

CHAPTER 2

New Government's Initiatives for Industrial Development in Myanmar

Aung Min and Toshihiro KUDO

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Chapter 2

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Abstract

Since 1988, when the State Law and Order Restoration Council (military government) assumed state responsibility, the market has been partially opened to the outside world. Myanmar's industrialization has shown little progress as the previous government's¹ policies and poor international relations hampered FDI inflows. As the new "elected" government took office in 2011, significant changes in policies have taken place and this paper intends to highlight the efforts of the new government in its attempt to enhance industrial development. The paper assesses the performance of related union-level ministries and regional governments towards industrial development through establishing industrial zones in all states and regions, except the Chin and Kayah states. The establishment of seven new industrial zones and extension of 18 existing industrial zones is seen to have a positive effect on industrial development, although improvements in infrastructural facilities need to be realized. Introducing the SME Service Centre in Yangon and SME financing schemes enables the firms to obtain loans from the newly named Small and Medium Industrial Development Bank (SMIDB)², thus contributing to SME development to some extent. New laws related to the industrial sector have been enacted, and rules and regulations to implement the laws are under processing. Though there is a lack of an industrial plan, many of the policy and structural changes have been made for supporting the manufacturing and processing sector. A strategic alignment still needs to be implemented deeply down in the operation level where the real positive changes can be made. The study touches upon the new government's attempt to attract FDI to Myanmar by revising the existing foreign investment law and creating an enabling environment for it.

¹ Military government changed its name from State Law and Order Restoration Council (SLORC) to State Peace and Development Council (SPDC) in 1997.

² Myanmar Industrial Development Bank (MIDB) was renamed to Small and Medium Industries Development Bank (SMIDB) in October 2011.

1. Introduction

In Myanmar, the industrial sector includes mining, energy, manufacturing and processing, electric power and construction. According to official statistics, the share of the industrial sector in GDP was 15% on average in the 1990s. The share of industry in GDP increased to 19% in 2010-11. The share of the processing and manufacturing sector in the total industrial sector increased from 69% in 1990-91 to 77% in 2010-11, while the share of the processing and manufacturing sector to total GDP was just 9% in 1990-1991. The military government aimed at changing the economy from agro-based to industrial-based with the implementation of a 30-year industrial development plan 2000-2030. Ambitious targets were set in the plan; 25% in 2010, 30% in 2015 and 35% in 2020 (Rahman and Khine Tun, 2011: 14). The share of the industrial sector in GDP in 2010-11 was 24%, achieving the target set in the plan³.

=== Table 1 ===

The previous military government, with a vision to become a modern developed industrialized nation, had laid down four economic objectives and set long-term industrial development goals, state and private sector targets, guidance and measures to be taken for industrial development for private and cooperative sectors. As there was no strategy or concrete action plan for industrialization, the industrialization was not materialized.

When the new government assumed responsibility in 2011, the first modified economic objective is building of a modern industrialized nation through agricultural development and all-round development of other sectors of the economy. The new government made institutional changes. It announced implementation of a comprehensive development plan, including an industrial development plan.

Under a 24-year market-oriented economic system, Myanmar industries were based on state-owned enterprises, local private industries and some foreign back-up firms. FDI-related projects in the manufacturing and processing sector are only 176

³ Ministry of National Planning and Economic Development

establishments showing no significance in terms of number compared to 43,633 registered private industrial establishments, according to the Directorate of Industrial Supervision and Inspection. Among the registered private industries, only 9% or 4,035 factories are large-scale industries and 91% are small and medium-scale industries (SMIs). Myanmar attracted only 484 FDI projects over a 24-year period, in which 176 projects are in the processing and manufacturing sector, which had investment of USD 1.8 billion that took only 4.4% of total approved FDI value.

Under the previous government, the Myanmar Industrial Development Committee established 18 industrial zones in nine states and regions. When the new government took office in April 2011 it made a significant effort, resulting in currency appreciation, elimination of export tax, reduction of commercial tax, raw material imports, trade facilitation, deregulation in export and import processes and protection of local industries. Under the new government, the Myanmar Industrial Development Committee was renamed as the Industrial Development Committee as an initial step towards industrial development.

Keeping in mind that more industrial zones will support industrial development and clustering, the Industrial Development Committee is implementing new industrial zones in potential and strategic locations around the nation while it is developing the existing industrial zones. Some zones are well established, well grouped, and make products that are economically advantageous, but clustering is yet to be achieved as the zones do not support each other. The export of industrial goods from Myanmar is gaining momentum with exporting of garments, wood-based products, rice, footwear, electric goods and handicrafts to international markets. The combined value of the industrial products is currently less than USD 1 billion, contributing only 10% to the total exports or 20% of total private sector exports. This is because domestic consumption is the focus of Myanmar industries.

Though the government makes much effort on industrial development, there is no real alternative to an effective industrial development strategy. The present environment still creates some challenges. The latest challenge is the intense competition for local industries posed by the creation of the ASEAN Economic Community (AEC) in 2015. There will be no short-term solution to solving all issues mentioned above but some measures are effective for achieving industrialization.

The objectives of the paper are to assess the initiatives of the new government in industrial development, to look into the institutional changes, to study new laws, rules and regulations, and to analyze the establishment and expansion of industrial zones and other supporting measures. The research will answer the question of the effectiveness of these initiatives, including industrial zones, to supporting industrial development. This paper aims to discuss some development in the manufacturing sector in Myanmar that could be the very first step to integration into networks in East Asia through incoming FDI.

2. Institutional Changes

2.1 Institutional Changes

Myanmar has made efforts to transform its agro-based economy into an industrialized one, and one of the economic objectives is to become a modern and developed industrialized nation. To pursue the economic objectives, development in the manufacturing and processing sector is an important factor. The industrial sector of Myanmar largely depends on small-scale and medium-scale industries. Development of small-scale and medium-scale industries would have a substantial impact on the sustainable development of the industrial sector around the nation. Therefore, the Myanmar government has made arrangements to augment the development of the industrial sector by promoting small-scale and medium-scale industries. Initially, the Myanmar government has enacted many industrial laws in order to enhance the industrial sector, including large-scale, medium-scale and small-scale industries. As stipulated in industrial laws, some changes took place in organizational structures concerning the industrial sector.

Myanmar Industrial Development Committee

During 2004 to 2011, the previous government set up the following organizations for the state-owned and privately owned large-scale, medium-scale and small-scale industries.

- Central Industrial Development Committee chaired by the chairman of the State Peace and Development Council and 14 ministers as members to formulate industrial policy.
- Myanmar Industrial Development Committee chaired by the minister of industry No. (1) and the ministers and deputy ministers as members to coordinate industrial development.
- Myanmar Industrial Development Working Committee chaired by the minister of industry No. (2) to implement the policy for the development of industrial zones, including small and medium industries.

Industrial Development Committee

Under the rules of the newly elected government, the Myanmar Industrial Development Committee was renamed and structured as the Industrial Development Committee on 20 April 2011 with a focus on industrial promotion. In the light of many political and economic changes in the world, Myanmar has to speed up its efforts in economic reforms and structuring its economy. One of the significant changes is concerned with the fact that Myanmar has to participate in ASEAN integration and the striking wave in the global economy to emphasize industrial development. Furthermore, AFTA and AEC have become challenges for Myanmar to make its industry more efficient to stand firm in competing with ASEAN countries in the ASEAN market.

The Industrial Development Committee was formed with the aim to develop and supervise industries. The Industrial Development Committee was chaired by the union minister for industry and deputy minister of industry as secretary, including 14 members. To develop all-round in the industrial sector, 12 industrial sub-committees have been formed as follows. The chairman of each sub-committee, except for the Rubber Industry Development Sub-committee, is the deputy minister and the chairman of the Rubber Industry Development Sub-committee is the managing director of No. (2) Heavy Industry Enterprise. Each sub-committee consists of a representative of the government sector, the private sector and a non-government organization (Aye Aye Win, 2012). Out of 12 sub-committees, five are sector focused and seven are industry focused.

