

CHAPTER 4

Investment Climate and Business Cost of Major Cities in Myanmar

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CHAPTER 4

INVESTMENT CLIMATE AND BUSINESS COST OF MAJOR CITIES IN MYANMAR

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INTRODUCTION

Myanmar, as a member - country of ASEAN nations has made efforts to keep pace with the development of NIEs (Newly Industrialized Economies) of the region by forging a policy framework based on agricultural development and by adopting the open market policy with a view to encouraging the private sector participation and promoting the investment made by both the domestic and foreign investors.

To provide the basic needs for the people and raw materials for industries, Myanmar emphatically develops its agriculture sector by placing investment priority to agriculture and by constructing dams and reservoirs and also implementing the river-water pumping projects across the country. As a consequence the number of dams and reservoirs reach 366, benefiting 4.2 million acres for growing summer paddy and winter crops. By all possible means, agriculture sector enjoyed average annual growth rate of 8.6% during Third Short-Term Five Year Plan (2001/2002 - 2005/2006) which significantly contributed the growth of National GDP.

While pursuing the open market policy, Myanmar has undertaken the measures to improve the investment climate by carrying out the institutional changes appropriate for

market-oriented economy. Myanmar has enacted the Foreign Investment Law in 1988 and Myanmar Citizens Investment Law in 1994 to facilitate the investment promotion.

18 industrial zones are established to provide the necessary infrastructure services for industries owned by Myanmar citizens or foreign entrepreneurs. Border trade is officially allowed by opening the border trade zones and setting –up the border check-points since 1995.

To get better investment climate, Myanmar initiates and encourages the emergence of capital stock market.

Gaining geographical advantage, Myanmar endeavors to develop its infrastructure facilities such as road and rail transportation, power supply, water supply and advanced communications for the establishment of fragmentation industries in the border areas.

The report consists of the macroeconomic performance, labour related matters, investment law for opportunity, financial aspect and infrastructure that are aimed to support foreign investors to realize the investment climate and business cost in Myanmar.

1. INVEST CLIMATES IN NATIONAL LEVEL

1.1. Macro Economy

Myanmar is a developing country and has been striving for economic development since her independence by formulating and implementing short-term and long-term socio-economic developments plans. The plans are based on the macroeconomic policies adopted by the ruling governments in accordance with the political, economic and social changes taking place in the country. The socio-economic indicators reflecting

the plan implementation suggests the macro-economic performance of the country in different situations.

The trends and direction of macro-economic performance could be measured and assessed by the indicators, such as Gross Domestic Product, Foreign Trade, Foreign Direct Investment and total investment, Balance of payments and inflation.

1.1.1. Gross Domestic Product

While Myanmar government exerted efforts to improve the socio-economic status of the population, it has placed much emphasis on the increase of per capita income or GDP as well as GDP per worker through the growth of total value of Gross Domestic Product. Hence the government of Myanmar has worked out the plans and taken the appropriate measures to enjoy the double-digit growth of GDP, but with the basic principle of "All round development based on the agriculture sector".

According to the available time series data reflected in official statistics released by the Ministry of National Planning and Economic Development (MNPED), the average annual growth of GDP in real terms at 2000/2001 constant producer's prices is 13% for 2000/2001 to 2004/2005 and the average annual growth of GDP in real terms at 2005/2006 constant producer's prices recorded at 12.5% for the period from 2005/2006 to 2007/2008. Although constant producer's prices for calculation of real GDP is changing, it is discovered that Myanmar's GDP grows at double digits rate annually from 200/2001 to 2007/2008. As a consequence from 2000/2001 to 2004/2005, per capita GDP has increased in 1.5 fold and from 2005/2006 to 2007/2008, it has grown in 1.2 times resulting the favorable impact on economic and social status of the population.

In spite of the good GDP growth performance, one cannot see the significant changes in economic structure in Myanmar for many years.

According to the information obtained from MNPE, there are slight changes in economic structure from 2000/2001 to 2005/2006 but with the predominance of agriculture sector or crop-growing sector. So we may say that agriculture sector has remained as an engine of growth for many decades.

In 2000/2001 Agriculture sector accounted for 48.8% of total GDP and it changed slightly in 2005/ 2006 with the share of 40.2%. Through share of the Agriculture in National GDP reduces, the sector itself grows at the average rate 8.6% during the third short-term Five Year Plan (2001/2001 - 2005/2006). While formulating economic development plans, Myanmar endeavors to transform its economy to industrialized one like other Newly Industrialized Economics in the region. But its industrial sector, though developing at an average rate of 24%, accounted for only 11.4% of the national GDP in 2005/2006 increased from 7.2 % in 2000/2001, owing to the establishment of industrial zones and expansion of garment (CMP) manufacturing industries.

Unfortunately, electric power sector which is vital for industrial development and lift-up of living standard of the people remains very low in terms of GDP share with only 0.1%. The generated power supply cannot meet the required power consumption. Various measures have been undertaken to increase the power supply within the national grid area by exploring resource potential of medium and large hydro-power and extending electric power generation of natural gas turbines.

Energy sector, which is a promising and potential sector for Myanmar's economy becomes an important source of Foreign Exchange earnings. The GDP value of Energy sector increase by an average rate of 13.8% during the period from 2001/2002 to

2005/2006 and in 2007-2008 it has the growth rate of 7 %. Though energy sector is gaining momentum, its GDP share is very low with 0.2% on average.

The main reason behind the high growth of Energy sector is due to significant increase in the production in off-shore production of natural gas and compressed natural gas. (See Table 1 for Sectoral Development in GDP)

Myanmar economy is dominated by agriculture sector (Livestock and Fishery, Forestry and Crop growing sub-sectors) and still relies on the resource-based sector such as energy sector. Industry sector is mostly a sector of processing agricultural and livestock and fishery products and needs to manufacture more value-added products to promote GDP of industrial sector. The structure of economy has changed in recent years with the slight decline of agriculture GDP share and increase in the share of industrial GDP. (See Table 2 for Sectoral changes in GDP).

Table1: Sectoral Development in GDP: Average Annual Growth Rate by Sector

No	Period	Average Annual Growth Rate					
		Agriculture	Livestock	Forestry	Energy	Mining	Processing & Manufacturing
1	Stabilization Programmes Period 1989/90-91/92	1.0	0.3	11.0	-0.2	21.7	2.2
2	First Short Term Four Year Plan 1992/93-1995/96	7.3	4.6	-5.4	-0.4	21.2	9.1
3	Second Short Term Five Year Plan 1996/97-2000/01	6.3	12.7	3.2	27.2	20.9	10.4
4	Third Short Term Five Year Plan 01/02-05/06	8.5	17.2	3.6	13.9	15.1	23.8

Source: Myanmar's Economic Development, Ministry of National Planning and Economic Development-MNPED)

Table2: Gross Domestic Product by Sector (%)

