

Myanmar Economy and Investment (Tentative Draft)

Basic Data on Myanmar

Total Area	677,000Sq.km
International boundary	5,858 km
Coast Line	2,800km
Capital	Nay Pyi Taw
Population	57,504,368 as of May, 2008
Working age population	33,410,000 as of 2008
Language	Myanmar is official language. English is widely used all over the country
Religion	Majority are Buddhist and there ar Islam, Christianity, Hinduism and others
Major Economic Sector	Agriculture, Manufacturing, Mining, Oil and Gas, Trade and Services
Major Industries	Agro-based industries, wood based industries, Textiles industries, Heavy industries, Steel mills, etc.,
Literacy rate	About 93%

Introduction

Since the introduction of the Foreign Investment Law in 1988 and the revocation of Social Economic System in 1988, Myanmar is carrying out a series of liberalization measure in order to enable the transition to market oriented economic system as maintain a harmonious balance with other sectors
In this regards, Myanmar has laid down the following as basic policy;

“Economic Objectives”

- Development of agriculture as the base and all-round development of other sectors of economy as well
- Proper evolution of the market-oriented economic system
- Development of the economy inviting participation in term of technical know-how and investments from sources inside the country and abroad
- The initiative to shape the national economy must be kept in the bands of the State and the national peoples

“Foreign Direct Investment Policy”

- adoption of market oriented system for the allocation of resources
- encouragement of private investment and entrepreneurial activity
- opening of the economy for foreign trades and investment

“The objectives of Foreign Investment Law”are

- promotion and expansion of exports,
- exploitation of national resources which require heavy investment,
- acquisition of high technology,
- supporting and assisting production and services involving large capital,
- opening up of more employment opportunities,
- development of works which would save energy consumption
- regional development

In order to oversee and administer the Foreign Investment Law, the Myanmar Investment Commission (MIC) was formed and it acts initial approving authority for investment proposals.

Myanmar welcomes foreign investments in all forms. The Government is intent in maintaining good economic relationships with all foreign organizations and individuals, regardless of their political or social systems, and is attempting to build stronger economic relations with all countries, in addition, Myanmar has had a chance to work together with the other ASEAN countries towards greater regional integration, development and stability. In her twenty years of existence as a market-oriented economy , Myanmar has learnt many lessons from Asian

countries which underwent rapid transformation in the past twenty years.

Myanmar is not only the country abounding in natural resources such as natural gas, mining, forest, marine resources and others but also Myanmar is located in lucrative place in geopolitical terms. It has border with 2 big countries in Asia, India and China, in addition, seated the binding place between Southeast Asia and South Asia, Middle East, EU. Therefore, it has possibilities for important hub of logistics connected these area in not so distance future.

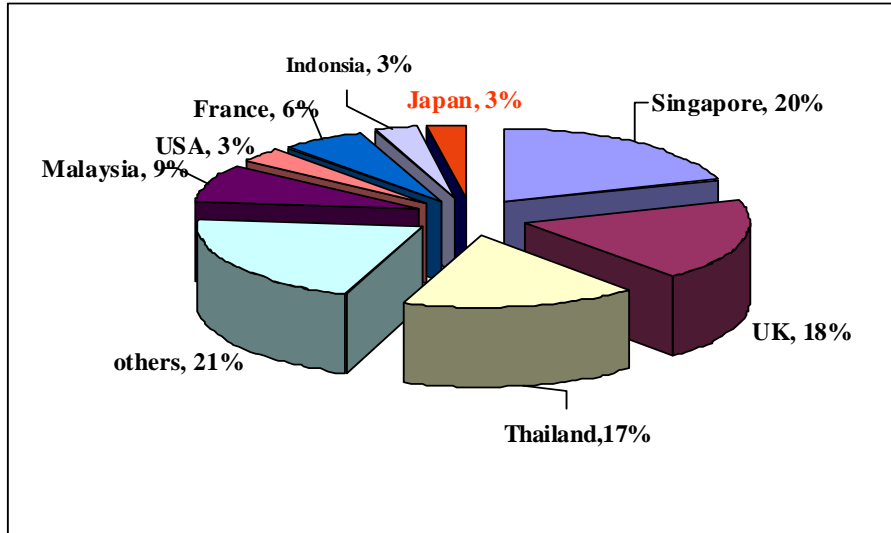
In fact, China has started the construction of oil and natural gas pipeline from Myanmar to Yunnan Province in China on 3rd Nov. for avoiding the route of the Strait of Malacca. And then, recently, some Middle East countries are nurturing interest in Myanmar from the viewpoint of this and food supplying.