=== Figure 1 ===

Along with industrial development sub-committees, the respective regional ministers of the Ministry of Electrical Power and Industry have been given the task to perform developing strategies for industrial businesses in industrial zones in the respective states and regions.

Under the supervision of the Industrial Development Committee, 18 industrial zones have been established in nine states and regions. Furthermore, the Myanmar Industrial Development Committee has been assisting private entrepreneurs to acquire capital, raw materials, machinery and equipment, and modern technology, and providing infrastructural facilities such as water, electricity, communication systems and buildings. At the same time, the committee does not lose sight of private sector expansion in the industrial sector. For extensive participation of the private sector, some state-owned mills have been sold, some leased and some were formed as joint ventures with local private entrepreneurs.

Furthermore, the Industrial Development Committee adopts priorities to facilitate function of its organizational structure. The specific measures for industrial development currently undertaken by the committee are:

- Implementation of the new industrial zones in order to establish new factories and cooperation with technically developed foreign countries.
- Management on the operating of industrial training centers as activities of the HRD management program.
- Close supervision of industrial zones to produce qualified products with low cost and to reduce pollutants from manufacturing processes in order to create a clean and green tech factory.
- International cooperation measures such as ASEAN, CLMV, BIMSTEC and ACMECS.
- Focal point for SMEs development as the government sector.

Ministerial-Level Restructuring

With a view to streamlining the institutions and efficiently pursuing industrial development, at the ministerial level, the new government made changes in the formation of industry ministries by merging the Ministry of Industry (1) to focus on the industry of consumer goods and the Ministry of Industry (2) to focus on heavy industry as the Ministry of Industry, and then formed the Ministry of Myanmar Industrial Development as a new ministry. The Ministry of Myanmar Industrial Development was to support the electronic industry, aeronautic and aerospace industry, industries aimed at the emergence of technology, and knowledge-based industries. However, to avert the over-ambitious schemes and favour the pragmatic approach to industrial development in Myanmar, the Ministry of Myanmar Industrial Development was abolished on 5 September 2012. Abolition of the Ministry of Myanmar Industry Development and ministerial-level restructuring is an action which will focus more on light industry rather than the electronic and high-tech industry in the new government's term.

The light industry is mostly concerned with small-scale and medium-scale industries in Myanmar. These SMIs produce not only the consumer goods for people but also intermediate goods for some industries. As such, these industries serve as a springboard for further development of Myanmar's industrial sector.

There are over 42,000 registered small and medium-scale industries (SMIs) operating nationwide but some SMIs are not registered with relevant institutions and operate as a hidden economy. The number of unregistered SMIs, though not properly available, could be of significant size as well, according to the number of local products by the processing and manufacturing sector available in the market.

Union and Regional-Level Linkage to Private Industries

At the union level, the Industrial Development Committee and the Ministry of Industry are key umbrella organizations which link with 14 state and regional governments and the Nay Pyi Taw Council to carry out industry policy. The state and union governments and industrial-related departments such as the Directorate of Industrial Supervision and Inspection and the SME Development Service Centre deal directly with private industries to support, give guidance and monitor performance. Among other related organizations and departments which provide services for private

industries are the Myanmar Investment Commission and the Directorate of Investment and Company Administration.

=== Figure 2 ===

SME Development Plan

Giving emphasis to the development of small and medium enterprises (SMEs), the Ministry of Industry has set up the SMEs Development Service Center, formed with the Department of Industrial Development and Technology Development, the Department of International Relations and Market Extension and the Department of Investment Promotion. Through these departments, the SMEs Development Service Centre would engage with the tasks of data collecting and recording SMEs history, intermediary service on technology, financial management and marketing advisory, distribution of external market information, arrangement of business matching with related entrepreneurs and serving as a credit guarantee corporation.

For the successful implementation of SME development, Myanmar adopts principle strategies and supportive strategies. Principle strategies include HRD or capacity building, technology development, and innovation and financial assistance at once. Supportive strategies contain infrastructure development, business support and a favorable taxation regime.

Principle strategies such as HRD, technology and financing are mutually supportive and with the help of infrastructure, business support and favorable taxation, this would create a favourable environment for the better performance of SMEs in Myanmar (SME Service Centre, pamphlet).

3. Draft/New Laws, Rules and Regulations

Many new laws relating to industry have been enacted by the union parliament and the related ministries put up bills to be approved. The following summary of some new and draft laws can be seen as supportive of industrial development.

3.1 Exports and Imports Law (The Pyidaungsu Hluttaw Law No. 17/2012, 7 September 2012)

The law is enacted to make policies and functions related to exports and imports in line with international trade norms, and to facilitate export and import, among others. Any legal actions and punishment under this law shall not rule out actions to be taken under the Sea Customs Act. The Control of Imports and Exports (Temporary) Act, 1947, has been repealed by this law. However, procedures, rules, regulations, orders and directives made under the Control of Imports and Exports (Temporary) Act, 1947, may be followed as far as it does not mean going against this Export Import Law. This law is important for industries dealing with import and export processes.

3.2 Minimum Wages Law, 2012 (Draft)⁴

This law is to fulfill the basic needs of workers with their families who are working in trading, manufacturing and services, and to promote workers' performance and competitiveness. The national- level committee and regional and state-level committee for minimum wages shall consider based on the following points:

- needs of workers and their families
- current wages
- Social Security benefits
- Cost of living and related changes
- Appropriate living standard
- Job opportunities in line with the state's requirements of economic and production growth
- State's GDP and per capita income
- Other points prescribed by the Ministry of Labour with the consent of the union government

Workers rights related to minimum wages are described in the law. Fixed minimum wages shall be paid without sex discrimination. When an employer fails to pay minimum wages and other benefits or pays less than the minimum wage, the

⁴ Draft laws were publicized in order to get knowledge and receive public opinion.

employer is convicted by a court and consequently ordered to pay due wages and other benefits as a fine to the worker. However, this judgment shall not affect the worker's right to bring a civil lawsuit against the employer. This law repealed the Minimum Wages Act, 1949, and the Agricultural Labourers' Minimum Wages Act, 1948.

3.3 Social Security Law, 2012 (The Pyidaungsu Hluttaw Law No. 15/2012, 31 August 2012)

The law is enacted to fulfill the health and social needs of workers through collective assurance of employers, workers and the state. The Social Security Act, 1954, was enacted in 1954 and implemented in 1956. The law is still valid till the effective date on which the 2012 law comes into force. This law continues to be effective in those regions already covered under the Social Security Act, 1954. Coverage expansion shall be made by the Ministry of Labour by a notification with prior approval of the union government. Currently, coverage is provided in 110 townships, including Yangon, Mandalay, Mawlamyaing, Patheingyi and Bago, and is being extended gradually to other regions.

The union government shall form a national-level Social Security Board. The Ministry of Labour can, in coordination with the Social Security Board, establish offices, hospitals and clinics and appoint staff.

This law will apply to the establishment, with the number of employees more than the minimum number of employees fixed by the Ministry of Labour. All business-related organizations run by foreign investment or Myanmar citizen investment and joint ventures, among others, are applicable to this law. The Social Security Board shall arrange to provide the following social security systems:

- Medical and social care insurance (sickness, maternity and confinement, medical care after retirement, funeral grant)
- Family support insurance (tuition fees of insured's children, medical care and assistance in case of natural disaster)
- Disability benefits, retirement pension, survivor's pension
- Unemployment benefits insurance
- Other social security systems

The Social Security Act, 1954, shall not be effective any more beginning from the date when this law comes into force.

3.4 Settlement of Labour Dispute Law, 2012 (The Union Hluttaw Law No. 5/2012, 28 March 2012)

This law was enacted for safeguarding workers' rights and having good relations between employers and workers towards a peaceful workplace or obtaining the rights fairly and quickly by settling labour disputes justly.

A party, employer or worker may complain in an individual dispute to the Conciliation Body and if not satisfied, may apply to the competent court in person or by the legal representative. If the collective dispute does not reach settlement, the Conciliation Body shall refer to the relevant Arbitration Body and inform the persons relating to the dispute.

The rules, procedures, notifications, orders and directives issued under the Trade Disputes Act, 1929, may be applied continuously unless and until they are not contrary to this law. The Trade Disputes Act, 1929, has been repealed.