No.	Particular	1988-89	1991-92	1995-96	2000-01	2001-02	2005-06	2006-07	2007-2008
		(1985-86 Base Year)				(2000-2001 Base year)	(2005-2006 Base Year)		
1	Production	59.4	60.4	60.6	60.5	66.5	65.3	63.8	63.3
	1) Agricultures	38.5	37.5	37.1	33.6	47.4	40.2	37.1	35.6
	2) Livestock & Fishery	8	7.6	6.8	8.3	8	9.5	7.6	7.3
	3) Forestry	1.4	1.9	1.1	0.9	0.5	0.3	0.6	0.5
	4) Energy	0.3	0.3	0.2	0.5	0.2	0.2	0.2	0.2
	5) Mineral product	0.4	0.7	1.1	1.8	0.4	0.5	0.5	0.5
	6) Manufacturing	8.7	8.8	9.3	10.1	7.8	11.4	13.8	15
	7) Electrical Power	0.6	0.7	1	1.1	0.1	0.1	0.2	0.2
	8) Constructions	1.5	2.9	4	4.2	2.1	3.1	3.8	4
2	Services	18.2	17.4	18	18.6	9.6	11.7	14.5	15
	1) Transportation	3.5	4	4.3	4.6	6.1	7.7	10.7	11.1
	2) Communication	0.7	0.8	1.3	2.1	0.3	0.7	1.2	1.3
	3) Finance	3.4	0.6	1.5	2.1	0.1	0.2	0.1	0.1
	4) Social and Management	5.9	7.2	6.7	6	1.6	1.5	0.9	0.9
	5) Rental and Other Services	4.7	4.8	4.2	3.8	1.5	1.6	1.6	1.6
3	Trade	22.4	22.2	21.4	20.9	23.9	23	21.7	21.7
4	GDP(1+2+3)	100	100	100	100	100	100	100	100

Source: Ministry of National Planning and Economic Development.

1.1.2. Employment

According to the available data the estimated employment in various sectors for 2006/2007 is about 23 million. The estimated employment in agriculture sector constitutes the highest number of total employment with 61%, followed by 11% in processing and manufacturing sector and nearly 10% in trade sector. Labour force participation rate of Myanmar is about 40%. Literacy rate of the country is targeted to 98% in 2010/11 (Table 3&4).

1.1.3. Foreign Trade

As Myanmar has pursued the policy of market economy, the government has encouraged exports of goods to foreign countries by relaxation and liberalization of trade policy. As a result, export value has increased by 50% in 2006/2007 as compared to 2002-2003 Level. The type of export commodities are mostly resource-based products, such as agricultural products, animals products, marine products, forest products, mineral & gems and natural gas etc. Lack of significant structural shift in production causes the little change in commodity composition of exports. The values of the agricultural products occupy the 13% of total export value with mineral (including natural gas) & gems 50% in 2006/2007. The large share of minerals export is contributed by the value of natural gas which becomes the primary source of export earnings for Myanmar economy. The Ready Made Garments constitute only 5% of total export value in 2006-2007. The economic sanctions imposed by the western countries hinder the growth of Myanmar export (See Table 5).

1.1.4. Total investments and Foreign Direct Investment

Due to the encouragement made by government and the rise in commodity prices and cost of production, investment of the private sector in 2007/2008 increased by 51% compared to 2006-2007 and at the same time investment of the state sector grew at the rate of 43%. Though Foreign Investment Law and Myanmar Citizen's Investment Law were enacted to create favourable condition for private investors, investment of the

Table3: Estimated Employment in Various Sectors (2006/2007)

No.	Sector	Number (Thousand)	Share %
1	Agriculture	13,888	61.26%
2	Livestock and Fishery	481	2.12%
3	Forestry	245	1.08%
4	Energy	34	0.15%
5	Mining	181	0.80%
6	Processing and Manufacturing	2,428	10.71%
7	Electric Power	36	0.16%
8	Construction	494	2.18%
9	Transport	658	2.90%
10	Communications	23	0.10%
11	Social Services	682	3.01%
12	Administration and other Services	1,159	5.11%
13	Trade	2,172	9.58%
14	Workers n.e.s*	190	0.84%
	Total	22,671	100%

Notes: 1. Total employment is based on the working age-group of 15-59 years

2. Workers n.e.s* means not elsewhere stated.

Source: Ministry of National Planning and Economic Development.

Table4: Literacy rate of Myanmar

Year	Literacy rate
2000-2001	91.0
2001-2002	91.4
2002-2003	91.8
2003-2004	92.2
2004-2005	96.5*
2005-2006	96.8*
2010-2011	98.0*

Source: Human Resources Development Indicators, UNFPA.

* Myanmar Millennium Development Goals Report.

Table 5: Foreign Trade of Myanmar

(US \$ in Million)

No	FY	Export	Import	Trading Volume
1	1987-1988	254.0	624.0	878.0
2	2000-2001	1,960.0	2,319.0	4,279.0
3	2001-2002	2,544.0	2,735.0	5,279.0
4	2002-2003	3,063.0	2,300.0	5,363.0
5	2003-2004	1,357.0	2,240.0	4,597.0
6	2004-2005	2,928.0	1,973.0	4,901.0
7	2005-2006	3,558.0	1,984.0	5,542.0
8	2006-2007	5,233.0	2,937.0	8,170.0
9	2007-2008	6,401.0	3,351.0	9,752.0
10	2008-2009	6,778.9	4,543.5	11,322.3

Source: Directorate of Trade.

private sector accounted for only 53% of total investment. As regard the Foreign Direct Investment, total permitted foreign investment amounted to 15,721.79 million in US dollars as of 31.1.2009 according to the officially released data. Most of the foreign direct investments are made in Electric power and Energy sectors with 40% and 21% of total foreign direct investment respectively. Myanmar investment- GDP ratio is low with only 5% in 2007-2008. (See Table 6)

1.1.5. Balance of Payment

Balance of payment is gaining better and positive position year after year. In 2001/2002 balance of payment enjoyed the surplus of kyat 1733.2 millions (official exchange rate - 1 US\$~ 6 kyats) and the surplus increased to kyat 4996.4 millions in 2007/2008. Due to the merchandise receipts exceeding the merchandise payments, balance of payments of Myanmar takes positive changes and gets better. (See Table 7)

Table 6: Total Foreign Direct Investment by sector (31.1.2009)

(US \$ in Million)			
Sr. No.	Sector	Total Permitted Enterprises	
		No.	Approved Amount
1	Agriculture	4	34.35
2	Livestock & Fisheries	25	324.36
3	Mining	60	1395.89
4	Manufacturing	154	1624.64
5	Power	2	6311.22
6	Oil and Gas	88	3357.48
7	Construction	2	37.77
8	Transport & Communication	16	313.27
9	Hotel & Tourism	44	1049.56
10	Real Estate Development	19	1056.45
11	Industrial Estate	3	193.11
12	Other Services	6	23.69
Total		423	15721.79

Source: Directorate of Investment and Company administration.

Table 7: Balance of Payment

No	Year	Balance of Payment (Kyat million)
1	2001/02	(+) 1733.2
2	2002/03	(+) 260.0
3	2003/04	(+) 522.9
4	2004/05	(+) 459.8
5	2005/06	(+) 918.4
6	2006/07	(+) 8094.8
7	2007/08	(+) 4996.4

Source: Statistical Yearbook various years.

1.1.6. Inflation

Myanmar experienced double digit inflation for most years in the period 2000/2008.