In addition, Myanmar is involved in UN planed Asian land Transport infrastructure Development, consist of Asian Highway Project and Trans-Asian Railway Network Project for linking Asia with EU.

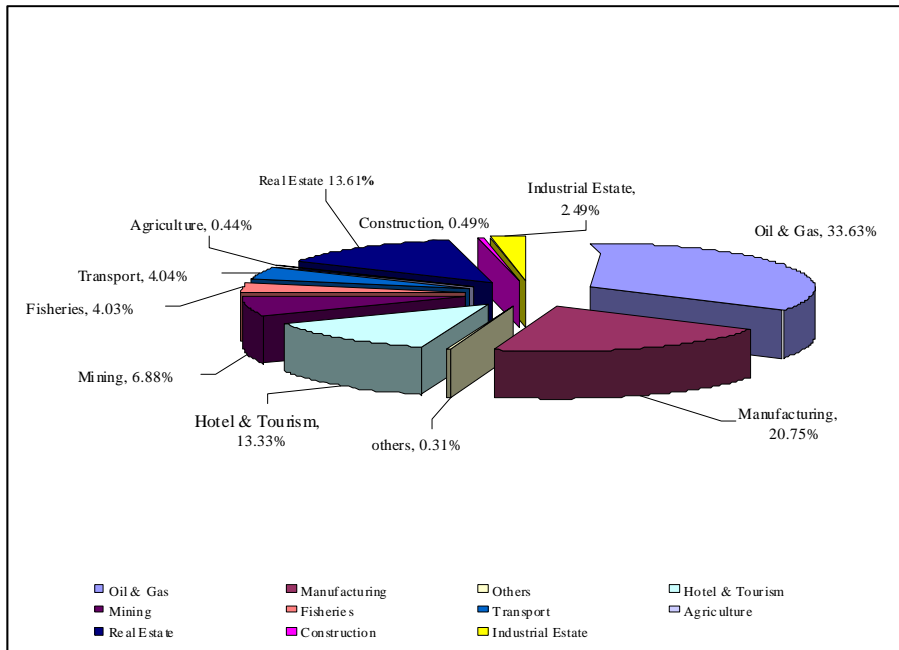
Furthermore, Myanmar is strengthening relations with neighboring countries through such as ASEAN, BIMSTEC and others.

Reference data on foreign investment

Accumulated Investment



Source: Myanmar Investment Commission, 2005



The State Constitution of the Republic of the Union of Myanmar, which was ratified and promulgated by the National Referendum in 2008, are contained in Chapter 1, which details the Basic Principles of the Union, articles 35 and 36 declare apparently Myanmar to be a market economy as the followings ;

(35) The economic system of the Union is market economy system.

(36) The Union shall:

- (a) permit economic forces such as the State, regional organizations, cooperatives, joint-venture, private individual, so forth, to take part in economic activities for the development of National economy;
- (b) prospect and prevent acts that injure public interests through monopolization or manipulation of prices by an individual or group with intent to endanger fair competition in economic activities;
- (c) strive to improve the living standards of the people and development of investments;
- (d) not nationalize economic enterprises;
- (e) not demonetize the currency legally in circulation.

