interests in the economy.

4.3. INDIA'S INVESTMENTS IN MYANMAR

Despite historically close ties, Indian investments in Myanmar are modest and remain below potential. According to data provided by DICA, India is the 15th-largest investor in the country. India has an approved investment of US$ 740.64 million by 25 Indian companies, according to the Ministry of External Affairs, Government of India. Most Indian investments are in the oil and gas sector. However, in the past few years, Indian companies have shown interest in investing in other sectors too; for instance, the State Bank of India opened a branch in Yangon in 2016.

Indian private investment in Myanmar's healthcare sector is expected to go up significantly in the wake of both countries entering into an MoU for bilateral cooperation in the fields of healthcare and medicine. Among the areas most in need of investments are physical infrastructure, which includes hospitals, specialist centres and clinics, and diagnostic centres. In the infrastructure sector, in September 2017, the National Highways Authority of India (NHAI) awarded a 1,200-crore highway contract for Myanmar, its first outside India. The contract, won by a joint venture of Punj Llyod and Varaha Infra Ltd, entails construction of a 112-km, two-lane road connecting the towns of Kalewa and Yagyi in the Sagaing division.

India's President, Mr Ram Nath Kovind, was in Myanmar on a three-day state visit from December 11–13, 2018. The President re-emphasised that Myanmar was a key partner for India's 'Act East' and 'Neighbourhood First' policies. During his visit he committed India to projects that promote Myanmar's priorities. He also inaugurated the Fifth Enterprise India Exhibition in Yangon that showcased the best of Indian products, services, innovation and knowhow to business partners, start-ups, incubators and customers in Myanmar.

Earlier, Prime Minister Narendra Modi made his first bilateral state visit to Myanmar from September 5–7, 2017. During this visit, both countries reviewed various projects in Myanmar, such as the Kaladan Multi-Modal Transit Transport Project and other road and bridge construction projects as fully-funded, grant-in-aid projects supported by India. Completion of these projects is set to further boost the investment climate with improved connectivity.

In the post-economic liberalisation phase, as Myanmar government ushers in a more open and competitive business environment, a gamut of investment opportunities is opening up for Indian companies, particularly those that see Myanmar as the gateway to South-East Asian markets. The under-construction Trilateral Highway, once completed, will likely accelerate the growth of Indian investments in Myanmar.

With both the countries trying to find ways to diversify bilateral trade and investment, the potential areas of investment in Myanmar for Indian companies include renewable energy, power, light engineering, agro-products and machinery, IT, pharmaceuticals, healthcare and education sectors. Moreover, with the Myanmar government aiming to significantly improve its *Ease of Doing Business* ranking to below 100, it would be prudent for Indian manufacturing, agricultural and services companies to establish and expand their footprint in the country.

4.4. INVESTMENT POLICY FRAMEWORK

The Government of Myanmar has come up with a couple of business-friendly laws recently, including a new Myanmar Investment Law (MIL) that was enacted in April 2017 and a new Myanmar Companies Law (also passed in 2017), which are set to provide the regulatory foundation to strengthen the Myanmar economy. These two laws are aimed at replacing the restrictive investment laws of the past to usher in a set of clear, transparent and consistent regulations with improved corporate governance and accountability.

Under MIL, most investment proposals will no longer need to be screened or approved by the Myanmar Investment Commission (MIC). It also offers tax holidays of up to seven years for promoted sectors in certain geographic areas and allows funds to be transferred overseas by foreign and domestic investors.

The Myanmar Companies Law of 2017 allows foreign investors to own up to 35% of a Myanmar company before it is considered a foreign company. It also replaces the inflexible

Articles of Association and Memorandum of Association with a corporate constitution. It says that a company must have at least one resident director, but the director does not need to be a Myanmar citizen.

The new regulatory environment recognises that foreign investment and an active and engaged private sector are crucial to Myanmar's economic growth and future prosperity. MIC has prioritised the following areas for foreign investments:

- Agriculture and its related services, value-added production of agricultural products
- Livestock production, breeding and production of fishery products
- Export promotion industries
- Import substitution industries
- Power sector
- Logistics industries
- Education services
- Healthcare industry
- Construction of affordable housing
- Establishment of industrial estates

4.5. INCENTIVES FOR INVESTORS

The Myanmar Special Economic Zones Law (No. 1/2014) was passed in January 2014 and stipulates the following tax incentives for investors in SEZs:

- Income tax exemption for the first seven years from the date commercial operations commence for businesses in free zones.
- Income tax exemption for the first five years from the date commercial operations commence for businesses located within a promoted zone or an SEZ.
- 50% income tax reduction for the second five-year period for businesses within an exempted or promoted zone.
- 50% income tax reduction for the third five-year period on profits derived from the re-investment of a business that is within an exempted or promoted zone (subject to conditions).
- Import duty exemption on the importation of raw materials, machinery, equipment and other specific goods that are used for prescribed activities in an exempted zone.
- Import duty exemption or 50% reduction for up to five years on raw materials, machinery and equipment that is imported by a business located within a promoted zone.
- Losses carried forward for five years from the date the loss was incurred.

MIL (enacted in 2017) provides foreign investors with a number of tax holidays. Below is the list of the most significant exemptions and reliefs:

- Income tax exemption is granted for a period of three to seven consecutive years starting from the year of commencement, depending upon the level of development of specific areas. The income tax exemptions are only available for businesses that invest in one of the promoted sectors.
- Income tax exemption and relief is granted on profit obtained from an investment that has obtained a Permit or an Endorsement and that is re-invested in such investment or in any similar type of investment activities within one year.
- The right to deduct depreciation for the purpose of income tax assessment, after computing such depreciation from the year of commencement of commercial operations based on a depreciation rate that is less than the stipulated lifetime of the machinery, equipment, building or capital assets, can be used in the investment.