According to the data released by Central Statistical Organization, General C.P.I was 128.20 for 2007/2008 and 143.63 for 2008/2009 (Base: 2006=100). If stated in food

Table 8: Inflation Rate (2000-2008)

No	Year	Inflation Rate (CPI)
1	2000-2001	-1.72
2	2001-2002	34.5
3	2002-2003	58.11
4	2003-2004	24.94
5	2004-2005	3.77
6	2005-2006	10.74
7	2006-2007	26.33
8	2007-2008	32.93
9	2008-2009	12.04

Source: Statistical Yearbooks and Selected Monthly Economic Indicators, Central Statistical Organization.

index and Non-food indexes, food index was 128.66 for 2007-2008 and 144.32 for 2008-2009. The hike in retail food prices was a major factor causing inflation. Non food indexes are calculated based on the prices of clothing and apparel, house rent and repairs, fuel and light and miscellaneous goods and services. As a measure for inflation rate, a percent change of C.P. I in 2008-2009 from year earlier is +12.04 %.(See Table 8)

1.2. Labour related matters

As stated in Table 9, the population of Myanmar is increasing at the average annual rate of 2% and it reaches 57.5 million in 2007-2008. Efforts have been made to meet the basic social and economic needs of the population through better macroeconomic performance while achieving the economic stability and sustainable development of the economy. According to the statistics by the Ministry of National Planning and

Table9: Estimates on Population (Mid- fiscal year)

No	Year	Population (Million)
1	2000-2001	50.13
2	2001-2002	51.14
3	2002-2003	52.17
4	2003-2004	53.22
5	2004-2005	54.30
6	2005-2006	55.40
7	2006-2007	56.52
8	2007-2008	57.50

Source: Central Statistical Organization.

Economic Development in 2006-07, the estimated employment in various sectors was 23 million including 1.3 million government employees. The official unemployment rate was known to be 4.03%.

Regarding economic active populations in the previous years, it was 9.37 million in 1973, 12.02 million in 1983 and 16.52 million in 1990 according to nationwide census and surveys.(See Table 10)

1.2.1. Institutions related to labour issue

The institutional conditions of the labour are exercised by the Ministry of Labour which is formed with five organizations such as Department of Labour, Factories and General Labour Laws Inspection and Department, Central Inland Freight Handling Committee, Central Trade dispute Committee and Social Security Board. Within the Ministry, the Department of Labour is of pre-eminent significance for labour issue. Local labour offices are formed at the state, division and township levels to carry out the functions of

**Table10: Economically active population and inactive population by activity status
: 1973,1983 and 1990**

Sr.	Particulars	1973 Population Census 1	1983 Population Census 1	1990 Survey 2	
				Excluding UFW	Including UFW
Millions of persons					
I.	Total Population	28.8	34.12	36.18	36.18
	Population aged 10 years and over	19.62	25.23	27.28	27.28
II.	Total Labour Force	9.37	12.02	11.35	16.52
	1. Employed Population	9.32	12	10.66	15.83
	2. Unemployed Population	0.17	0.2	0.69	0.69
III.	Not in Labour Force	10.25	13.03	15.93	10.76
	1. House Work	5.42	4.19	4.89	-
	2. Students	2.74	3.62	4.28	-
	3. Pensioners	0.07	0.13	0.25	-
	4.Other	2.02	5.09	6.51	-
Percent Distribution					
IV.	Total Labour Force	47.76	48.35	41.61	60.56
	1. Employed Population	46.89	47.56	39.09	58.04
	2. Unemployed Population	0.87	0.79	2.52	2.52
V.	Not in labour Force	52.24	51.65	58.39	39.44
	1. House Work	27.62	16.61	17.93	-
	2. Students	13.96	14.35	15.68	-
	3. Pensioners	0.36	0.52	0.93	-
	4.Other	10.03	20.17	23.85	-

Source: 1. Department of Labour, Population Department 2002; Statistical Year Book 2002

1/ Conducted by the Population Department

2/ Conduction by the Department of labour

UFW: Unpaid Family Workers

the Department of Labour. The Regional and Coordination Division under the Department of Labour carries out the activities related to industrial relations. The department oversees the township workers' supervisory committees, township

workmen's compensation security committees, minimum wage councils and workers welfare committees.

Township workers' supervisory committees formed at township level manage and conciliate work-related disputes. Labour disputes which cannot settle at this level may be referred to the Central Trade Disputes Committees under the Trade Disputes Act of 1929. Workmen's compensation security committees are responsible for settling compensation cases. The department encourages employers to form Workers' Welfare Committees in establishment and factories.

The Research and Planning Division reviews labour laws and international labour standards. With the cooperation and assistance of UNDP, UNFPA, ILO, computer facilities installed for data collection on the labour force, employment, labour market, and human resource development indicators.

1.2.2. Employment policy in Myanmar

References for employment are the Employment and Training Act of 1950, the Employment Restriction Act of 1959, the Employment Restriction Rule of 1960, the Employment Exchange Office Manual of 1974 and Ministry of Labour Notification No.55, Model Employment Agreement of 1976. The Department of Labour has issued a model contract of employment. Among the other things, the model guarantees the rights under the Workmen's Compensation Act of 1923 and Leave and Holiday Act 1951. The severance payments for premature termination of employment included in the model contract serve as a good guide to the legal requirements and general practice.

1.2.3. Severance Payment

According to the existing laws and procedure, various severance pay rates were set in relation to respective service period.

Service period	Severance Pay
Not exceeding 3 months	1 month's pay
Up to 1 year	2 month's pay
1 to 3 years	3 month's pay
More than 3 years	5 month's pay

1.2.4. Wages and entitlements

The general practice of the government organization currently depends on the prevailing labour market situations. Despite the Ministry of Labour has to announce the minimum daily wages rate for unskilled general labour occasionally to cover increasing rate of consumer price index and inflation, it is not materialized. Salaries of employees employed by foreign companies are negotiated between employer and employee and reflect the skill of the employee.

Wages and salaries cannot be paid in kind and required frequency of payment of wages(daily, weekly, monthly) is determined by the type of establishment where the employee works. All the payment practices are subjected to Payment of Wages Act of 1936, Payment of Wages Rule of 1937, and Payment of Wages(procedural rules). Table 11 shows the monthly salary rates of various level of FDI and JV firms in Myanmar.

Table11: Monthly Salary Range in FDI and JV firms in 2009 by US\$

Position	Min	Max	Average
MANAGERIAL	250-350	1,600-3,000	800-1,100
SUPERVISORY	150, -200	700-900	400 -500
SENIOR STAFF	70 -80	400-600	100-150
Worker/Staff	50 -55	300-450	70-80

Source: Salary Survey, 2009, Career Development Consultancy Co. Ltd.

1.2.5. Working hours and days

Working hour vary with respect to the nature of work as follows. Working hours, days and overtime are governed by the Factories Act of 1951 and Shops and Establishments Act, 1951.

Workplace	Hours per day/week
Shops, offices, trading canthers	8/48
Services, media and entertainment	8/48
Factories, oil fields and mines	8/44
Underground mines	8/40
Government offices	7/35

However, the maximum number of hours an employee of a shop or commercial establishment may legally work is 11 hours per day and 60 hours per week, with a minimum rest period of 30 minutes every 5 hours. Overtime: All hours worked above those prescribed are classified as overtime. No more than 16 hours overtime per week or 12 hours a week. Overtime wages are double the normal wage or pay of workers and

Table12: Labour-related matters

Operation hours in case of government	9:30 AM to 04:30 PM
Operation days in a week	5 Day
List of national holidays in a year (government)	24 Day

Source: Author.

prior sanction from factories and general labour laws inspection department is required.