3.5 Foreign Investment Law (The Union Hluttaw Law 2012)

In order to be adaptable to the advancing era and develop the whole economic infrastructure, the Foreign Investment Law (FIL) was revised, and after a long process among two houses of parliament and the government, a new foreign investment law was finally enacted on 2 November 2012. The comparison of the old foreign investment law (1988) and the new law (2012) is observed as follows.

=== Table 2 ===

3.6 Draft Myanmar Citizen Investment Law 2012 (The Union Hluttaw Law No. 5/2012, 28 March 2012)

In order to keep pace with the dramatic changes and progress in the national economy, the Myanmar Citizen Investment Law is being revised. The Myanmar Citizen

Investment Law draft was announced for public opinion and it has more incentive in complying with the new foreign investment law. No objection was found on the draft.

3.7 Employment and Skill Development Law (The Union Hluttaw Law No. 5/2012, 28 March 2012)

An employer shall conclude an employment contract within 30 days after appointing a worker for a specific job. However, the point is not relevant to permanent employment for a government department or government organization. The union government shall form the Central Body for Employment and Skill Development. This body shall formulate policies for creating employment opportunities, work to reduce unemployed, upgrade workers' discipline and capacity, develop workers' skill and form the Employment Development Organization.

3.8 Revising Private Industrial Enterprise Law (The Union Hluttaw Law 2012)

According to the law, private industrial enterprises are categorized into large, medium and small depending upon size of business. The definition was covered for SMI rather than SMEs. The definition of SMEs is being discussed as 150 manpower and capital of 1,000 million kyat for the manufacturing sector and 100 manpower with 500 million kyat for the service sector. In terms of micro enterprises, this was once called cottage industries according to the cottage industry law but under the new government, the Department of Cottage Industry was renamed into the Micro Enterprises Department to supervise 13,635 micro enterprises all over the country.

3.9 Application and Limitation of New Laws

According to the law on minimum wage rates, the minimum monthly pay salary is fixed at 56,700 kyat (USD 65) for the garment industry in Yangon industrial zones with coordination between the Department of Labour, industrial zone management committees and trade associations. However, the regulation for not allowing more than two hours of overtime applied in industrial zones limits the workers' income. The democratization process was started by initiating new laws such as the Settlement of

Labour Issue Law and the Trade Union Law 2011. Though some laws are enacted, rules and regulations are under way to come into force. Therefore, the government has ordered related ministries to issue rules, regulations and notifications of respective laws within 60-90 days. The process of revising the FIL took more than 10 months among two houses of parliament and the President Office due to state interests and resolving differences in the interests of local and foreign investors. The rules and regulations of the FIL set by the Myanmar Investment Commission are vital for foreign investors to get a clear picture on investment opportunities in Myanmar.

Updated laws and new regulations are essential for industrial development. Regarding the legislation, enactment of the Industrial Zone Law similar to the special economic zone laws was also considered. However, industrial zones committees have pointed out the fact that enactment of the same law for all industrial zones might face too many difficulties due to the variances in structure, production and locations. According to a suggestion of industrial zone committees, the authority decided that it would be more convenient if it is done in line with laws prescribed for respective industrial zones under the arrangement of respective regional/state governments.⁵

The names of ministries have also been changed due to new laws. For instance, the Ministry of Labour has been changed to the Ministry of Labour, Employment and Social Security.⁶

4. Establishment and Expansion of Industrial Zones

4.1 Development of Existing Industrial Zones and Sub-Industrial Zones

The existing industrial zone was established based on district level. The Myanmar Industrial Development Committee declared in the past 20 years that there are 18 industrial zones in the nation. Among 18 industrial zones, four are located in four districts of Yangon, and others are in the districts of Mandalay, Myingyan, Meikhtihla,

⁵ The Union Minister for Industry answered on enactment of the Industrial Zone Law at the People's Hluttaw on 23 October 2012.

⁶ Notification N0. 83/2012 of the President Office on 9 November 2012

Monywa, Yaynanchaung, Pakokku, Bago, Pyay, Pathein, Myaung Mya, Hinthada, Myeik, Taunggyi (Ayetharyar) and Mawlamyaing. Industrial zones in Yangon were developed by the Department of Human Settlement and Housing Development of the Ministry of Construction, and staff from that department is responsible for management in the Industrial Zone Management Committee.

Industrial zones are managed by the Industrial Zone Management Committee, which was formed by entrepreneurs and the Industrial Zone Supervision Committee, which was formed by departmental staffs and entrepreneurs with cooperation from the Industrial Zone Development Sub-Committee under the Industrial Development Committee. Among industrial zones which are managed by the Industrial Zone Management Committee, there are three types such as Department of Human Settlement and Housing Development zones, JVs and the local developer zone. Two are JVs between FDI (foreign) and the Department of Human Settlement and Housing Development and the department and Union of Myanmar Economic Holding Ltd. Some private companies such as Zay Ga Bar, Wa Wa Win and Shwe Than Lwin developed industrial zones in the Yangon area. Regulations and services provided in each industrial zone are different among the industrial zone management companies. Data of 18 industrial zones in Myanmar and industrial zones in Yangon are shown in the Annex.

Among the existing industrial zones in Myanmar, Mingaladon Industrial Park in Yangon developed by Mitsui Corporation of Japan is the only industrial zone with internationally accepted status. It is observed that there are 18 industrial zones, 34 sub-industrial zones and 10 industrial parks throughout the country.

==== Figure 3 ====

==== Figure 4 ====

An Industrial Zone Management Committee is formed in every industrial zone to supervise and facilitate the day-to-day operations of industries and to implement the short-term and long-term targets to upgrade the industrial zone in accordance with international standards and norms.

4.2 Establishment of New Industrial Zones

The new government, with the aim of achieving results in the economy for the state and the people and generating jobs in the regions, has been planning to set up region-wise development zones, which include industrial zones, trade zones, special agricultural zones, livestock breeding zones and hotel zones in every state and region. The Industrial Development Committee is implementing seven new industrial zones in potential and strategic locations around the nation while it is developing the existing industrial zones. Those potential industrial zones are Pa-an and Myawaddy in Kayin State, Yatanapon and Nay Pyi Taw Tetkon in the Mandalay region, Paya-thonzu (Three Pagodas) in Mon State, Nam On (Muse) in Shan State and Ponnagyun in Rakhine State. There are some conceptual plans to setting up industrial parks in the Mandalay and Bago regions as well.

For establishment of a new Industrial zone, the Ministry of Industry and the regional or state government would coordinate, and with the permission of the regional/state government, the working committee would be formed to execute the necessary procedures, as follows:

- a) Formation of industrial zone supervisory committee inclusive of district administrator and entrepreneurs
- b) Formation of industrial zone management committee comprising entrepreneurs
- c) Submit application enclosed with organizational structure to the Department of Human Settlement and Housing Development
- d) Submit official letter with the endorsement of Department of Human Settlement and Housing Development to the Industrial Development Committee, and the official letter must be attached with following information:
 - Map of industrial zone location and position of block distribution (location, size of block, blocks reclaimed, blocks distributed, roads, bridges, water, electricity and telephone) (soft copy and hard copy attached)
 - Number and types of industries

- Investment (Myanmar kyat/foreign exchange)
- Number of labourers (male/female)
- Type and amount of products
- Industry-wise electricity utilization (KW/HP)
- Organizational structure and list of members of industrial zone supervisory committee and industrial zone management committee

The Industrial Development Committee endorses to the cabinet, and the cabinet approves to establish a new industrial zone after assessing the feasibility. The development status of new industrial zone projects can be seen below.

=== Figure 5 ===

Yatanarpon Industrial Zone

Yatanarpon Cyber City, which is playing a vital role in the ICT sub-sector, has been established and Phase 1 was launched in December 2007 near Pyinsa Village, Pyin Oo Lwin Township, Mandalay region. The Yatanarpon Cyber City Developing Project Area has a land of more than 10,000 acres, where 2,500 acres each for the Software Industry Area and the Hardware Industry Area was designated. Nowadays there are 26 industrial projects constructed or under construction. For future development of the industrial sector, Yadanapon Industrial Park is being implemented to upgrade at the industrial zone level.