- The right to deduct expenses for R&D activities carried out in Myanmar. The activities must be both relevant and necessary to the business objective.
- Exemption and relief for custom duty or other internal taxes (or both) on imported machineries and equipment, instrument, machinery components, spare parts, construction materials not available locally, and material used in business during the construction period.
- According to Section 77 (b) of MIL, exemptions or relief are granted from the customs duty or other internal taxes (or both) on the importation of the raw materials and partially-manufactured goods, conducted by an export-oriented business for the purpose of the manufacture of products for export.

4.6. BARRIERS TO INVESTMENT, OTHER IMPEDIMENTS

Under the Myanmar Investment Rules formulated by Myanmar's Ministry of Planning and Finance, to ensure a smooth transition for local companies adjusting to the opening up of Myanmar's markets, certain investment activities are prohibited for foreign investors. The restrictions are publicly issued as rules or notifications.

Generally, there are four types of restricted economic activities:

- Investment activities allowed to be carried out only by the Union
- Investment activities that are not allowed to be carried out by foreign investors
- Investment activities allowed only in the form of a joint venture with any citizen-owned entity or any Myanmar citizen
- Investment activities to be carried out with the approval of the relevant ministries

DICA has listed on its website investment opportunities in sectors such as agriculture and allied activities, aquaculture and fisheries, urbanisation projects, tourism and hospitality, power, manufacturing, infrastructure development, extractive industries and forestry-based industries.

The bulk of FDI in Myanmar is directed at greenfield projects, whereas M&A activities are at a low level. That's largely attributed to the fact that industry in Myanmar is at an early stage of development and there are too few local companies that are primed for M&A.

Moreover, the government's initiatives at fostering best business practices in the country notwithstanding, investors continue to face downside risks, some of which stem from political instability in some parts of the country. The government is also called upon accommodate the interests of diverse stakeholders with differing objectives.

The EuroCham *Myanmar Business Guide 2019* lists the following key challenges for investments in Myanmar:

- Most projections show Myanmar's GDP expanding by about 7% per year over the medium term. However, this depends on sustained private and public sector investment in infrastructure, in addition to progress and implementation of necessary structural reforms and the development of needed services.
- In order to protect local businesses, the MIL restricts foreign participation in certain sectors. For example, foreign banks have been granted licences to operate in Myanmar's financial market but are limited to only providing wholesale services for foreign companies, and local and international financial institutions.
- Laws that regulate business operations in the country are not fully functional yet — many laws are outdated and some important laws have yet to be enacted.

4.7. SWOT ANALYSIS AS AN INVESTMENT DESTINATION

STRENGTHS

- Myanmar's economy has maintained high, single-digit GDP growth since 2000, and is projected to grow at a steady clip in the foreseeable future. The economic growth momentum will spawn a range of investment opportunities in the country.
- The political, economic and administrative reforms undertaken by the government since 2011, and the Myanmar Investment Law (MIL) that came into effect in October 2017, have acted as a big boost for foreign investments in the country.
- The institution of a managed floating exchange rate and relaxed restrictions on private banking have been noticeable factors in accelerating growth and keeping inflation in check.

WEAKNESSES

- While investment opportunities in greenfield projects are growing, M&A opportunities are rather limited as the local businesses are still in the early stages of development.
- The ease of investing and doing business in Myanmar is still limited, evidenced by the country's low Ease of Doing Business ranking.
- Bottlenecks in transport connectivity between India and Myanmar have limited the harnessing of full bilateral business potential between India and Myanmar.

OPPORTUNITIES

- There is ample scope for Indian companies to invest in the oil and gas sector, as well as sectors such as agriculture and allied activities, aquaculture and fisheries, urbanisation projects, tourism and hospitality, power sector, manufacturing, infrastructure development, extractive industries, forestry-based industries, renewable energy, light engineering, agro-products and machinery, IT, pharmaceuticals, textiles, fintech, biotech, healthcare and education sectors.
- India may sign comprehensive MoUs with Myanmar for healthcare projects. Projects identified for Myanmar for preparation of DPRs include setting up of a multi-specialty hospital and/ or medical college and an educational institute.
- Indian industry could also play a greater role in capacity building and skills development for supporting local industry in Myanmar.

THREATS

- While Western countries have, in general, relaxed their stance on trade with and investment in Myanmar, in the vast majority of cases, countries have suspended rather than completely removed sanctions against Myanmar.
- The framework for setting up and maintaining a vehicle for foreign investment in Myanmar — especially in the natural resources sector — is seemingly opaque. It remains to be seen how the new Foreign Investment Law and its accompanying rules will work out in the coming years.
- Myanmar is in dire need of large-scale investment in basic infrastructure, including transport, telecommunications and electricity.
- Government control of the banking sector has meant that private provision of finance is virtually non-existent.

Mistical Mandalay: *Myanmar's cultural capital and the last royal capital of the country, Mandalay is the second-largest city in Myanmar. Best known for its rich culture and heritage owing to the contributions made by some of the dynasties, it is still considered to be Upper Burma's main commercial, educational and health centre.*

5. COMPANY INCORPORATION

Company incorporation is carried out by DICA in accordance with provisions of the Myanmar Companies Law (2017) and the Special Company Act 1950. All investment proposals are submitted to the Myanmar Investment Commission (MIC). DICA issues the certificate of company incorporation and the MIC approval is conditional, based on the nature of the investment project.