Infrastructure Development Policy

Before 1990, Myanmar economy lacked in infrastructure and its infrastructure development projects were far behind schedule due to insurgency and insecure conditions.

Since the opening up of the economy in 1990, Myanmar has realized the importance of infrastructure and has made considerable progress in developing transportation, communications, and energy infrastructure despite the heavy capital investments required to develop. Infrastructure development was carried out by the state to achieve a balanced and proportionate growth between regions and to achieve the solidarity of the national races.

Highways known as Union Highways and National Highways have been constructed and upgraded. Construction of major bridges across the rivers;

Ayeyarwaddy, Than Lwin and Chindwin are being implemented under the Special Projects Implementation tasks.

Full equipment of communication in country is under construction rapidly, such as establishment of information Communication Technology Center in Yangon and Mandalay, expanding of handy phone network across the country, setting of optical cable for internet service and others.

Upgrade of electricity supply; total electricity generated were about 1,300MW in 2006 but now we strive to achieve 2,000MW in near future. Now, natural gas pipeline from the Bay of Mottama to Yangon is under construction and it schedules to complete in March, 2010, therefore, we will be able to supply electricity to Yangon for 24 hours from April, 2010.

They are also considered as part of the border area development to narrow the gap between the regions and to build more confidence and understanding among the nationalities.

Agriculture Development Policy

The first economic objective of the country is to develop agriculture as the base and all round development of other sectors. Myanmar agriculture sector plays a significant role in national economy. Agriculture contributes 41.3% to GDP, accounts for 18 % of total export earnings, employs about 60 % of total labour force. Over 70 % of the total population reside in rural areas and are principally engaged in agriculture, livestock and fishery sector for their livelihood.

As Myanmar agriculture has grown rapidly since the early 1990s, the growth can be conceptualized as an outcome of macro-policy reforms in the agriculture sector. Primarily, the factor to be signaled out is the concern of the state. State intervention on agriculture development includes (1) Macro-policy reform; (2) Technological Change; (3) Farm Mechanization; (4) The introduction of contract farming system.

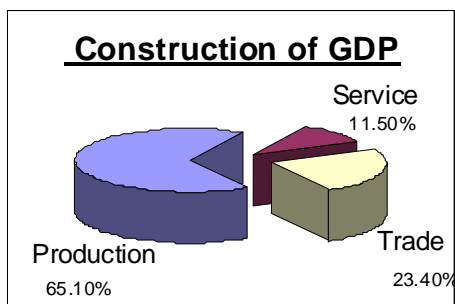
Furthermore, the Ministry of Agriculture and Irrigation has adopted the following policies and strategies for the development of this sector:

" to allow freedom of choice in agricultural production

" to expand agricultural land and to safeguard the rights of farmers
 " to encourage the participation of private sector in the commercial production of seasonal crops and perennial crops and distribution of farm machineries and other inputs

In harmony with the market oriented system, the government has made a most remarkable reform in April 2003, namely, Decontrolling of paddy, rice and rice product trade by the government to support the establishment of Market Oriented System in the country. Furthermore, the new rice policy was laid down mentioning that the purchasing of rice will not be done directly from the farmers and adoption of the new policy in rice trading which aims to develop the market-oriented economy and ensure free trade of the crop for the majority of rural populace-farmers.

Reference data of GDP



No		%
1	Production	65.10
	A) Agriculture	41.30
	B) Manufacturing	10.70
	C) Construction	3.10
	D) Mining	0.40
	E) Power	0.20
2	Services	11.50
	A) Transportation	7.60
	B) Communication	0.60
	C) Financial Institutions	0.10
3	Trade	23.40

Central Statistical Organization,
 NPED(2005)

Industrial Development Policy

Industrial development is considered one of the most important driving forces in the overall economic growth. The following commitments constitute the vision for the development of industrialization in Myanmar.