Pha-an Industrial Zone

Pha-an Industrial Zone is located in Pha-an Township between Taungalay Village and Htipokolo Village (feeder road to Myaingyi Ngu). It is on the left and right sides of the Pha-an Hlainbwe motor road, eight miles from Pha-an. Kayin State Development Public Company takes the responsibility to construct the Pha-an Industrial Zone. There are four zone-sections, of which Zone-section (1) is for a foreign investment zone, Zone-section (2) is for a local Investment zone, Zone-section (3) is for a regional

investment zone and Zone-section (4) is for an SME investment zone covering 972 acres.

Nay Pyi Taw Industrial Zone

The Naypyitaw Industrial Zone is located between Naypyitaw and Tat-kone, 14 miles from Naypyitaw Buddha Gaya, near Tan-Kin Mountain Shwe Taung Company will be the developer of the new zone. The landscape of the area is non-agricultural land and the approved construction area stretches up to 500 acres, although it was expected to be 1,000 acres during the planning stage. Currently, measurement of the area is completed, although identification of plots has yet to be done.

Myo Thar Industrial Park Project, Mandalay

The construction project of Myo Thar Industrial Park is implemented by Royal Hi-tech Company under the supervision of the Mandalay regional government. With establishment of Myo Thar Industrial Park, the Simikhon (Ayeyarwaddy) wharf and the 11-mile-long port link road connecting Myo Thar Industrial Park and Simikhon wharf would be constructed as well. The total land area of Myo Thar Industrial Park is 10,354.82 acres and Simikhon (Ayeyareaddy) wharf has a land area of 380.57 acres. Investment for Myo Thar Industrial Park, including establishment of a new road, amounts to USD 360 million. Initially, construction of the wharf is under way.

Bago Industrial Park Project, Bago

The new Industrial park project and the city development plan are being developed in Bago Township, Bago region, where the park is in line with a new international airport project, Hanthawaddy. As the existing Bago Industrial Zone is just 62.38 acres, an additional 313.18 acres close to the Bago zone will be developed by the Ministry of Industry. A new industrial park will be close to the new airport, and the park has two zone areas consisting of a 289.35-acre local industrial zone and a 192.80-acre FDI/JV zone.

4.3 Considerations for Requirements to Develop Industrial Zones

The existing industrial zones are found as groupings around the Yangon and Mandalay areas where they are linked with markets, transportation routes and trading routes. Industrial zones in Yangon are situated in the outskirts of the city where land is available.

In those already-implemented industrial zones, only 50% of land is fully constructed with factories and just 30% of businesses are operating. The vacant lands in industrial zones are being bought by investors to gain handsome profits and for speculation. The land price has become unexpectedly high in industrial zones, and SMEs are selling their land in industrial zones and moving to other places to run their businesses. The land price in industrial zones is ridiculously high and it is one of the biggest barriers to foreign investors. Plots of some industrial zones in Yangon are used as warehouses rather than production bases. It is estimated that 20% of total plots in industrial zones are being fully utilized for processing and manufacturing but 80% are squandered. The authorities are trying to solve this land-price problem.

There are many reasons for developing new industrial zones, including the desire of regional authorities to develop an industrial zone in their regions, along with employment opportunities. However, the private industrial firms would suffer much when a zone is developed in a place where the market does not exist, out of reach from the port and trade routes, and with a scarcity of raw materials and skilled labour. For example, motorcycle manufacturing factories are permitted to operate in Yay Nan Chaung and Pakokku Township, which are too far and costly for the transport of raw materials to factories as well as finished goods to the market. Therefore, their products are not competitive compared to the smuggled motorcycles from China. Currently, all four motorcycle factories are closed down and their operations terminated (MMRD Survey, 2012). In such cases, it is questionable for the selection of new industrial zones in Pha Yar Thone Su (Three Pagodas Pass) in Mon State and Pon Nar Kyun in Rakhine State.

Although there is separation into areas for FDIs and SMEs in the newly developed industrial zones, the factories are built along the main road. Some of the industrial zones are not manufacturing factories but used as storage facilities. In Hlaing Tharyar

Industrial Zone in the Yangon region, it is listed that 450 factories are operating but over 100 of them are warehouses. In Myaung Tagar Iron and Steel Industrial Zone, only 20 out of 300 factories are constructed and under operation. Terms of reference and standards should be applied across all industries.

5. SME Financing

In 2012, the Industrial Development Committee developed a strategy to facilitate SMIs in getting financial assistance by means of establishment of the SMEs Development Bank and implementation of the Credit Guarantee Scheme. This is so that SMIs can get financing from private banks and other financial institutions under the scheme, encouraging formation of Mutual Credit Guarantee Associations, establishment of the Enterprise Innovation Fund and finally establishment of the Start-up Fund. Among these, establishment of the SMEs Development Bank has been achieved by transforming the Myanmar Industrial Development Bank into the Small and Medium Industrial Development Bank in October 2011.

To develop small and medium enterprises (SMEs), the Ministry of Industry had collaborated with the Small and Medium Industrial Development Bank to provide loans worth 5 billion kyat with a special interest rate of 8.5%. Although the Industrial Development Committee wants to support by providing SME loans with a low interest rate at 8.5%, which is much lower than the normal lending rate of 13%, the latter SME loans are at 13% due to the objection of the Central Bank and the Small and Medium Industrial Development Bank on special interest rates. Thus, SMEs are struggling to cover the interest.

SME loans can be granted up to 50 million kyat depending on the size of the enterprise with collateral. Currently, only a handful of SMEs have received loans and the amount is not sufficient to meet the business requirement. SMEs are facing challenges in receiving loans from banks for many reasons, including not being able to provide collateral of enough value, inability to submit all the documents required by the banks, and inability to handle the extra charges for loan processing by the banks.

Initially, the loan application procedure was to go through the Myanmar Industries Association and the Industrial Development Committee to the Small and Medium Industrial Development Bank. Following this procedure, the Myanmar Industrial Association received 70 proposals and 47 of them were submitted to the Industrial Development Committee. However, only 10 applicants managed to obtain the loans, with the loan amounts ranging from 10 million to 500 million kyat.

==== Figure 6 ====

Since August 2012, the applicant submits the application to the SME center which is newly formed in Yangon to support SMEs, and then the applicant's credit history is checked. After that, the application is forwarded to the Small and Medium Industrial Development Bank. The bank then submits the application to the Industrial Development Committee, whereby the Credit Guarantee Certificate is issued in return. Then the bank issues the loan directly to the borrower and the repayment is also done in the same way. Even after the change of procedures, only 3% of the applicants met the criteria and received loans. There are 22 documents required to get a loan. It seems that some documents can be combined into one single agreement between the parties, including specific clauses i.e. statement of accountability. Clear information on how to obtain some documents such as Credit Clearance Acknowledgement and Economic Assessment should be made available to the loan applicants.

Regulations in the banking and financial sector need to be streamlined. Current financing schemes are not dependable in reality, as the interest rate is too high (13%) compared to other countries (0-1%) and businesses are struggling to cover the interest. Trade finance facilities such as LC credit terms should be extended along with permits to import. The Ministry of Industry and the Ministry of Finance and Revenue are discussing with Chinese and Japanese banks to get two-step loans or ODA with a lower interest rate.

6. Other Measures for Supporting Industrial Development

There are many other measures which support industrial development. Some chronic problems such as electricity and high tax rates have been solved. However, some areas still need to be improved.

6.1 Infrastructure Development

Infrastructural facilities for existing industry zones need to be improved. Essential resources such as water and electricity need to be fulfilled. Some improvements can be seen in the electricity supply. During the previous years, industrial zones only had two to four hours of electricity supply in rotation every day during working hours over the six months of the dry season. Power voltage for power meter only was about 300 out of 440 V and some machines were not able to run. After the new government took office, the zones now get about four-eight hours in rotation over some two-three months of the dry season and at the higher voltage of 380-400 V. However, electricity is still not normally provided as the focus is to provide it sufficiently to the civilians and only the surplus is given to the industrial zones.