Working on weekly holiday: Workers required to work on weekly holidays to deal with exceptional pressure of work are entitled to the overtime rate and to substitute weekly holidays within two calendar months. (See Table 12)

1.2.6. Leave and holidays

Temporary and permanent employees of private enterprise are entitled to following paid leave annually under the leave and holiday act of 1951.

- Six days casual leave
- Ten days annual/earned leave
- 21 or 20 gazette public holidays and
- 30 days medical leave

Workers have right to different types of leave and holiday with pay.

Casual leave: for emergency personal matters, workers are allowed to enjoy a total of casual leave for 6 days with full pay wage in a year, but not more than 3 consecutive days a time. This leave lapses if not taken within a year.

Earned leave: workers who have completed at least 6 months of service are entitled to medical leave of not more than 30 days with full pay in a year submitting medical certificate. This leave lapses if not taken within a year.

Medical leave: workers completed at least 6 months of service are entitled to medical leave of not more than 30 days with full pay in a year submitting medical certificate. This leave lapses if not taken within a year.

Public holidays: An average of 21 annual public holiday is granted to all workers with full wage or pay.

Working on public holidays: Workers required to work on a public holiday are paid double the basic rate of wage or pay and regular rate of cost of living allowance with reference to the leave and Holidays Act of 1951.

1.2.7. Accident reports and workmen's compensation

If an accident occurs in any factory which causes the death of a worker or workers, it must be notified to the factories and general labour laws inspection department as soon as possible. If an accident causes injury and injured person is expected to be unable to perform his ordinary work for 48 hours or more, within 72 hours.

If a worker is suspected of contracting any occupational disease mentioned under Schedule III of the workmen's compensation Act, the matter must be duly notified to factories and general labour laws inspection department in time. Compensation is paid for accidents arising out of and in the course of employment. If a worker who is not insured with the social security scheme suffers work injury causing temporary or permanent disability or death the employer is liable to pay compensation for that worker.

The amount of compensation payable depends on the decision made by Township Workmen's Compensation Committee. The Committee is formed under the Workmen's Compensation Act.

1.2.8. Safety, Health and Welfare

Employers have the responsibility to protect workers from occupational hazards resulting from physical facilities, harmful substances and environmental factors at work place, as well as to provide proper welfare facilities at workplace.

Industrial safety measures: Provisions of the law pertaining to safety measures must be observed by the employers at factories and workplaces. Protective equipments and gear provided.

Health measure: Healthy and hygienic working conditions and environment must be ensured by employers.

Welfare facilities: Proper facility and arrangement for work convenience, first aid appliances, dining rooms and rest place, welfare shops, and day child care centers provided according to number of workers employed.

1.2.9. Labour law enforcement and inspection

The Factories and General Labour Laws Inspection Department is responsible for inspection of industrial establishments, workplaces, shops and establishments with a view to enforcing the provisions of relevant laws. The Department has a corps of factory inspectors for regular inspection within their jurisdictions.

Factories inspectors are empowered to inspect the factories and oil fields covered by factories Act and Oil fields (labor welfare) Act. The main objectives are to take

preventive measures to safeguard workers from occupational hazards and other environmental factors at workplace. Through their advisory service, both employers (occupiers) and workers are encouraged to observe the safety and health provision.

The law enforcement inspectors are empowered to enforce trade dispute agreements, work contract and awards made under Trade Disputes Act. They are empowered to serve as Revenue Officers for the collection of arrears of revenue due to non-compliance with the awards of the Trade Disputes Committees or Workmen's Compensation Committees, or delayed payment of social security by employers. These inspectors also act as additional factories inspectors for the factories Act.

1.2.10. The Central Trade Disputes Committee

The Central Trade Disputes Committee is responsible for settlement of trade disputes through arbitration to maintain industrial peace and harmony between employers and workers under the Trade Disputes Act of 1929. If any dispute arises out of such situations, systematic and effective machinery has been established under the Ministry of labour for settling the dispute. There are two steps- Preliminary Negotiation: Any disagreement or conflict between employer and worker is brought to respective Township workers Supervisory Committee for preliminary negotiation; and Conciliation: If mutual agreement cannot be reached after serious negotiations, the Township workers Supervisory Committee in the next step exercise its power for conciliation to settle the dispute. And if conciliation is not successful, the case is referred to the respective Township Trade Disputes Committee for Arbitration.

1.3. GSP

Myanmar enjoys General System of Preferential Tariff (GSP) from 30 countries including Japan and Korea with 16 schemes. Directorate of Trade under Ministry of Commerce has issued GSP Form A to exporters since 1998. Myanmar also enjoys ASEAN Integration System of Preference (AISP) from ASEAN 6 starting from 2002. Directorate of Trade issues Form AISP for the overseas trade and Department of Border Trade issues such forms at the border trade points. China provides Myanmar for import tariff reduction and exemption with Early Harvest Program (EHP) for 569 items. Myanmar can enjoy Special & Preferential Treatment (SPT) from China and India.

1.4. Company registration

1.4.1. Types of Companies

There are two main types of companies: a private limited liability company and a public limited liability company. In a private company, the transfer of share is restricted, the public cannot be called upon to subscribe for shares, and the number of members is limited to fifty.

A company limited by shares is required to register. For Foreign Enterprises, the most normal market of doing business in Myanmar is through a limited company. Such a company should be a foreign company register in Myanmar or by means of a branch office or representative office formed outside Myanmar. If one share is owned by a foreign partner, a company shall come under the definition of foreign company, and shall apply to obtain a permit before registration.

In a public limited liability company, the number of share holders must be at least 7. The company, after registration, must apply for a certificate of Commencement of Business to enable start the Business Operation.

The governing law for limited company is the Myanmar Companies Act 1914. A company with share contribution of the states shall be registered under the Special Company Act 1950 and the Myanmar Companies Act 1914.

1.4.2. Document required for Registration

Under section 27 A of the Myanmar Companies Art, a foreign company whether a hundred percent owned or a joint-venture and a branch/ representative office is required to obtain a PERMIT before registration. However, a joint-venture with the State equity joined under Special Company Art 1950 is exempted from obtaining a PERMIT.

For a Public company, the following additional document shall be submitted before commencing the business

- a) List of person to art as directors
- b) List of Person who have consented to art as director
- c) Agreement to take qualification share

1.5. Framework of foreign Investment law and its incentive

Myanmar has been trying to induce foreign investment on the basis of equality and mutual benefit since 1988. The Union of Myanmar Foreign Investment Law has been enacted on 30th November 1988. The country declares its stand on the foreign investment in the law that foreign investors who invest and operate on equitable

principles would be given the right to enjoy appropriate economic benefits, to repatriate them, and to take their legitimate assets back home on closing of their business.

1.5.1. Foreign Direct Investment Policy

The objectives of the Union of Myanmar Foreign Investment Law are:

- (a) promotion and expansion of exports,
- (b) exploitation of natural resources, which require heavy investment,
- (c) acquisition of high technology ,
- (d) supporting and assisting production and services involving large capital,
- (e) opening up of more employment opportunities,
- (f) development of works which would save energy consumption and
- (g) regional development.

In order to oversee and administer the FIL, the Myanmar Investment Commission (MIC) was formed and it acts as initial approving authority for investment proposals. The Directorate of Investment and Company Administration (DICA) serves as the Secretariat of MIC.