5.1. LEGAL ENTITIES FOR DOING BUSINESS IN MYANMAR

A foreign company can register an entity on the Myanmar Companies Online (MyCO) website. MyCO was established and is maintained by DICA as a public registry of all companies and entities registered under the Myanmar Companies Law 2017. MyCO can also be used to submit and file company information with DICA, and search and purchase company information. The types of companies and entities that may be registered by foreign companies in Myanmar are as follows:

- Limited Liability Company (LLC) that is wholly owned
- Limited Liability Company (LLC) that is partly-owned (JV)
- Public limited company
- Branch office
- Representative office

Table 15 provides the basic requirements and processes governing entities incorporated/established in Myanmar by foreign companies:
A branch formed under the Myanmar Companies Act is not required to obtain an MIC

TABLE 15: NORMS GOVERNING ENTITIES' SET-UP BY FOREIGN COMPANIES IN MYANMAR

NORMS	LLC (WHOLLY FOREIGN-OWNED)	LLC (PARTLY FOREIGN-OWNED)	PUBLIC LIMITED COMPANY	BRANCH OFFICE	REPRESENTATIVE OFFICE
Minimum duration to set up entity	12 weeks	14 weeks	14 weeks	12 weeks	12 weeks
Minimum duration to open bank a/c	4 weeks	4 weeks	4 weeks	4 weeks	4 weeks
Legal liability	Limited	Limited	Limited	Unlimited	Unlimited
Permission to do business in sectors restricted to foreign investment	No	Yes	No	No	No
Business license	Required	Required	Required	Required	Required
MIC approval	Required	Required	Required	Required	Required
Minimum shareholders	2	2	7	1	1
Wholly foreign-owned	Yes	No	Yes	Yes	Yes
Maximum foreign ownership	100%	80%	100%	100%	100%
Minimum share capital for foreigners	US$ 50,000	US$ 50,000	US$ 50,000	NA	NA
Minimum paid-up capital	50%	50%	50%	NA	NA

NORMS	LLC (WHOLLY FOREIGN-OWNED)	LLC (PARTLY FOREIGN-OWNED)	PUBLIC LIMITED COMPANY	BRANCH OFFICE	REPRESENTATIVE OFFICE
Filing of annual tax returns	Required	Required	Required	Required	Required
Resident director	NA	NA	NA	NA	NA
Minimum number of directors	2	2	2	NA	NA
Corporate shareholders	Permitted	Permitted	Permitted	Permitted	Permitted
Individual shareholders	Permitted	Permitted	Permitted	Not Permitted	Not Permitted
Corporate tax rate	25%	25%	25%	35%	35%
Annual financial statement filing	Required	Required	Required	Required	Required
Statutory audit	Not required	Not required	Required	Required	Required
Issuance of sales invoices in Myanmar	Permitted	Permitted	Permitted	Permitted	Permitted
Contracts with residents	Permitted	Permitted	Permitted	Permitted	Permitted
Import/export of goods	Permitted	Permitted	Permitted	Permitted	Permitted
Renting office in Myanmar	Permitted	Permitted	Permitted	Permitted	Permitted
Purchase of land in Myanmar	Not permitted	Permitted	Not permitted	Not permitted	Not permitted
Owning equity in other Myanmar companies	Permitted	Permitted	Permitted	Permitted	Permitted

Source: www.healyconsultants.com

Investment Permit, but it needs to apply for a Permit to Trade. The branch is allowed to be formed as a manufacturing or service company. The representative office of a foreign company is not allowed to perform direct commercial or revenue generating activities in Myanmar, and needs to confine its activities to liaisoning and marketing on behalf of the head office.

Following economic liberalisation, foreign ownership is allowed up to 35% in a local limited liability company. That is, foreign investors can now own up to 35% of the equity in a company owned by a Myanmar citizen (directly or indirectly) without changing the company's status to a foreign company.

There are no restrictions on the transfer of shares in companies between local and foreign shareholders, but any change in a foreign company status of a company will need to be notified to DICA.

The law allows companies with a single shareholder and single director to be established. It requires all companies established in Myanmar to appoint at least one director who is ordinarily resident in Myanmar. A person will be considered to be ordinarily resident if he/she holds permanent residency or is resident in Myanmar for at least 183 days in each 12-month period. The period of residency will be calculated from the date of incorporation of a company (or the date of commencement of the new law for existing companies).

5.2. MINIMUM REQUIREMENTS FOR INCORPORATING A COMPANY

- **Shareholder:** A minimum of one shareholder, who can be a foreigner. A JV that is to be treated as a local Myanmar company and thus able to apply for an import/export licence (and all other business licenses) is available only to a Myanmar citizen. In that case, the share ownership structure of would have to be 65:35 (Myanmar citizen-foreigner).

- **Director:** A minimum of one director must be ordinarily resident in Myanmar and should have spent at least 183 out of 365 days in a fiscal year in Myanmar. The resident director can be a foreigner as long as he/she meets the criteria of ordinarily resident in Myanmar.

- **Minimum capital:** There is no requirement for minimum capital.

- **Business activity:** There is no need to state the activity at the time of registration. However, after the incorporation is completed, the entity shall apply to ministries concerned for the necessary business licenses, such as a micro-finance license from the Ministry of Planning and Finance, an inbound or outbound tour license from the Ministry of Hotel and Tourism or an employment agent license from the Ministry of Labour.

- **Office:** The company needs to have a registered office address in Myanmar.

5.3. FOREIGN PARTICIPATION

- **LLC Wholly Foreign-Owned**
  A Limited Liability Company that is wholly foreign-owned is seen to be suitable for service businesses, such as consultancy, advisory services, installation, management, restaurant service, hotel services, etc.

- **LLC Partly Foreign-Owned (JV)**
  - Less than 35% foreign shareholding will remain as local entity. Such ventures are allowed to engage in business activities like any local company in areas such as participation in government tenders, property business, import/export, retailing, e-commerce, manufacturing, factories, warehousing, etc.

  - More than 35% foreign shareholding will be classified as a foreign entity. Such ventures are allowed to engage in areas such as pharmaceutical equipment manufacturing, agriculture equipment manufacturing, construction materials, tourism, logistics, retailing, wholesale, etc.

5.4. REGISTRATION OF COMPANIES

- **Step 1:** Check availability of company name with DICA
  - Submit signed name check form to DICA
  - Submit company director identification documents (for each director) to DICA

- **Step 2:** Obtain company registration forms at DICA and pay stamp duty **at** One Stop Service (OSS) or Internal Revenue Department

- **Step 3:** Submit signed company registration forms at DICA and pay registration fees

- **Step 4:** Obtain company incorporation certificate at DICA

Granite and Gold: *The Kyaiktiyo Pagoda, or the Golden Rock, is a popular pilgrimage site and tourist attraction in Mon state. With gold leaves pasted on by male devotees, the rock is believed to be precariously perched on a strand of the Buddha's hair and is the third-most important Buddhist pilgrimage site in Myanmar.*

6. CORPORATE TAX

According to a report published by VDB Loi, the corporate income tax (CIT) rate is 25% for Myanmar companies, branches registered under the Myanmar Companies Act (MCA) and companies operating under permission from MIC, which is foreign-owned resident companies with an investment license from the MIC granted under the MIL. However, the corporate tax rate for companies listed on the Yangon Stock Exchange is 20%.