Support provided to infrastructure development is minimal. The Department of Human Settlement and Housing Development sells the land and has to pay additionally for building roads and paving drainage, which is now more expensive than before. Water is also a big problem as most factories are using water from artesian wells, which is not clean in some areas. In 2002, 1,000 million kyat was collected from the factory owners to arrange water pipelines for Hlaing Thayar Industrial Zone, only to find the water allocated to universities and quarters nearby with a water supply shortage still faced in the industrial zone.

Squatters in industrial zones create social unrest when they grow rapidly and they need to be systematically removed and prohibited by the authorities.⁷

⁷ When industrial zones were established, casual construction workers stayed around the newly developed industrial zone areas at a temporary basis. They try to settle at the temporary area without authority. Industrial Zone Management Committees are facing the problem of clearing the squatters with the help of authorities.

6.2 Taxation

The sales tax used to be 0-25% and even 40% at times. Now the rate is standardized across all businesses at 5%, although there is a special tax subsidy of 3% for industrial products. The government should introduce tax rebates to encourage export. Manufacturing firms with official import and export have to pay import duties and taxes for raw materials, and income tax, but when exported there is no tax rebate. It is difficult for local manufacturers to compete as products are imported or smuggled.

6.3 Human Resources Development

In order to fulfill the requirement of engineers and technicians, the Ministry of Science and Technology formed in 1996 has generated 316,144 graduates and degree holders relating to science and technology. For human resources development, the Ministry of Science and Technology formulated short-term and long-term plans, including a 30-year Education Plan, and a four-year and a five-Year Special Education Plan. As a result, new universities, colleges and technical institutes were opened and some were upgraded in states and regions as follows:

- a) University of Technology - 32 units
- b) University of Computer Science - 25 units
- c) University of Aeronautic and Space Technology - 1 unit
- d) Government Technical College - 3 units
- e) Government Technical Institute - 11 units
- f) Government Technical High School - 36 units
- g) Vocational Training School - 4 units
- h) English Language Proficiency School - 1 unit

While enhancing human resources development, the Ministry of Science and Technology opened specialized courses in technology ranging from the diploma level to the PhD level, and at present it has educated 683 PhD degree holders and 4,256 master's degree holders, 83,612 engineers, 108,503 diploma engineers and 3,952 certificate holders.⁸

⁸ Ministry of Science and Technology, Human Resource Development , 2012

For further human resources development, the Department of Technical Promotion and Coordination under the Ministry of Science and Technology conducts industrial training courses on computerized numerical control or CNC and computerized design drawing theory and practicality, in addition to other industrial training courses.

The Ministry of Industry has also opened six technical training centers with the assistance of foreign countries. The centers conduct machinery courses, computer and CAD/CAM courses, electric and electronic courses. However, such centers are located in the middle and upper parts of Myanmar, and similar training centers are required near Yangon areas. More training schools and technical colleges should be opened to train professionals closer to Yangon. Currently, most of the training provided by private industries is on-the-job. It would be more beneficial if there can be more off-the-job training schools. Schools can teach the basics of each trade, i.e. in the garment sector by JETRO, which is easy to build upon.

=== Table 3 ===

6.4 Quality Control and Standardization

A key problem for industrial development is that the domestic market is limited. Myanmar consumers are not aware of product quality and standards. Although local manufacturers produce quality products, these cannot compete with cheap low-quality Chinese products like electric lamps. Local consumers do not select products properly and their key consideration to purchasing focuses on price. Industrial inspection standards need to be established by the concerned departments such as the Directorate of Industrial Supervision and Inspection to assess the quality of the manufacturing sector.

Quality certifications need to be competitive enough for export to developed countries. Manufacturing within the limits of local demand and raw materials availability would not be competitive. CMP products such as manufacturing parts of electrical goods (knocked down) to be exported for assembling are possible.

6.5 Improve Productivity

Raising the productivity of industries is a key factor for industrial development. Most Myanmar industries are using Chinese machines and technology which are easily accessible. Usage of obsolete machines and technology results in low productivity. Productivity training is available only in the garment industry due to the assistance of JETRO. Limited knowledge and opportunities for improving productivity must be considered for industrial development.

6.6 Create Supporting Industries by Sub-Contracting

Supporting industries and industrial clusters need to be developed. Myanmar business owners do not have the practice of outsourcing and sub-contracting. This is due to a lack of trust, proper specification and quality standards. They would be fine with an average quality in-house product rather than having to bear the stress of working with the sub-contractor to get a better quality product.

Outsourcing activities that require heavy machinery of high investment should be encouraged. For example, a slitting machine used in an electrical products manufacturing factory has to be invested in due to delays on lead time as regards import procedures. Such a machine is used one or two days a week to slit the master coils. If companies can outsource the use of the machine to other companies by scheduling based on requirements, costs can be reduced significantly. A slitting machine costs USD 200,000 and all transformer manufacturing factories have their own machines. A paper slitting machine is the same. The government should coordinate between private industries and state-owned industries to improve cost effectiveness. Coordination would reduce costs significantly. Businesses across the industry need to build capacity to be able to compete in the growing industry.

6.7 Industrial Sector and FDI

Currently, there are 11 garment factories in Hlaing Tha Yar Industrial Zone which are owned by foreign investors. Some 95% of the 40 total garment factories are owned by Myanmar citizens in principle only, with the real owners being foreigners especially

from China. Although the industries in Mandalay industrial zones are registered as local private industries, most large and medium-scale industries in Mandalay industrial zones are owned by Chinese investors. The influence of China in the industrial sector is considerable for the industrialization of Myanmar.

With massive FDI influx into Myanmar, Myanmar industries are expected to apply a leapfrogging rather than a snail's pace approach in the next three years. Uncompetitive industries would hardly survive due to AEC and FDI. Although the current growth is discouraging, some industries plan to increase production by two times. The number of FDI companies that want to make JVs with locals is estimated at fewer than 200 in the coming year. As most of the local firms are family businesses, they do not want to give up their status of control. Most local companies do not know how to form JVs with foreign partners. When the local companies join with FDIs, the FDIs are expected to push the local company to raise its performance so that positive growth can be achieved.

Industrial development should be based on the natural resources that Myanmar industry can focus on, such as timber and rice. Higher equity share should be requested from FDIs interested to invest in such sectors. As for technology-based industries, majority equity shares are owned by the FDIs and more human resources are contributed from the local side. Retention of staff will also be difficult as they gain competency and get acquired by FDIs where they get paid higher. At present, local firms found themselves facing a big risk of losing their established key industry resulting from FDI. Normally they were not eager to become part of a public company but now they are considering to form public limited companies (PLCs) to stand on a par with foreign companies. Previously, PLCs were not considered due to a lack of transparency in business processes and taxation. Current reforms in taxation and the exchange rate system are encouraging more transparency. That is why forming PLCs may become a new trend in Myanmar's economy.

When the new government starts to open the market, the bulk of potential foreign investors will come and explore investment opportunities. Though many foreign firms are studying industrial zones several times, there are some reasons for FDIs not easily entering into Myanmar. These are the underdeveloped infrastructure which does not meet their standards or requirements, the high rental price for land and buildings, and

the small plots of land with one or two acres, which is much small for an FDI firm that needs four to 40 acres. Finally, all FDIs for the manufacturing sector would be waiting on the rules and regulations of the new FIL law.

Among the industrial zones, Minigaladon Industrial Park is the only one which meets the standards required by FDIs. Thilawa Industrial Zone, which will also become a special economic zone, is suitable for FDIs, as there are many vacant plots and only three operating factories, six constructed but not operating and two under construction. However, the development time of Thilawa Industrial Zone will be two to three years. Dagon Seikkan, which is close to Thilawa, also has potential due to its location and it is on the route from Thilawa Port and the downtown area. Yadanarpon Industrial Zone in Pyin Oo Lwin is ready for IT industries. Many Chinese investors own plots in Myaung Daga Industrial Zone in Hmaw Bi Township near Yangon. Hence, it can be explored by FDIs in investigating opportunities to enter the Myanmar iron and steel market. East Dagon and the newly established Anawrahta, Shwe Than Lwin and Wataya industrial zones also have many vacant plots. The question is: How to develop the existing and new industrial zones to become international-standard industrial zones?