1.5.2. Forms of Investment

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

1.5.3. Minimum Capital Requirement

The minimum amount of foreign capital required to be eligible under the Foreign Investment Law is:

For an industry	US\$ 500,000
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For a services organization	US\$ 300,000
-----------------------------	--------------

1.5.4. Eligible Economic Activities

Economic activities allowed under the foreign Investment Law cover almost all sectors of the economy. It has been notified by the Myanmar Investment Commission (MIC). Any economic activity not include in the notification can be considered individually.

1.5.5. Restricted Activities

The state -owned Economic Enterprises Law defines 12 economic activities in which private investment is restricted and are reserved to be carried out solely by the State. However, according to Section 4 of the said law, the Government may in the interest of the State, permit by notification to carry out such activities. (See Table 13) Among the 12 activities, some activities are allowed for foreign investors such as exploration and extraction of petroleum, oil and gas and metals.

1.5.6. Tax Incentives under the Foreign Investment law

The law provides tax incentive to the foreign investors in which exemption from income tax for 3 consecutive years beginning with the year in which the operation commences

Table 13: 12 Economic Activities allowed implementing by state-owned enterprises

1	Extraction of teak and sale of the same in the country and abroad;
2	Cultivation and conservation of forest plantations, with the exception of village-owned firewood plantations cultivated by the villagers for their personal use;
3	Exploration, extraction, sale, and production of petroleum and natural gas;
4	Exploration, extraction, and export of pearls, jade and precious stones;
5	Breeding and production of fish and prawns in fisheries which have been reserved for research by the government;
6	Postal and telecommunications services;
7	Air transport and railway transport services;
8	Banking and insurance services;
9	Broadcasting and television services;
10	Exploration, extraction, and exports of metals;
11	Electricity generating services, other than those permitted by law to private and cooperative electricity generating services;
12	Manufacturing of products relating to security and defense

Source: State-owned Economic Enterprises Law, 1989.

and a further tax exemption or relief for an appropriate period in case if it considered beneficial for the State.

The Myanmar Investment Commission may also grant the followings;

- exemption or relief from income tax on profit which is reinvested within one year.
- relief from income tax up to 50 percent on the profit from exports.
- right to pay income tax on behalf of the foreign employees and to deduct the same from the assessable income of the enterprise.
- right to pay income tax of the foreign employees at rate applicable to the citizens of Myanmar.
- right to deduct the research and development expenditure.
- right to accelerate depreciation.

- right to carry forward and set off losses up to 3 consecutive years, from the year the loss is sustained.

The exemption of relief from customs duty and other taxes on:-

- (a) imported machinery and equipment for use during the construction period.
- (b) imported raw materials for the first 3 years commercial production following the completion of construction.

1.5.7. Guarantee

The investor who has brought in foreign capital can transfer foreign currency entitlement of him; net profit after deducting all taxes and provisions; foreign currency permitted for withdrawal by the Commission which may up of assets on the winding up of business. A foreign employee can transfer his salary and lawful income after deduction taxes and the other living expenses incurred domestically. The law describes that enterprises operating under the Foreign Investment Law shall have the State guarantee against nationalization and expropriation.

1.5.8. Importing and Exporting

An enterprise permitted under the FIL has to be registered as exporter/importer upon business requirement with the Export Import Registration Office under the Directorate of Trade, Ministry of Commerce. The following persons or enterprises can be registered as exporters/importers:-

- (a) A citizen or an associate citizen or a nationalized citizen of the Union of Myanmar if the applicant is a sole proprietor.
- (b) Partnership firms.

- (c) Limited companies, inclusive of foreign companies and branches or joint ventures formed under the Myanmar Companies Act 1914 and Special Company Act 1950.
- (d) Co-operative societies, registered under the Co-operative Society Law 1992.

Products produced in Myanmar can be exported with the exception of same selected items of restricted items under the export license. All goods which are not prohibited by the respective Government departments can be imported under the import license. Permitted foreign investment enterprises can import the following without import licenses.

- Capital investment items imported as foreign capital during the construction and initial investment period.
- Raw materials required for the first three years' commercial production.

Import under Open General License (OGL) is also allowed to those organizations permitted under the Foreign Investment Law (See Table 14-15).

1.5.9. Inflow of foreign investment and investment climate

There were over 1400 foreign companies and branches operating in Myanmar until 2007-2008 when it was declined to 1258. Two types of joint ventures such JV under

Table14: Number of registered foreign companies and JVs in past five years

No	Year	Foreign companies and branches	JVs under Foreign Investment Law	JVs excluding under Foreign Investment Law
1	2003-2004	1,466	80	66
2	2004-2005	1,477	81	66
3	2005-2006	1,489	81	66
4	2006-2007	1,494	82	66
5	2007-2008	1,258	117	67

Source: Statistical Yearbook 2008.

Table15: Inflow of Foreign Direct Investment in past five years

No	Year	Total	
		No. of Enterprises	Foreign Investment US\$ million
1	2004-2005	15	158.283
2	2005-2006	5	6,065.675
3	2006-2007	12	752.700
4	2007-2008	7	172.720
5	2008-2009	5	984.996

Source: Economic Indicators, 2009.

foreign investment law and JVs excluding FIL were are operating in Myanmar which amounts were 117 and 67 respectively in 2007-2008 (Table 14). Inflow of foreign direct investment in the past five years seem very volatile in which 2005-2006 was at peak amount by over US\$ 6 billion (Table 15). Though the Foreign Investment Law in Myanmar grants various incentives for the foreign investment, the investment climate is not competitive to her neighbouring countries. Table 16 shows the investment incentive and investment cost of an industrial zone in Yangon city.

2. CHALLENGES

2.1. Financial institutions

There are six state-owned banks including the Central Bank of Myanmar and two banks providing foreign banking services. There are 14 private domestic banks which are solely allowed for domestic banking and 11 branch offices of foreign banks in Myanmar. Only two state-owned banks are providing inefficient services of foreign banking and no other institutions are allowed for operating foreign banking services.

Table 16: Investment Incentive in Industrial Zone in Yangon

No	Particular	Myanmar
		Hlaingtharyar Industrial Zone
1	Corporate income tax/tax exemption	3 years + extension
2	Exemption of import duty on imported machinery and	3 years
3	Export tax	10%
4	Right to withdraw net profit to abroad	Allowed by Foreign Investment Law 26
5	Right of foreign ownership	100%
6	Period of lease to foreign company	30 years
7	Annual land rental	\$3/square meter
8	Initial Capital (Capital Investment)	Industrial: \$ 500,000, Service: \$ 300,000
9	Monthly electricity charges	\$ 0.8/kilowatt
10	Monthly water charges	\$ 0.88/cubit meter,
11	Industrial development cost	Kyat 1.5 million/acre
12	Monthly maintenance fee	\$20/acre

Source: ERIA Survey 2008.

Banking institutions were strong and efficient before 1997 when there were 20 private banks (See Table 17).