- Resident entities: These are defined as companies that are established under the MCA or any other laws of Myanmar, where the control, management and decision-making of the company are situated and exercised wholly in Myanmar. Companies registered under FIL are also treated as resident companies.
  - Resident companies incorporated in Myanmar, both under MCA and MIL, pay a corporate tax at 25%
  - Resident companies registered under MCA are taxed on their worldwide income
  - Resident companies registered under FIL are not taxed on income earned outside of Myanmar; it is only levied on income accrued or derived in Myanmar

- Non-resident entities: A non-resident company is a company not formed under any of the above laws. Branch offices of foreign companies, which are not registered under MIL, are deemed to be non-resident.
  - Non-resident branch companies pay corporate tax at a rate of 35%
  - Such companies are taxed only on income from Myanmar-sourced income

The taxable period of a company is the same as its financial year (income year), which is from April 1 to March 31. Income earned during the financial year is assessed to tax in the assessment year, which is the year following the financial year. Income tax returns must be filed within three months from the end of the income year, i.e., by June 30 after the end of the income year.

6.1. TAXATION ON DIVIDENDS

Myanmar operates a one-tier corporate tax system, under which dividends received from a company or other association of persons are exempt from income tax in the hands of shareholders.

6.2. CAPITAL GAINS TAX

In Myanmar, capital gains are treated as income and fall within the scope of the Income Tax Law. Capital gains are taxed at a rate of 10% (where the proceeds of all assets disposed exceed Kyat 50,00,000) for resident companies and 40% for non-resident companies.

Tax on disposals made by a non-resident foreigner is to be paid in the same currency as the disposal or transfer transaction. The rate of capital gains tax on the transfer of shares in oil and gas companies increases with the amount of net profit earned on the transfer. The rates are:

- 40% (net profit is less than US$ 100 million)
- 45% (net profit is between US$ 100 million and US$ 150 million)
- 50% (where net profit exceeds US$ 150 million)

Tax returns for capital gains must be filed within one month from the date of disposal of the capital assets. The date of disposal refers to the date of execution of the deed of disposal or the date of delivery of the capital assets, whichever is earlier.

6.3. COMMERCIAL TAX

There is no VAT in Myanmar. Instead, commercial tax is imposed on a wide range of goods, imported into or produced in the country, and on trading sales and services. The commercial tax rates are set out in various schedules to the Commercial Tax Law, which was introduced on March 31, 1990.

Registration for commercial tax is required when the amount of income from sales and services for an income year is Kyat 10 million or more. There is no commercial tax on the export of goods, with very few exceptions:

- Petroleum crude at 5%
- Natural gas at 8%
- Jade and other precious stones at 30%
- Teak log, teak conversion, hardwood log and hardwood conversion at 50%

Services are only subject to commercial tax if they are listed in Schedule 7 of the Commercial Tax Law.

6.4. CUSTOMS AND EXCISE DUTY

Customs duty is levied in accordance with the Customs Tariff of Myanmar (2007) at rates ranging from 0% to 40%. Most imported goods are subject to import duties. All incoming consignments of goods must be cleared through the Customs Department with the submission of an Import Declaration form (CUSDEC – 1) accompanied by:

- Import licence/permit
- Invoice
- Bill of Lading or Air Consignment Note
- Packing list
- Other certificates and permits issued by the relevant government departments as a condition for import

As per the WTO, the average bound rate of import duties levied by Myanmar is 83.3% (average duty rate is 5.6%) on goods imported into Myanmar by a private individual or a commercial entity. The duty is assessed on CIF (cost, insurance and freight) value. Commercial tax is also levied on imported goods. These taxes are collected at the point of entry and at the time of clearance. Companies registered under the MIC/SEZ may, at the discretion of the MIC/SEZ Committee, be granted exemption from customs duties during certain stipulated periods.

Excise duty is levied on alcoholic drinks and is collected by the General Administration Department under the Ministry of Home Affairs.

6.5. STAMP DUTY

Stamp duty in Myanmar, governed by The Myanmar Stamp Act 1899 (amended from time to time), is levied on instruments that transfer or create property interests. The relevant stamp duties are:

- Duty payable on the sale of immovable property (outside Yangon) at 5%
- Duty payable on the sale of immovable property (inside Yangon) at 7%
- Duty payable on the rental of immovable property (contract for between one and three years) at 1.5% of the value of the lease
- Duty payable on the rental of immovable property (contract for more than three years) at 5% of the value of the lease
- Duty payable on the sale or transfer of shares at 0.3% of the value of the shares

6.6. PROPERTY TAX

Any immoveable property located in Yangon is subject to certain local property taxes such as general tax, lighting tax, water tax and conservancy tax.

6.7. DOUBLE TAXATION AGREEMENTS

Myanmar has double taxation agreements with India, the UK, Singapore, Malaysia, Vietnam, Laos, Indonesia, South Korea, Thailand and Bangladesh; tax treaties with Thailand and Bangladesh are yet to the ratified.

The Income Tax Law of Myanmar provides that if the government enters into an agreement with any foreign state or international organisation relating to income tax, and if the agreement is notified, the terms of the said agreement will be followed notwithstanding anything to the contrary contained in any other provisions of the Income Tax Law.