6.8 Industrial Data and Capacity Building

Quite a lot of workshops on industrial development have taken place beyond 2011. Many of them are organized in Naypyitaw, the Yangon region, and district-wise. The objective is just to enquire as to what the requirements of industrial zones are, but no action can be taken at the moment.

Survey questionnaires regarding industries are collected more frequently than normal about twice a month by the regional minister's office supported by the Planning Department. Industry surveys also need to be answered but those results only focus on poverty alleviation. The availability of reliable industrial data is still problematic. As long as people cannot change their attitudes and mindsets, data will not be correct. Industrial data should be in line with the international industrial standard format rather than just a rough 13 categories which are currently applied.

7. Industrialization and Business Environment

Under the current situation, the manufacturing sector can be seen as more transparent. There is also more awareness in preparation to compete internationally, and opportunity for value-added exports are being explored. Regarding HR issues, there are some concerns for the employees' movement. There is also more interest on intellectual property rights, licensing, franchising, standardization and environmental issues for commodities, showing signs of growth. IT utilization is also growing in the new government period. In the manufacturing sector, importing raw materials and exporting finished goods are more easy and convenient. Moreover, the import tax levied on the raw materials has been decreased. The Myanmar Industrial Association is implementing responsible care, human error care and waste material collection from production line schemes, and water and energy consumption has significantly decreased as we can see in the example of UPG Paint Company (Win Htin, CIG, 2012).

However, there are still some challenges for industries. Firstly, industrialists complain on port clearance and transportation cost. There are difficulties in collecting imported commodities from the port. Extra charges still do incur more or less. Carriage inwards from Yangon Port to the factories in Yangon is more costly than the freight charge from the port of loading from abroad to Yangon Port. Hence, the container rental fees need to be more reasonable. While the freight charge from Port Klang of Malaysia Port to Yangon Port for a 20-foot container costs USD 100, the carriage inwards charges from Yangon Port to industrial zones in Yangon for about 20 km will cost USD 120-180.

Second is negative growth. Currently, there is stability in the foreign currency exchange rate which supports a better economy. Despite the relaxed trading policies by the government, private export and import has decreased significantly. Manufacturing and trading companies in Myanmar rely on local market demand and government orders. Most of the industrial sector has dropped in sales by 20-40% in 2011 and 2012 due to a decline in government orders and local market demand. Though official figures show 20% growth annually, real growth for the industrial sector could be negative. Therefore, the government can support local industries by purchasing while sales drop.

On the other hand, the local industries bear heavy competition from the goods smuggled through the border. So far as the government fails to control such illegal imports, the local industries will fall.⁹

Third is a lack of a time schedule for industrialization. Although Myanmar proclaims industrialization, there is not a specific target year. Vietnam has set the time target at 2020. There is no consideration or encouragement from respective ministries and organizations as well. A comprehensive industrialization master plan needs to be drawn up with support from international experts. Currently, industrial development can be supported in the short term by the establishment of a one-stop service center, an incubation center, supporting industries, and financing. Those businesses willing to expand should be supported to grow rather than burdening them with tax duties.

Fourth is to enter potential markets. Industries that possess high potential are CMP businesses, resource-based businesses, and agro-based businesses. Still, they are not competitive compared to those industries in Thailand and other countries. The particular industries in Myanmar with the highest growth potential are garments, shoes, electric parts and some motor parts. It seems that the CMP garment industry has the most potential as the capital investment is quite low and exports to the United States are also favorable because of the US lifting financial and other sanctions, including the import ban on Myanmar, on October 5, 2012. Myanmar's garment industry may be stimulated if it has a chance to enter the US market again like before the year 2000. Exporters could earn more income and pay employees better. Besides the garment industry, some electric and electronics and automobile firms are also making surveys but few plan to start the business. Even though the US sanctions are eased they are not fully lifted.

8. Concluding Remarks

The new government led by President Thein Sein has taken some initiatives for industrial development such as providing a better electricity supply, enacting new laws,

⁹ Registered industries and industrial establishments are classified as 13 categories by the Directorate of Industrial Supervision and Inspection and the Planning Department.

and expanding and establishing industrial zones. The policy changes and some initiatives support industries to reduce production cost and help them boost competitiveness to some extent. The new government has tried to create a better business environment and give industrialists awareness on the changes under way and challenges ahead. However, some weaknesses still exist. These include the government's complicated procedures, lengthy coordination among related ministries, lack of reliable data, lack of trust between administrative organs and industrialists, lack of practice in sub-contracting, lack of standardization, high transportation cost and poor port services.

One salient policy of the new government is to set up new industrial zones rather than making efforts to improve the existing ones. Although the government is establishing new industrial zones, only about 20% are for those who want to obtain the land and have a real intention to build a factory. Currently, about 80% of existing industrial zones are underutilized. In order to effectively utilize those vacant plots in industrial zones, FDIs should be effectively invited. FDIs should also be allowed to develop the industrial zones to international standards.

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Table 1: Timeline of the Industrial Development Process in Myanmar (1962-2012)

Period	Process
1962-1988	Only state-owned industries and a few JVs
1988	Introduction of Foreign Investment law which allows FDI in processing and manufacturing sector
1989	Introduction of State owned Enterprises Law that allowed private sector participation in economic activities
1990s	Enactment of Private Industrial Enterprises Law, allowing import of raw materials so that the local manufacturers to enter the manufacturing sector (Kudo, 2009: 78) Export-oriented garment industry reached a peak in this period Industrial Zones were established since 1995
2000	US Sanction imposed affecting budding private-owned industries
2011	Enactment of Myanmar SEZ Law and Dawei SEZ Law
2011	Institutional changes and reformation of Industrial Development Committee (IDC)
2012	Establishment of 7 new industrial zones

Source: Author's database

Table 2: Comparison of 1988 Law and 2012 (FIL) in Key Factors

FIL 1988	FIL 2012
<p>No specific definition on investment</p>	<p>Specific definition on investment Chapter 1, Name and Definition, Clause 2 L <i>1) Movable property, immovable property and lawful right of pledge and mortgage on other property right.</i> <i>2) The share of company, stocks and debenture or a certificate of loan.</i> <i>3) Contractual monetary right or activity designated as financial value.</i> <i>4) The right of intellectual property in accord with the existing law.</i></p>
<p>Form of Investment Chapter 4, Form of Organization, Clause 5</p> <p><i>5. Foreign Investment may be made in any of the following forms:-</i> <i>(a) investment made by a foreigner to the extent of one hundred percent foreign capital;</i> <i>(b) joint venture made between a foreigner and a citizen.</i></p> <p><i>6. In forming under section 5:-</i> <i>a(i) a sole proprietorship, a partnership and a limited company may be formed;</i> <i>(ii) if a joint-venture is formed the foreign capital shall be at least 35 percent of the total capital.</i></p>	<p>Form of investment Chapter 5, Pattern of Investment, Clause 9</p> <p><i>9. Investment may be exercised in the following patterns,</i> <i>(a) Foreign investment activities with hundred percent capital which is permitted by the commission.</i> <i>(b) Joint venture between foreigners and citizens and state economic enterprises.</i> <i>(c) To work in accordance to the agreed upon contract.</i></p> <p><i>10. (a) Investment under Section (9) the Pattern of investment shall be:-</i> <i>(1) The company must be formed in line with the existing laws.</i> <i>(2) When forming a joint-venture under section (9) (b), the ratio of the foreign capital and local capital is to be decided by the parties forming joint venture company.</i> <i>(3) When invested by the foreigner the minimum investment amount shall be determined by the commission with the approval of the Union Government based on the project wise.</i></p>