2.2. Taxation

2.2.1. General Tax structure

There are 15 types of taxes and duties under four main heads, they are:

- (a) taxes levies on domestic production and public consumption-excise duty; license fees on imported goods; state lottery; taxes on transport, commercial tax and sale proceeds of stamps.
- (b) Taxes levied on income and ownership-income tax and profit tax.
- (c) Customs duties

Table 17: Bank Lists in Myanmar

No.	Private Banks	Branch Offices of Overseas Banks	Government Banks
1	Asia Yangon Bank	Bangkok Bank Public Co, ltd	Central Bank of Myanmar
2	Co-operative Bank [CB Bank]	Bumiputra- Commerce Bank Berhad	Government Employees Bank
3	First Private Bank	DBS Bank Ltd. [Representative Off.]	Myanma Agricultural Development Bank
4	Innwa Bank	First Commercial Bank [Yangon Representative Off]	Myanma Economic Bank
5	Kanbawza Bank	First Overseas Bank Ltd	Myanma Foreign Trade Bank
6	Myanmar Oriental Bank	Malayan Banking Berhad [Maybank] Malaysia [Rep. Office]	Myanma Investment & Commercial Bank
7	Myanma Industrial Development Bank	National Bank	
8	Myanma Livestocks & Fisheries Development Bank	Oversea- Chinese Banking Corporation Ltd. [Singapore]	
9	Myanmar Citizens Bank	[OCBC Bank] Rep. Off	
10	Myawaddy	Sumitomo Mitsui Banking Corporation	
11	Si Pin Thar Yar Yay Bank	The Bank of Tokyo Mistsubishi UFJ Ltd	
12	Tun Foundation Bank	United Overseas Bank Ltd. [Singapore]	
13	Yoma Bank		
14	Yangon City Bank		

Source: Yangon Directory 2010.

(d) Taxes levied on utility of state-owned properties-taxes on land; water tax, embankment tax; taxes on extraction of forest products, minerals, rubber and fisheries.

(e) Income of tax payer is computed on the basis of one fiscal year (April 1 to March 31 of the following year). The fiscal year in which income is received is expressed as “income year” and the year following as “assessment year”.

A resident foreigner or a resident citizen is subject to tax on all income derived from sources within the Union of Myanmar. In the case of an enterprise operating under the Union of Myanmar Foreign Investment Law, the tax is payable only on income derived from sources within the Union of Myanmar.

A non-resident foreigner is subject to tax on all income from sources in Myanmar.

A resident foreigner is-

- (a) A foreigner who lives in Myanmar for not less than 183 days during the income year.
- (b) A company formed under the Myanmar Companies Act or any other existing Myanmar wholly or partly with foreign share holders.
- (c) An association of persons other than a company formed wholly or partly with foreigners and where control, management and decision making of its affairs are situated and exercised wholly in the Union of Myanmar.

A foreigner or a foreign organization who is not a resident in Myanmar is classified as a non-resident. A branch company is treated as a non-resident. However, this classification is irrelevant to an enterprise operating under the Union of Myanmar Foreign Investment Law.

2.2.2. Tax Rates

A flat tax rate of 30% is applicable to enterprise operating under the Union of Myanmar Foreign Investment Law and those formed under the Myanmar Companies Act. For a non-resident foreigner (including a branch company), income tax is payable at 35% or at graduated rates from 3% to 50% whichever is greater.

The income from “salaries” other than income of non-resident foreigner the tax is computed at progressive rates of 3% of 30%.

(b) Withholding Tax

Payments on income such as interest, royalties and on contracts are subject to withholding tax as 15% tax on interest and 15-20% for royalties and payment to contractors made by government organization is 3-3.5%.

There is no withholding tax on dividends, repatriation of branch profits and proceeds from sale of shares and stocks. These items are not considered as forming part of taxable income (See Table 18).

(c) Carry Forward of Loss

A loss not being a capital loss or a share of loss from a source of income can be set off against profits from the remaining sources of income in the same year. Unabsorbed loss can be carried forward and set off against profits in the following three consecutive years.

Table18: Withholding Tax

No	Class of income	Rate applicable to resident citizens and resident foreigners	Rate applicable to non-resident foreigners
1	Interest	15%	15%
2	Royalties for use of licenses trade market, patent rights etc.	15%	20%
3	Payment to contractors made by Government Organization, Municipalities and Co-operative Societies	3%	3.50%

(d) Customs Duties

With a few exceptions, all imported goods are liable to custom duties. As for exports, tax is levied on export of a few commodities namely: rice and rice flour, rice bran, rice dust, oil cakes, pulses and cereals, bamboo and raw hides and skins. Customs duties are calculated by the rates shown in "Customs Tariff of Myanmar 2007".

(e) Commercial Tax

Commercial tax is turnover tax levied on goods either domestically produced or imported. It is also levied in services such as transport of passengers, entertainment, trading, operation of hotels, lodging and enterprises engaged in sale of foods and drinks. For goods and services supplied in Myanmar, commercial tax is imposed at the time of supply. For the import of goods, commercial tax is collected by the Customs Department at the point of importation in the same manner that customs duties are collected. Commercial tax is levied according to the Schedules appended to the said law. Briefly, the schedules are as follows:

- 1) Schedule I details tax free items which comprises 65 essential and basic commodities:
- 2) Schedule II to V special tax rates ranging from 5% to 25% depending on the nature of the goods produced within Myanmar.
- 3) Schedule VI is for specific types of commodities such as cigarettes, fuel oil, liquor, jade and gems on which tax is chargeable at rates ranging from 30% to 200%.
- 4) Schedule VII is applicable to services including trade services.

The commercial tax rates for services are as follows:-

- 1) 5% on trading.
- 2) 8% on passenger transport fares;
- 3) 10% on hotel, lodging and restaurant services;
- 4) 15% on other forms of public entertainment; and
- 5) 30% on movie or cinema shows.

3. INFRASTRUCTURE

Infrastructure development is essential for all including businesses. The paper will cover the main infrastructure which is connected to businesses such as transportation, communication, electricity, energy and water.

3.1. Road

In Myanmar, new roads and bridges have been built for development of production and better transportation, there by contributing towards improvement of social life of the people. In the past, the route that was the main road to link the upper part and lower part of the country lied in the east of the Ayeyawady. But now it has had easy access to every part of the nation up to border areas. There are 11,259 miles of main roads and others are roads in municipal areas, inter-town roads, urban and rural roads and strategic roads. Road access is better than in the past. Industrial zones in Yangon have good access to ports within 10- 30 km. From Hlegu, Bago and Hmawbe are 48 km, 78 km and 50 km respectively. From the industrial zones to Yangon International Airport

Table19: Distance and time to the nearest port and airport in Yangon

No	Industrial zone	Distance (Km)			
		Yangon Int'l Airport	Botahtaung (BSW)	Asia World (ASW)	Thilawa port terminal (MITT)
1	Downtown	16	5	5	10
2	Hlaing Tha Ya	15	16	16	20
3	Shwe Pyi Tha	15	16	16	20
4	Mingaladon/ Pyinma pin	10	25	25	30
5	South Dagon	25	25	25	30
6	Shwe Put Kan	25	25	25	30
7	Thaketa	32	10	10	15
8	Hlegu	25	48	48	52
9	Mawbe	25	50	50	55
10	Bago	60	78	78	82

Source: ERIA Survey 2008.

is 20 km far away in average. Distance and time to the nearest port and airport from industrial zones around Yangon is shown in Table 19.