Seat of Power: *Hluttaw, the Parliament, is the national-level bicameral legislature of Myanmar made up of two houses. Established by the 2008 National Constitution, Hluttaw historically refers to the council of ministers in the king's court in pre-colonial Myanmar.*

7. LABOUR REGULATIONS

Myanmar's employment laws are being revised in tune with the country's thrust on economic reforms; the process is seen to be gradual, with many archaic laws still in force. The country's employment practices are significantly influenced by the internal policies and practices of the Department of Labour of the Ministry of Labour, Immigration and Population that time-to-time issues different regulations and notices for the interpretation of the existing laws.

There is a plethora of legislations and laws that impinge on employment conditions in Myanmar, the major ones being:

- Factories Act (1951) as amended 2016
- Labour Organization Law (2011)
- Social Security Law (2012)
- Settlement of Labour Dispute Law (2012) as amended 2014
- Employment and Skills Development Law (2013)
- Minimum Wage Law (2013)
- Payment of Wages Law (2016)
- Workmen's Compensation Act (1923) as amended 2005
- Leave and Holidays Act (1951) as amended 2014
- Oilfields (Labour and Welfare) Act (1951)
- Employment Restriction Act (1959)
- Income Tax Law (1974) as amended by Union Tax Law 2017
- Law Relating to Overseas Employment (1999
- Shops and Establishment Law (2016)

7.1. MINIMUM WAGE

The Myanmar government enacted the Minimum Wage Law (2013) and determined a minimum wage (prescribed for all enterprises with more than 15 employees) in August 2015. According to Notification 2/2015, the minimum wage is Kyat 3,600 per day for eight hours of work (excluding break time). For such purpose, the law defines wage as the basic salary excluding pension and gratuity payments, social security cash benefits, allowances (for travel, accommodation, meals, electricity charges, water service charges and duties, taxes, medical treatment and recreational purposes) and severance payments.

While the minimum wage, as per definition, also includes bonuses and overtime compensation, in effect overtime payment is not considered for the calculation of the minimum wage.

7.2. PAYMENT OF WAGES

The government also enacted that the salaries are to be paid at the end of the month or, depending on the size of the employing enterprise, five to 10 days before the end of the month, as stipulated in the Payment of Wages Law (2016). The employer is permitted and required to withhold income tax and social security payments. Other deductions, such as for absence, may only be withheld within the limits stipulated in the law.

7.3. EQUAL RIGHTS

Under the Myanmar Companies Law (2017), all employers are obliged to:

- Ensure equal rights for local workers and avoid salary bias, i.e., ensure that local and foreign workers have the same salary at the same level.
- Ensure that all foreign employees apply for the proper work permit to the Ministry of Labour, Immigration and Population and visa through MIC.

- Provide rights and benefits, including but not limited to, leave, holidays, overtime pay, compensation and social security. Most of the relevant particulars are in the Myanmar Companies Law.
- Settle disputes between workers, employers, consulting experts or any other personnel involved in business operations in accordance with existing laws.

7.4. FOREIGNERS DOING BUSINESS IN MYANMAR

In general, foreign persons are not allowed to carry on business in Myanmar without having a registered, legal presence in Myanmar. Therefore, foreigners have to incorporate a Myanmar company or register a branch or representative office of their overseas business in Myanmar to provide services within the country, with such company/branch office acting as employer of the foreigner.

7.5. EMPLOYMENT OF EXPATRIATE WORKERS AND PROFESSIONALS

As the country has opened up to foreign investments, the demand for skilled and experienced workers and professionals has also increased exponentially, which is not always met from domestic manpower resources. As a result, the Myanmar government has steadily brought down the curbs on employment of foreign workers.

Citizens from 50 different countries, including India, are eligible to apply online for a 70-day, single-entry business e-visa. At present, most foreign workers in Myanmar enter and live in the country with a business visa. E-visas require entry into the country through Yangon, Mandalay or Nay Pyi Taw airports. Nationals from 48 countries, including India, are also able to acquire a business visa on arrival, while nationals of all countries can apply for one at a Myanmar embassy or consulate.

The following documentation is required when applying for a business visa:

- A recommendation letter from the employer, including details about the type of business, purpose of visit, applicant's name, passport details, position in company and intended entry and exit dates.
- Invitation letter from a Myanmar-registered company on its official letterhead.
- A guarantor from the Myanmar-registered company who is officially inviting the applicant. The guarantor must be the managing director or owner of the company and must give a copy of the Myanmar company's registration certificate. The guarantor may be contacted by the immigration authorities during the application process.
- Visa application form.
- Two recent colour photographs with white background, size 35mm x 45mm.
- Passport valid for at least six months and a copy of the passport details page.

A multiple-entry business visa can be acquired if the applicant has already had at least two single-entry business visas and has not violated any immigration laws. Multiple-entry business visas are given on a case-by-case basis; in some cases, authorities might only require one previous single-entry visa, while in other cases, they may require three. Multiple-entry business visas allow for unlimited entries during a lifespan of either three months, six months, or one year, though there is a maximum stay of 70 days per entry.

The following documents are required to apply for a Stay Permit and Multiple Journey Special Re-entry Visa:

- A recommendation letter from the employer, including details about the type of business, purpose of visit, applicant's name, passport details, position in company and intended entry and exit dates.
- Invitation letter from a Myanmar-registered company on its official letterhead.
- Applicant's CV.

- ❑ Authorisation letter notarised and legalised by the relevant Myanmar Embassy or Consulate.
- ❑ Company documents, including certificate of registration, permit and company affidavit.
- ❑ Visa application form.
- ❑ Two recent colour photographs with white background, size 35mm x 45mm.
- ❑ Passport valid for at least six months and a copy of the passport details page.

Although business visas are limited to 70-day stays regardless of whether they are single- or multiple-entry classification, a Stay Permit or Multiple Journey Special Re-entry Visa can be acquired to extend the total stay period. The Stay Permit is not a separate visa, but a special permit that removes the 70-day limit on visas, allowing a foreign worker to remain in Myanmar for lengths of either three months, six months, or one year.