<p>No specific definition on guarantee of land lease or guarantee of land use</p>	<p>Specific definition on guarantee of land lease or guarantee of land use</p> <p>Chapter 14, Land Use, Clause 31 and 32</p> <p><i>31. The commission may allow the investor up to initial (50) years of land use or grant necessary for the economic activities or industry depending on type and amount of investment.</i></p> <p><i>32. The commission may allow the investor extension (10) years and another (10) years depending on amount and type of investment continuously after expiration of the land lease agreement duration allow under section (31).</i></p>
<p>Not mentioned restricted activities</p> <p><i>-technologies, drugs and utilities now approved by international agencies concerned</i></p> <p><i>-production and services designated for citizens according to bylaw; agriculture, short term and long term agricultural works designated for citizens and fishing at Myanmar sea designated for citizens</i></p>	<p>Mentioned restricted activities</p> <p>Chapter 2, Applicable Economic Activities, Clause 4</p> <p><i>-activities affecting traditional culture and customs of national races, affecting public health, affecting natural environment and ecosystem</i></p> <p><i>-activities bringing in risky and toxic waste</i></p> <p><i>-risky chemical industries</i></p> <p><i>This law shall apply to the economic activities prescribed by the notification of the Myanmar Investment Commission with the prior approval of Union Government.</i></p>
<p>Export Promotion</p>	<p>Export promotion and import substitution</p> <p>Chapter 4, Fundamental Policy, Clause 8 C & D</p>
<p>No description on rights and obligation of an investor</p>	<p>Description on rights & obligation of an investor</p> <p>Chapter 8, Obligation and rights of an investor, Clause 17</p>
<p>3-years tax holidays</p>	<p>5-years tax holidays</p> <p>Chapter 12, Exemption and Relief, Clause 27</p> <p><i>-According to subsection(A), foreign investors can enjoy tax exemption for five years generally but it is found that the foreign investor provides benefits to state, tax exemption or tax relief would be allowed for appropriate period</i></p>

<p>Official exchange rate</p>	<p>Market exchange rate</p> <p><i>(a) Can remit abroad through any foreign bank according to exchange rate of the concerning currency. (Central Bank issues daily exchange rate)</i></p> <p><i>(b) Shall exercise the monetary matters of works by opening foreign currency bank account or kyat currency bank account and the currency accepted by the foreign bank and Myanmar.</i></p>
<p>No description on appointment of employees and workers</p>	<p>Appointment of employees and workers</p> <p>Chapter 11, Clause 24</p> <p><i>24. The investor –</i></p> <p><i>(a) Shall appoint, when appointing citizen skilled workers, technicians and staff, at least 25% of citizen within first 2 years from the commencement date, at least 50% within second two years, at least 75% within third 2 years however in the academic basis works the time limit may be extended as deemed to be suitable by the commission.</i></p> <p><i>(b) Shall arrange to provide training and courses for the citizen employee to be appointed under section (a) for the progress of competency.</i></p> <p><i>(c) Only citizen shall be appointed for the unskilled works.</i></p>
<p>No description on administrative penalty</p>	<p>Description on administrative penalty</p> <p>Chapter 18, Administrative penalty, Clause 42</p>
<p>No description on dispute settlement</p>	<p>Description on dispute settlement</p> <p>Chapter 19, Dispute settlement, Clause 43</p>

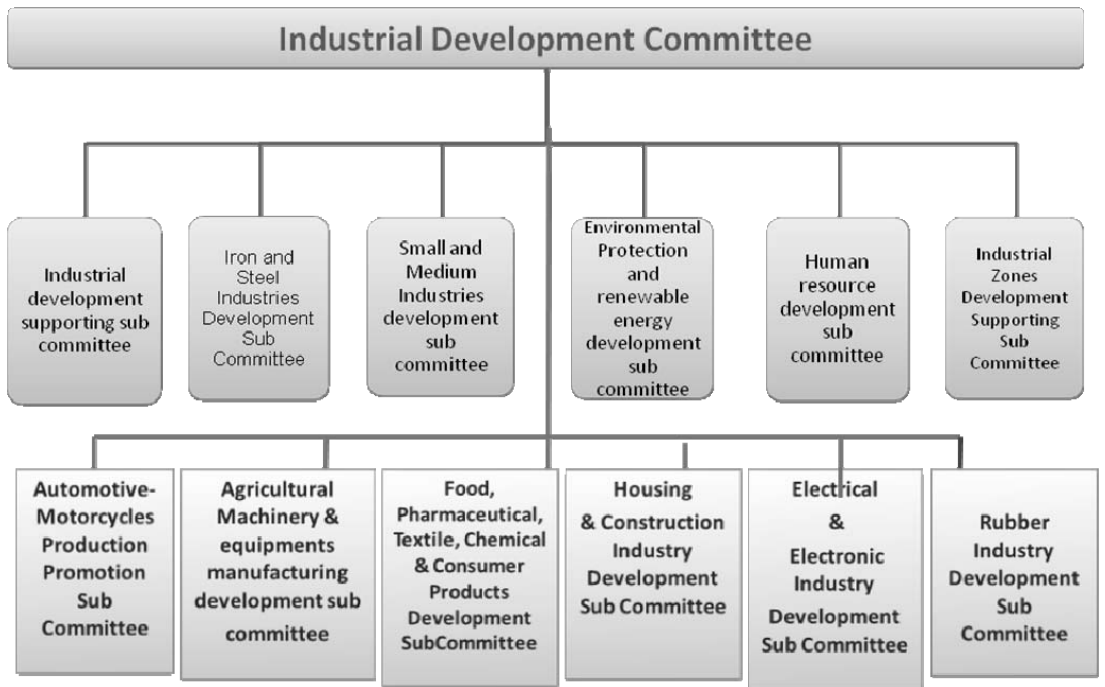
Source: Foreign Investment Law 1988 and 2012

Table 3: HRD Training Programmes under the Ministry of Industry

No	Centre	Region	Student Capacity (Trainees/year)	Assistance
1	Industrial Training Center (Sinde)	Bago	200	Germany
2	Industrial Training Center (Mandalay)	Mandalay	200	China
3	Industrial Training Center (Thergaya)	Bago	120	Korea
4	Industrial Training Center (Pakokku)	Magway	220	India
5	Industrial Training Center (Magway)	Magway		Korea
6	Industrial Training Center (Myingan)	Mandalay	150	India

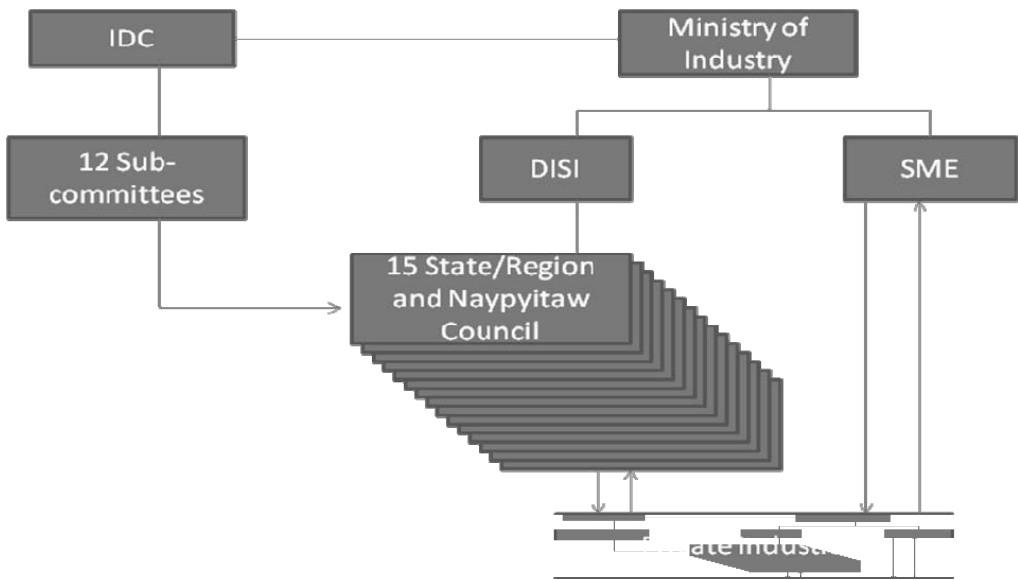
Source: Ministry of Industry

Figure 1: Structure of Industrial Development Committee



Source: Aye Aye Win (2012)