3.2. Port and Airport

Myanmar Port Authority (MPA) is responsible for providing terminal facilities and services for shipping. All ports of Myanmar including Yangon Port are administered by the Myanmar Port Authority. In Yangon Port area, there are 11 wharves owned by the Myanmar Port Authority (MPA), one MPA owned rice berth, one berth owned by Myanmar Economic Corporation and 7 private- owned wharves. List of ports and wharves and their facilities can be seen at Table 20. The government is going to privatize some ports and wharves in Yangon. The charges in ports and container charges are shown from Table 21 to 26. There are only two international airports in Myanmar which situate in Yangon and Tadaoo (Mandalay).

Table 20: Port facilities in Yangon

Port name		Apron				
	Length	Width	Yard	Shed		
	(m)	(m)	(m ²)	(m ²)		
Hteedan Berth	180	21	21738.6	-	M.E.C	General Cargo
Hteedan Rice Berth	139	12.5	-	6688.8	M.P.A	Rice&Rice Product
Ahlone Wharves						
No.1	198	30.5	43630	2675.5	AWPM	Container & G.C
No.2	156	19.5	3483	1859	AWMP	Container & G.C
No.3	260	30.5	7928	1859	AWMP	Container & G.C
Myanmar Industrial	310	18	102385	6140	MIP	Container & G.C
Port Wharves						
Sule Pagoda Wharves						
No.1	137	12.2	6967.5	5016.6	M.P.A	General Cargo
No.2	137	12.2	5574	5202.4	M.P.A	General Cargo
No.3	137	12.2	10683.5	3855.35	M.P.A	General Cargo
No.4	137	12.2	3251.5	6688.8	M.P.A	General Cargo
No.5	160	15.2	6038.5	17595.26	M.P.A	General Cargo
No.6	160	15.2	3251.5	16062.41	M.P.A	General Cargo
No.7	158	15.2	1042.3	13098.9	M.P.A	General Cargo
Port Health Jetty						
Bo Aung Gyaw Wharves	91	12.2	-	4366.3	M.P.A	General Cargo
No.1	137	15.2			M.P.A	Container & G.C
No.2	137	15.2	48000	4400	M.P.A	Container & G.C
No.3	183	30			M.P.A	Container & G.C
Thaketa Wharves						
No.1	106.2	19.5	146294	4462	MFSL	GC/Coastal
No.2	106.2	19.5				Cargo/Passengers
MIPL Wharf	200	17	20000	3000	MIPL	GC/Liquid BulkCargo
MITT Wharves	1000	30	500000	20000	MITT	Container& GC
MSPL Wharves	440	43.9	-	-	MPA-SDN	General Cargo

Source: Myanmar Port Authority.

Table21: Handling Charges for Import containers

No.	Particulars	Per T.E.U With Ship's Derrick		Per T.E.U With MPA's crane	
		thousand Kyats	US\$	thousand Kyats	US\$
1	L.C.L Containers	2,100	175	2,280	190
2	F.C.L Containers	1,200	150	1,320	165
3	F.C.L Containers (For direct delivery)	800	130	890	145
4	EMPTY Containers	1,000	135	1,100	150
5	EMPTY Containers (For direct delivery)	700	115	790	130

Source: Myanmar Port Authority.

Table22: Handling Charges for Export containers

No.	Particulars	Per T.E.U With Ship's Derrick		Per T.E.U With MPA's crane	
		thousand Kyats	US\$	thousand Kyats	US\$
1	L.C.L Containers	2,100	175	2,280	190
2	F.C.L Containers	1,200	150	1,320	165
3	F.C.L Containers (For direct delivery)	765	130	890	145
4	EMPTY Containers	975	135	1,100	150
5	EMPTY Containers (For direct delivery)	695	115	790	130

Source: Myanmar Port Authority.

Table23: Handling Charges For Transshipment Re-shipment container

No.		Per T.E.U With Ship's Derrick		Per T.E.U With MPA's crane	
		thousand Kyats	US\$	thousand Kyats	US\$
1	Loaded Containers	1,500	155	1,650	170
2	Empty Containers	1,200	135	1,350	150

Source: Myanmar Port Authority.

Table 24: Container Shifting Charges

No.		Per T.E.U With Ship's Derrick	
		thousand Kyats	US\$
1	Loaded Containers	1,100	25
2	Empty Containers	950	15

Source: Myanmar Port Authority.

Table 25: Container Storage Charges

No.		Per T.E.U With Ship's Derrick	
		thousand Kyats	US\$
1	Loaded Containers	300	2
2	Empty Containers	300	2

Note: Storage charges will be levied after the expiration of free period.

Free period is allowed for 7 days from the date of receipt of the containers

Source: Myanmar Port Authority.

Table 26: Containers Charges from Yangon Port to Destinations

Port of Destination	Freight Charges (US\$)					Travel Time
	2007 March	2007 September	2008 March	2009 September	2009 December	
Singapore	480	265	1,050	250	250	6 days
Bangkok	685	475	1,250	500	500	14 days
Port Klang	580	400	1,038	150	185	5 days
Jakarta & Surabaya	800	460	1,050	275	275	5 days
Yokohama	(All vessels go to Japan via Singapore or Port Klang.)					
Calcutta	925	940	1,725			14 days
Qingdao	900	655	1,350	590	600	10 days
Cebu	1,150	800	1,300			14 days

Source: Myanmar Freight Forwarders Association.

Table 27: Electricity price (Monthly rate)

Tariff Category	Local	Foreigner/ Foreign organization
Industrial use	K50/unit	\$0.8/unit
General use	K25/unit	

3.3. Electricity

Ministry of Electric Power (2) manages the generation of gas turbines, transmission and distribution. Yangon City Power Supply Board supplies electricity for Yangon area and Electric Power Supply Enterprise is responsible for other areas. The electricity charges will be collected from foreign organizations with the monthly rate of \$ 0.8 per kilo watt. The Ministry cannot fulfill the demand for both industrial sector and household use; there are electricity shortage and unstable power supply. (See Table 27)

3.4. Telecommunication

The Ministry of Communication, Post and Telegraph is responsible for communication services. Under the ministry, Myanmar Post and Telecommunication (MPT) is a sole provider for telephone communication. For the internet services, there are two internet service providers MPT and Yadanabon Teleport which situates Yadanabon City in Pyin Oo Lwin. The former Bagan Cyber Tech or Myanmar Teleport becomes a branch of the Yadanabon Teleport. Telephone tariffs are shown in Table 28 to 29.

Table28: Telephone Tariff

Public Call Office		
Particular	Rates in Kyats	
(a) Local Call (per minute rate)	15	
(b) Long Distance Call (Per minute rate)	25	

Local Call Fees		
Particular	Rates in Kyats	Rates in US\$
(1) Annual Charges	540	Equivalent US\$
(2) Local Call Fees		
(a) Automatic Services (per minute rate)	15	0.15 US\$
(b) Manual Service (per minute rate)	No charge	
(3) Trunk call fees (per minute rate)	25	0.15US\$

Overseas Telephone Call Rates		
DESTINATION	First (1) Minute	Each Additional (6)
Cambodia	2.7	0.27
Laos	2.7	0.27
Vietnam	2.7	0.27
Japan	2.7	0.27
Singapore	1.75	0.18
Thailand	1.4	0.14
Korea (Rep. Of)	2.9	0.29
India	1.9	0.19
China	2.25	0.23
China (Taipei)	2.7	0.27
United State of America	4.5	0.45
United Kingdom	3.2	0.32
South Africa	4.5	0.45
Australia	3.2	0.23
France	3.2	0.23
Germany	3.2	0.23

Source: Myanmar Post and Telecommunication.