However, the Stay Permit is only valid for one entry, even if the holder has a valid multiple-entry visa. In order to keep the Stay Permit valid when leaving Myanmar, a Multiple Journey Special Re-entry Visa must be obtained. The Multiple Journey Special Re-entry Visa is also valid for either three months, six months, or one year. The criteria for acquiring this visa is stricter than for business visas and the Stay Permit. To be eligible for the Multiple Journey Special Re-entry Visa, the applicant must have travelled to Myanmar on a business visa a minimum of three separate times and present evidence that they are employed as a consultant, director, or manager. The Stay Permit and Multiple Journey Special Re-entry Visa are regulated by the Ministry of Immigration and Population.

7.6. WORK PERMIT FOR FOREIGNERS

The Myanmar Foreign Investment Law of 2012 (now replaced by MIL) introduced a work permit system for foreigners investing in Myanmar. Companies investing in Myanmar under MIL, or set up under the Myanmar Special Economic Zone Law (MSEZL), can apply for work permits for foreigners in managerial or supervisory roles, or for those holding technical skills. For this, a company must have an investment permit and receive an endorsement to employ foreign workers from MIC. Alternatively, if a company is operating under the MSEZL, they can apply at the zone's One-Stop Service Center (OSSC).

In order to acquire a work permit, the applicant must be in good health, have a letter of recommendation from the employer, and hold a degree that is regionally or internationally recognised in relation to their employment as proof of expertise. Even with a work permit, foreign workers will still need to acquire a Stay Permit and Multiple Journey Special Re-entry Visa separately in order to stay in Myanmar beyond 70 days and to exit and re-enter the country on the same visa.

7.7. LOCAL EMPLOYMENT

MIL has done away with the condition imposed on foreign companies with regard to employment of local people. Earlier, under the Myanmar Foreign Investment Law of 2012, a certain proportion of a company's employees had to be Myanmar citizens (25% within the first two years of a company's set up, 50% for years three and four, and 75% within the fifth and sixth years).

However, companies are still expected to give preference to local candidates and cannot hire foreigners for unskilled labour. Also, they are expecxted to have systems in place to transfer knowledge and skills to local employees.

Investors recruiting foreign talent to work in Myanmar are advised to monitor government websites and news services for any legislative developments.

Old World Charm: *Earlier known as Rangoon, Yangon is truly Myanmar's metropolis. It was Myanmar's capital until 2006 and remains the country's most-populated and most important centre for commercial activity. The city most reflects the changes that have occurred since the country reopened to the world, with restaurants, bars and shops co-existing with ancient temples and pagodas.*

8. FACTS AT A GLANCE

CAPITAL CITY
Yangon

LAND AREA
653,508 sq. km.

TOTAL AREA
676,508 sq. km.

COASTLINE
1,930 km.

CLIMATE
Tropical monsoon; cloudy, rainy, hot, humid summers (southwest monsoon, June to

September); less cloudy, scant rainfall, mild temperatures, lower humidity during winter (northeast monsoon, December to April)

POPULATION
55,622,506 (July 2018 est.)

MAJOR CITES
Yangon, Mandalay, Nay Pyi Taw, Taunggyi, Mawlamyine

LANGUAGE
Burmese

STOCK EXCHANGE
Yangon Stock Exchange

TIME ZONE
Myanmar Time: GMT +6:30 hrs

CURRENCY
Myanmar Kyat (MMK)

INTERNATIONAL DIALLING CODE
+95

EXCHANGE RATE
1,545 MMK/US$ (as on December 30, 2018

GDP
US$ 69.32 billion (2017)

GDP PER CAPITA at current prices
US$ 1,384.88 (2017)

CPI GROWTH
8.6% YoY (as of September 2018)

BUSINESS AND BANKING HOURS
Business office hours: Monday to Friday, 9am to 5pm
Banking hours: Monday to Friday; 9am to 4pm

PUBLIC HOLIDAYS (2019)

1 January	International New Year's Day
4 February	Independence Day
6 January	Kayin New Year Day
12 February	Union Day
2 March	Peasants' Day
20 March	Full moon of Tabung
27 March	Tatmadaw (Armed Forces) Day
13-17 April	Thingyan Water Festival
18 April	Myanmar New Year
1 May	Labour Day
18 May	Full Moon of Kasong (Buddha's Birthday)
16 July	Full Moon of Waso (beginning of Buddhist lent)
19 July	Martyr's Day
12 October	Full Moon of Thadingyut (Festival of Lights; end of Buddhist Lent)
10-11 November	Full Moon of Tazaungdaing
21 November	National Day
25 December	Christmas Day
26 December	Kayin New Year Day

9. IN CONCLUSION

India-Myanmar bilateral relations are greatly influenced by their geographical proximity, cultural contiguity and shared history that go back several centuries. However, India-Myanmar bilateral trade and investment flows have remained relatively low key, although both countries are signatories to the ASEAN-India Framework Agreement on Comprehensive Economic Cooperation, and part of BIMSTEC.

China is by far the largest trade partner of Myanmar, with a 31.76% share of the country's total imports and 33.89% (US$ 19.2 billion) share of Myanmar's total world exports (US$ 13.8 billion) as of 2017. In comparison, India is only the sixth-largest exporter to Myanmar with about 5.05% share of the country's imports, and the fifth-largest importer from Myanmar with about 5.07% share of the country's exports.

Today, as India pushes ahead with its 'Look East' and 'Act East' policy, there is significant scope for accelerating border trade between India and Myanmar considering that the two countries share a 1,643-km long common border. Currently, border trade is conducted under the bilateral border trade agreement of 1994, by which there are three designated border trade posts — Moreh in Manipur, Zowkhathar in Mizoram and Lungwa in Nagaland. Another trading point at Pangsau Pass in Mizoram is currently under discussion.