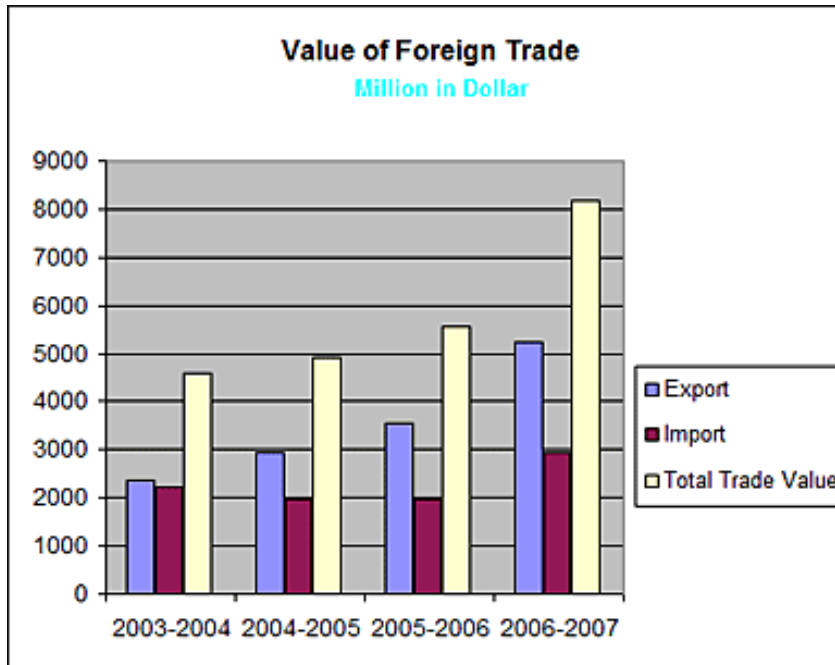
- a) to help develop industry by inviting participation in terms of technical know-how and investment from sources inside the country and abroad;
- b) to promote import substitution manufacturing with value-added goods that employ natural resources to a greater extent; and to promote export with the best use of natural geographical setting advantage (i.e. border trade and access to regional and international markets);
- c) to enhance linkages with international, regional production networks by inviting selective FDI, developing industrial estates, telecommunication infrastructure, and adopting and disseminating international standards;
- d) to infuse modern technology into the nation's industry in order to increase its productivity and competitiveness and to achieve a diversification towards production and export of non-traditional manufactured products;
- e) to enhance the capacity building by improving human resources, encouraging industrial clusters, and developing an innovative system;
- f) to help increase the economic collaboration on joint venture basis, consignment arrangement and buy back system for better structural integration of economic sectors.

Consequently, the objectives of the industrialization plan are set as follows:

- (i) Structural adjustment of industries and proportional growth
- (ii) Promotion of research and development and industrial design
- (iii) Development of supporting industries
- (iv) Promotion of service industries
- (v) Facilitation of internal and external marketing of industrial products

While Myanmar's present structural pattern in GDP is mainly concentrated on agriculture, it does however have a great foresight for tapering agriculture sector and increasing industrial and services sectors as a structural change of the economy in the future.

Reference data on Import and Export



Source: Ministry of Commerce, April in 2009

According to Central statistical Organization, selected Monthly Indicator , Myanmar has exported about US\$6,800 million and has imported about 4,600million in 2008 fiscal year. Ranking of export items are Natural Gas (35%), Beans (11%), garment (4%), Teak (3%), Rice (3%), hard-wood (3%), fish (3%) and prawn (1%) and others. Major export countries are Thailand (38%), Singapore (12%), India (12%), Hong Kong (10%), China (9%), Malaysia (5%), Japan (3%), South –Korea (1%), Germany (1%) and others.

Regarding the import and export, since 2001, Myanmar has adopted Export First Policy due to prevent the recurrence of the currency crises and shortage based on experience of Asia currency collapse in 1997 and trade deficit in 1998.