Table 29: Mobile Telephone Tariff

Call Fees			
No	Particulars	Rates in Kyat	Rates in US\$
1	Annual Charges	12,000	600
2	Local Call Fees (Per Minute rate)	50	0.5
3	Trunk Call Fees (Per Minute Rate)	50	0.5
4	Value Added Services		
	(a) Call Line Identification Service	6,000	120
	(b) Call Waiting Service	6,000	120
	(c) Call Forwarding Service		120
	(d) Three Ways Call Service		120
5	Shifting Fees	5,000	30
6	Reconnection Fees	200	30
7	Short Message Service (SMS) (Per message-maximum 160 characters)	25	
8	Installation Fees	1,500,000	

Source: Myanmar Post and Telecommunication.

3.5. Water

Yangon City Development Committee (YCDC) supplies water for Yangon population from its 5 main sources. However industries in the industrial zones rely on tube wells constructed by self reliance basis. The monthly charge for water is \$0.88 per cubic meter for foreigner. The rate is K. 55 per cubic meter for local.

3.6. Fuel

Fuel is distributed by state-owned enterprise called Myanmar Petroleum Products Enterprise (MPPE). Registered vehicles are distributed by quota system with 60 gallons of fuel per month from the MPPE's fuel stations. Gasoline and diesel are opened to all with FEC (1FEC=1US\$) with unlimited amount with prescribed rates starting from 1 September 2008. MPPE CNG stations also distribute CNG for CNG converted vehicles.

Table 30: Fuel price

	Gasoline	Diesel
Private/ Company	US\$ 3-3.1	US\$ 3-3.1
UN/ Embassies	US\$ 2.7-2.8	US\$ 2.7- 2.8
Registered vehicles (local)	Ks. 2500	Ks. 3000

Note: 1. Fuel is distributed by state-owned (Myanmar Petroleum Products Enterprise and it is opened to all with FEC (1FEC=1US\$) with unlimited amount starting from 1 September 2008.

2. Registered vehicles are distributed by quota system with 60 gallons of fuel per month.

In 2010, the government arranges to privatize its 246 fuel stations all over the country and allow importing and distributing of fuel by private sector.

4. INTRODUCTION OF MAJOR CITIES

4.1. Yangon or business city

Yangon city is the former capital of Myanmar before 2005 then now it becomes a business city with estimated population of 5.6 millions in 2008. The city's area has steadily increased from 223 square miles in 1991 to 288 square miles in 2008 due to rapid expansion to develop new satellite towns in the east and the west of the city. There are a total of 45 townships in Yangon division and 33 out of which are under Yangon City Municipal area and administered by Yangon City Development Committee (YCDC). 14 industrial zones are located in the city which consists of over 5200 industries. The city is only location where the business can access to foreign markets through overseas trade. Yangon still stands as the largest consumer market in the country and the destination of wholesales and export markets.

There are more than 70,000 businesses located in the city area of 33 townships, 735 wards, 3666 roads and streets. Among the townships, Pabedan Township in downtown area is the most business residing township, stacked with more than 5000 businesses. The second largest one is Mayangone in suburban area followed by Mingalar Taung Nyunt which is the third largest (See Table 31 and Table 32).

4.2. Mandalay city

Mandalay city (capital of Mandalay Division) is located on the east bank of the Ayeyarwaddy River in Upper Myanmar. Mandalay city was extended necessarily to accommodate people migrating to the city for the business opportunities. In 1959, township area was 19.08 square miles and population was 195,000. In 1965, township area became 25.64 sq miles and populations also increased proportionately. In 1984, main businesses and residential area of township western side caught fire, and then town plan was irritated with the activities of clearing slum areas and resettlements on

Table31: Warehouse Rental Cost in Industrial Zone (US\$/ m2/ month)

No	Industrial Zone	Sq M/Month (US\$)
1	Hlaing Tha Yar	0.8
2	Shwe Pyi Thar	0.7
3	Thaketa	0.8
4	Shwe Pauk Kan	0.8
5	East Dagon	0.7
6	South Okkalar	0.6
7	Dagon Sikkan	0.9
8	Shwe Lin Pan	0.8

Source: Market Journal.

Table 32: Condominium Rental Prices in Yangon 2009

No.	Condo Name	Township	1 Sq m Price (\$)	
			Min	Max
1	Pearl Condo	Bahan	2.8	3.9
2	University Avenue Condo	Bahan	1.7	2.2
3	Blazon	Bahan	1.7	2.2
4	Sein Gay Har Condo	Kamaryut	1.9	2.2
5	Than Zay Condo	Lanmadaw	1.4	1.8
6	Sandar Myaing Condo	Kamaryut	1.2	1.4
7	Kan Taw Gyi Tower	Mingalar Taung Nyunt	1.2	1.4
8	Parami Condo	Hlaing	1.0	1.4
9	Junction 8 Condo	Mayangone	1.7	2.2
10	Shwe Marlar Yeik Mon Condo	Kamaryut	1.0	1.3
11	Yankin Market Condo	Yankin	1.1	1.2
12	Dagon Tower	Dagon	1.2	1.4
13	Lanmadaw Condo	Lanmadaw	1.4	1.8
14	Bayintnaung Tower	Bayintnaung	1.0	1.3

Source: Market Journal.

designated land-plots. Hence area of city extended with new satellite towns and wards recorded at 40 sq miles. In 2005, the township area became 45 square miles and population was nearly 1 million. In 2008, the land area of the city was 64 sq miles and populations were 1 million in five townships of the city. There are more than 35,000 businesses in the Mandalay city including Mandalay Industrial Zone (1) and (2).

Mandalay city is junction in upper Myanmar. Tadaoo International Airport is 30 km far away from Mandalay. The city is located on the trading route to China and India's border. Export/ Import businesses are carried out to and from China border via Muse and to and from India border via Ta Mu. The most important commodities imported from China border to Mandalay are fabrics, electrical, construction related items, machine selected commodities and motor cycle spare parts. The export

commodities via Mandalay to China border are beans, sesame, fruits, crabs, eel and prawn.

4.3. Nay Pyi Taw

Nay Pyi Taw has a short history, having been founded in late 2005. The military government began moving government ministries from Yangon to Nay Pyi Taw on 6 November 2005. The district level Nay Pyi Taw Capital Region is under Mandalay Division and consists of the city proper (downtown) and eight surrounding townships. Downtown is further divided into five new townships. Pyinmana, Lewe and Takon townships were all formerly part of Yamethin District. The total population of Nay Pyi Taw District is around 925,000 in 2009. Much of the city is still under construction, which is set to be completed by around 2012.

Nay Pyi Taw is also a transportation hub located adjacent to the Shan, Kayah and Kayin states. There are also eight-lane, Yangon-Naypyitaw highway links Naypyitaw with Yangon directly. It takes nine hours by train to get from Yangon to Pyinmana. Nay Pyi Taw Airport, also known as Ayelar Airport, is located between the towns of Ela and Lewe. It is served by all four domestic airlines with regular flights to Yangon and other cities across the country.

The city has CDMA mobile phone coverage starting from 2009. Though there is no industrial area or zone located in Nay Pyi Taw. The new city is the only place in Myanmar where electricity is available 24 hours a day.

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