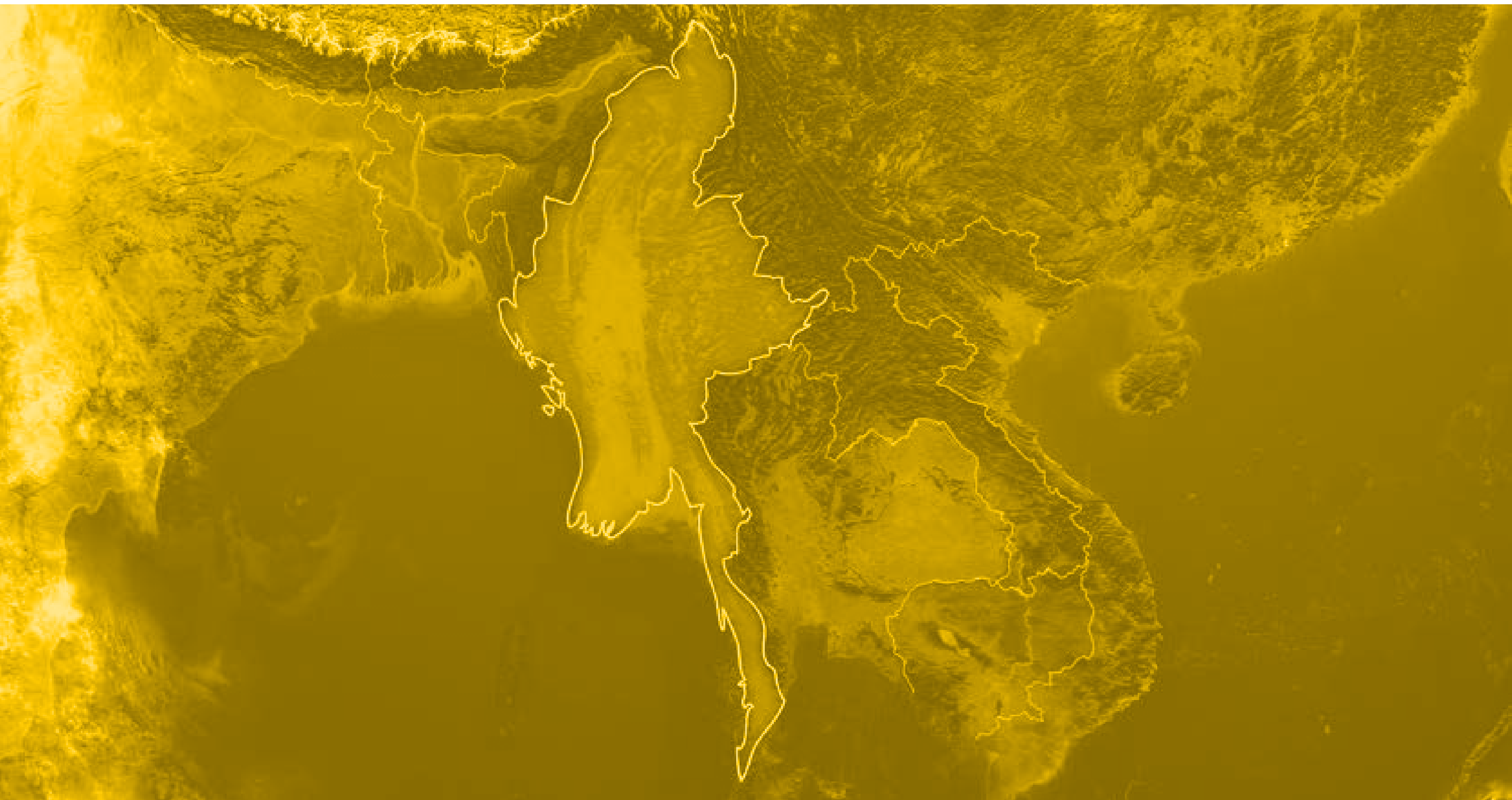
Keeping in view the potential of boosting bilateral trade flows, both India and Myanmar need to take concerted steps to diversify the bilateral trade basket, as well as step up trade facilitation efforts. Establishment of robust banking linkages between the two countries would also go a long way towards improving bilateral trade exchanges. The under-construction India-Myanmar-Thailand Trilateral Highway, once completed, is expected to provide a major impetus to bilateral trade flows.

On the investment front, as of December 2018, India was the 15th-largest investor in Myanmar with an approved investment of US$ 740.64 million by 25 Indian companies. As Myanmar sharpens its focus on infrastructure development, there are myriad investment opportunities opening up for Indian companies. At the Myanmar-India Business Conclave organised in Yangon in March 2018, Mr Vikram Misri, then Indian Ambassador to Myanmar, pointed out that for Indian investors "opportunity in Myanmar is everywhere".

The country is in transition and that provides an opportunity for the Indian private sector to explore partnerships with local businesses in Myanmar. Investment needs in Myanmar's healthcare sector are a case in point. Currently, Myanmar has less than 1 bed per 1,000 patients, and to improve this ratio the country needs huge investments in building its healthcare infrastructure.

In line with this approach, on enabling bilateral trade and investments, the Confederation of Indian Industry (CII) has launched Market Facilitation Services (MFS), a bespoke service for select countries in Africa, the Middle East, ASEAN, East Asia, Central Asia and Latin America with the objective of offering targeted trade and investment facilitation services. MFS' objective is to dig deep into CII's traditional networks to partner with relevant stakeholders such as business consultancies, tax and legal firms, and governments in these countries to offer subsidised, niché and value-added handholding services. MFS offers services such as formulation of export strategies, access to importer databases, connect with local agencies and consultancies in identified countries, and country- and sector-specific intelligence.

To know more about the partnership and business opportunities in the realm of India-Myanmar bilateral trade and investment relations, contact the MFS team at *mfs@cii.in*.