Figure 2: Structure of Institutions and Private Industries



Source: Ministry of Industry

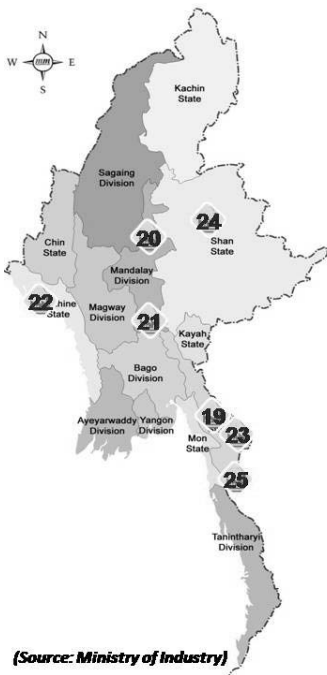
Figure 3: Map of 18 Industrial Zones in Myanmar



Figure 4: Map of Industrial Zones in Yangon



Figure 5: New Industrial Zones Map



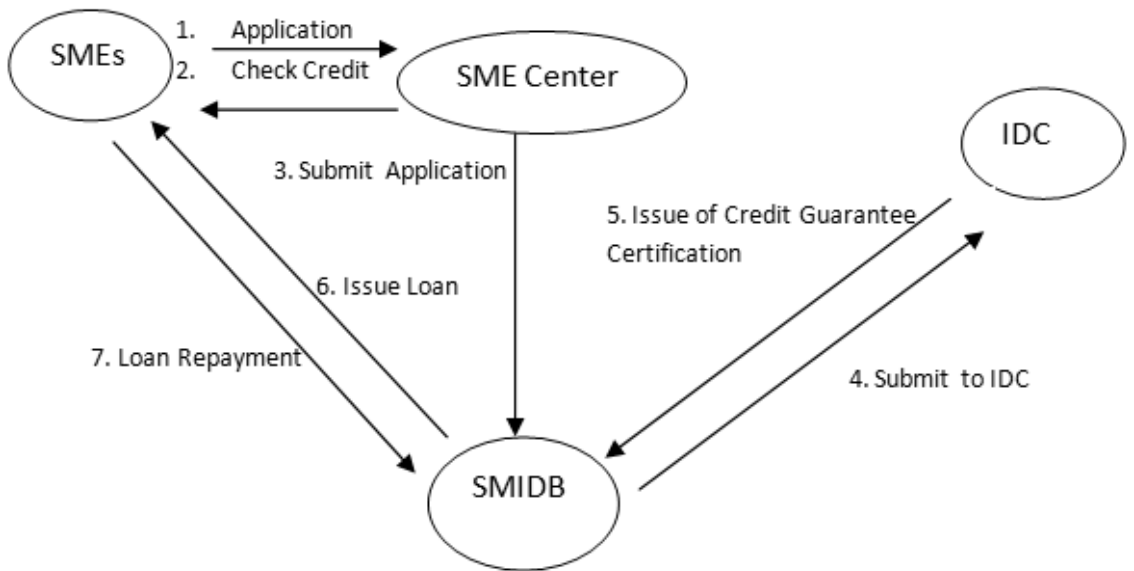
(Source: Ministry of Industry)

NEW INDUSTRIAL ZONES UNDER CONSTRUCTION

New 7 Industrial Zones

Sr.	New Industrial Zone
19.	Pha -an (Kayin State)
20.	Yadanarpon (Mandalay Region)
21.	Tut Kone (Nay Pyi Taw)
22.	Pon Nar Kyun (Rakhine State)
23.	Myawady (Kayin State)
24.	Nan - on (Shan State)
25.	Pha Yar Thone Su (Mon State)

Figure 6: New Procedures for SME Loan Application



Source: Aye Aye Win (2012)

Annex Table 1 - Existing and New Industrial Zones in Myanmar (as of August 2012)

No	Industrial Zone name	Location	Year of Establishment	Total Area (Acre)	No of Factories	No of Employees
Existing Industrial Zones						
1	Yangon East District	Yangon East District	1996	3,200.34	3,319	60,506
2	Yangon West District	Yangon West District	1996		659	8,389
3	Yangon South District	Yangon South District	1996	432.60	85	1,134
4	Yangon North District	Yangon North District	1996	5,108.61	1,092	78,938
5	Mandalay	Mandalay Region	1995	1,239.33	1,154	11,783
6	Myingyan	Myingyan-No-19 Ward, Beside of Myingyan-Yangon Highway Road	1995	163.59	333	1,534
7	Meiktila	Meiktila-Meilitla Township, Mandalay Region	1995	385.45	429	2,377
8	Monywa	Saging Region	1995	365.34	606	3,099

(Continue)

9	Yaenanchaung	Both side of Yangon-Mandalay Highway Road, 36 village tract, Yaenanchaung Township, Magway District, Magway region	1995	171.71	121	484
10	Pakokku	4 miles away from north-east pakokku and both side of the Pakokku-Yasakyo	1996	378.80	281	1,313
11	Pyay	Pyay Tsp, Bago Region	1995	120.92	132	690
12	MyaungMya	MyaungMya	1995	108.69	37	578
13	Hinthada	Hinthada Tsp, Ayeyarwaddy Region	1995		384	1,518
14	Myeik	Innlay Myaing Industrial Zone, Myeik Taung campus, Myeik Tsp	1995	318.48	30	6,373
15	Taungyi (Ayethaya)	South-East of Taunggyi beside of Ayethayar-NyaungShwe Highway Road	1995	902.00	505	2,781
16	Mawlamyaing	(Kyakemayaw Township, Nyaung Pin Seik Village, Kayone Kwin, Plots No -386)	1995	171.04	164	1,092
17	Patheingyi	Patheingyi Tsp, Ayeyarwaddy	1999		359	2,927

(Continue)

18	Kalay	Saging Region	2004		76	318
New Industrial Zones						
19	Pa an	TaungKalay Village, Pa an Tsp		971.86		
20	Yatanarpon (PyiOoLwin)	PyiOoLwin Tsp, Mandalay Region		10,000.00	26	
21	NayPyiTaw (TetKone)	Between NayPyiTaw and Tet Kone		500.00		
22	Myawaddy	Kayin State				
23	Phayar Thone Su	Phayar Thone Su Tsp, Kayin State			35	2,051
24	NantOn (Muse)	Between Muse and Kut Khaing, Shan State				
25	Ponenar Kyun	PoneNar Kyune Tsp, Rakhine State		656.55		

Source: Ministry of Industry

Annex Table 2 - Industrial Zones in Yangon (as of August 2012)

No	District	Name of Industrial Zone	Year of Establishment	Total Area (Acre)	Industrial Area (Acre)	Constructed		Under Construction
						Operation	Non-Operation	
1	East	Dagon Seikkan	1997	1208.70	440.00	102	14	7
2	East	East Dagon	2000	784.00	146.28	45	49	98
3	East	North Okkalapa	1998	109.79	109.79	94	23	13
4	East	Shwelinban	2002	1100.00	208.96	85		
5	East	South Dagon (1)	1992	475.37	475.37	136	35	-
6	East	South Dagon (2)	1996	214.53		773	330	170
7	East	South Dagon (3)	2000	53.32		1509	-	-
8	East	South Okkalapa	2000	35.00	35.00	70	6	-
9	East	Thaketa	1999	200.00	73.43	90	-	
10	West	No Industrial zones	1996			659		
11	North	Hlaing Thar Yar (1,2,3,4,6,7)	1995	1401.44	1,087.98	518	43	32
12	North	Hlaing Thar Yar -5	1996	222.99		170		65
13	North	Shwe Pyi Thar (1)	1990	336.00	310.41	132	-	-
14	North	Shwe Pyi Thar (2,3,4)	1998	987.31	764.30	108	65	42
15	North	Shwepaykkan	1998	94.64	94.64	244	-	3

(Continue)

16	North	Yangon Industrial Zone	2000	902.5030	902.50	31	23	34
17	South	Thilawar	2000	432.60		3	6	2
18	South	Than Lyan/Kyauk Tan	1996			76		

Source: Ministry of Industry