ANNEXURE I

MYANMAR TARIFF PROFILE 2018

Part A.1: Tariffs and imports: Summary and duty ranges							
Summary		Total	Ag	Non-Ag	**Non WTO member since**		1995
Part A.1: Tariffs and imports: Summary and duty ranges							
Summary		Total	Ag	Non-Ag	**WTO member since**		1995
Simple average final bound		83.3	102.9	21.3	Binding coverage:	Total	18.8
Simple average MFN applied	2017	6.5	9.5	6		Non-Ag	5.3
Trade weighted average	2015	4.9	6.5	4.6	Ag: Tariff quotas (in %)		0
Imports in billion US$	2015	16.6	1.9	14.7	Ag: Special safeguards (in %)		0

Frequency distribution		Duty-Free	0<=5	5<=10	10<=15	15<=25	25<=50	50<=100	>100	NAV in%
	Tariff lines and import values (in %)									
Agricultural products										
Final bound		0.8	0.7	10.8	4.4	12.5	6.7	15.7	48.3	0.7
MFN applied	2017	8.8	42.6	2.6	38.5	3.4	4	0	0	0
Imports	2015	1.6	73.3	5.1	14.3	5.1	0.6	0	0	0
Non-agricultural products										
Final bound		1.1	0	0.4	0	2	1.7	0.1	0.1	0
MFN applied	2017	4	64.9	17.1	8.6	5.1	0.4	0	0	0
Imports	2015	5.7	74.5	15.5	3.1	1.2	0	0	0	0

Part A.2: Tariffs and Imports by Product Groups									
Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free in %	Max	Binding in %	AVG	Duty-Free in%	Max	Share in %	Duty-free in %
Animal products	111	0	165	100	9.8	30.6	15	0	27.6
Dairy products	39.8	0	110	100	3.4	0	5	0.7	0
Fruit, vegetables, plants	135.2	2.9	165	100	12.9	8.3	30	0.4	11.9
Coffee, tea	151.3	0	220	100	16.9	0	20	0.4	0
Cereals & preparations	94.6	0	550	100	8.6	14.3	40	2.1	5.6
Oilseeds, fats & oils	23	0	165	100	3.1	1.2	15	4.1	0.1
Sugars and confectionery	63.1	0	220	100	6.6	0	20	2.4	0
Beverages & tobacco	293.2	0	550	100	23	0	40	0.7	0
Cotton	27.3	0	39	100	3.8	0	5	0	0
Other agricultural products	42.3	0	165	100	3.9	0.4	15	0.6	0
Fish & fish products	71.5	0	165	2.7	8.8	6.5	15	0.1	15.2
Minerals & metals	23.8	11.7	50	8.5	4.3	6.7	30	18.1	9.8
Petroleum	25	0	25	100	1.8	0	3	11	0
Chemicals	30.2	2.8	55	4.2	3.6	0.7	20	8	4.2
Wood, paper, etc	–	–	–	0	7.7	6.7	20	1.9	2.9
Textiles	26	0	30	0.9	9	0.1	20	2.6	0.1
Clothing	–	–	–	0	16.7	0	20	0.3	0
Leather, footwear, etc.	–	–	–	0	5.9	0.7	20	1.4	0.3
Non-electrical machinery	8.6	43.9	30	12.6	3.3	9.3	15	11.5	15.4
Electrical machinery	0	100	0	0.4	5.6	1.7	20	7.5	0.5
Transport equipment	0	100	0	9.2	5.5	8.9	40	24.2	4.5
Manufactures, n.e.s	29.6	0	30	7.2	6.4	0.3	30	1.9	0

Part B: Exports to Major Trading Partners and Duties Faced									
Major markets	Bilateral imports		Diversification 95% trade in no. of		MFN AVG of traded TL		Pref. margin	Duty-free imports	
	AVG in million US$		HS 2-digit	HS 6-digit	Simple	Weighted	Weighted	TL in %	Value in %
Agricultural products									
1. India	2016	844	2	6	33.2	31.5	31.1	65.8	96.8
2. China	2016	138	5	11	23.6	33.6	14.5	76.7	61.5
3. Thailand	2016	134	8	14	38.9	19.1	19.1	97.5	99.4
4. European Union	2016	86	4	6	9.9	14.6	14.6	97.9	100
5. Malaysia	2016	55	4	12	16.2	0.4	0.3	92.3	99.8
Non-agricultural products									
1. China	2016	3,279	12	25	10.3	2.6	1.7	98.6	95.6
2. Thailand	2016	2,236	7	8	13.5	0.5	0.5	100	100
3. European Union	2016	989	17	108	6.2	10.4	10.4	99.8	100
4. Japan	2016	886	15	110	7.9	9.3	9.2	96.6	97.1
5. Korea, Republic of	2016	415	14	60	9.3	11.8	11.7	94.5	99.4

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The Confederation of Indian Industry (CII) has launched Market Facilitation Services (MFS) for select countries with the objective of offering targeted trade and investment facilitation services to Indian companies looking to expand business operations overseas. The service is part of CII's constant efforts to reorient services to keep pace with changing paradigms in the global trade and investment ecosystem.

The rationale for MFS includes changing global economic dynamics that offer companies greater opportunities which can be explored in countries that have not been prominent on the trade and investment horizon until now. It, however, calls for a good understanding of the state of the economy and business of the countries in context. MFS' focus is initially on the geographies of ASEAN, Central Asia and Africa, and the service seeks to bridge the information gap on key components such as development of export strategies, and policy and tariff landscapes.

An advisory service, MFS delivers on-the-ground assistance by leveraging CII's traditional networks to partner with relevant stakeholders such as partner-chambers, business consultancies, and tax and legal firms to offer niché, fee-based value-added handholding services. Please contact *bhavna.ranjan@cii.in* and *sakshi.chamola@cii.in* to know more about MFS and the services offered through the platform.

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CII

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has around 9000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from around 265 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

As a developmental institution working towards India's overall growth with a special focus on India@75 in 2022, the CII theme for 2018-19, India RISE : Responsible. Inclusive. Sustainable. Entrepreneurial emphasizes Industry's role in partnering Government to accelerate India's growth and development. The focus will be on key enablers such as job creation; skill development; financing growth; promoting next gen manufacturing; sustainability; corporate social responsibility and governance and transparency.

With 65 offices, including 9 Centres of Excellence, in India, and 10 overseas offices in Australia, China, Egypt, France, Germany, Singapore, South Africa, UAE, UK, and USA, as well as institutional partnerships with 355 counterpart organizations in 126 countries, CII serves as a reference point for Indian industry and the international business community.

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