

**Country Paper  
For  
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context of Globalisation and Emerging Trade Relations"  
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**STATUS OF THE ANCILLARY INDUSTRIES,  
ITS ROLE AND RELEVANCE IN INDUSTRIAL DEVELOPMENT OF MYANMAR**

**1. Introduction**

Myanmar is endowed with plenty of Natural Resources and trainable Human Resources with High Literacy rate favourable for development of its economy through resources based industrialization.

As Myanmar is still an agricultural country, the contribution to GDP by agriculture, livestock and fisheries, and forestry accounted for 59.9%, while the processing and manufacturing sector accounted for about 9-10%, and service sector accounted for 31.1%.

**2. National approaches to promote Industries in Myanmar**

**2.1 Institutional Framework**

With the view to develop industries simultaneously with the agriculture sector, the Government has formed the following Organizations to undertake the Promotion of Industries in Private Sector: -

- (a) Industrial Development Committee (IDC) chaired by the Prime Minister and (14) Ministers as members, to formulate the Industrial Policy.
- (b) Myanmar Industrial Development Committee (MIDC) chaired by the Minister of Industry (1), to coordinate various Ministers for Industrial Development.
- (c) Myanmar Industrial Development Working Committee (MIDWC) chaired by the Minister of Industry (2), to implement the policy for the development of Industrial Zones, including Small and Medium Industries.

Linkage of various organizations and institutions involved in SMEs Development are shown as per Annexure (1).

**2.2 The Objective of MIDC**

The Objectives of the Myanmar Industrial Development Committee are as follows:

- (a) To develop agro-based industries
- (b) To enhance industrial production both quantitatively and qualitatively
- (c) To encourage production of new type of industrial machinery and equipment
- (d) To encourage production of machinery and equipment essential for the manufacturing and processing industries.
- (e) To create suitable conditions for change over to an industrialized state.

### **2.3 Function of the MIDWC**

Function of the Myanmar Industrial Development Working Committee (MIDWC) is to implement the policy and measures for the development of private industries such as:-

- (a) Development of Industrial Zone
- (b) Human Resource Development for private industries
- (c) Transfer of technologies to SMI (Small and Medium Industries)
- (d) Financial Assistance to SMIs located at Industrial Zone is etc.

So far (18) Industrial Zones had been established.

New Industrial Zones under planning stage are:-l

- (1) Mya-Waddy Industrial Zone (for Export Processing) - Near the Border of Thailand
- (2) Hap-An Industrial Zone (for Export Processing) - Near Thailand
- (3) Mawlamyine Industrial Zone (for Export Processing) - Near the Gulf of Martaban.
- (4) Thanlyin Industrial Zone (for Export Processing) - Near Yangon Seaport

### **3. SMEs Development Policy**

There is no Separate SMEs Policy or Law yet. The Government's Policies and Objects for the economic sectors do not differentiate between large enterprises and Small enterprises. The formation of MIDC and its accompanying objectives may be referred to as the policies guideline for development of SMEs that would:

- Assist the development of economy with more equitable distribution of income;
  - Complement and support large scale industries through a network of industrial linkages.
  - Produce quality and high value products; and
  - Increase productivity through the use of modern technology and management.
- By viewing the type of 9 sub-committees formed under MIDWC to promote the local industries, it is evident that focus areas are: -

- Formulation and drafting of Industrial Law Regulation and Procedure
- Standardization and Quality Control;
- SMEs Promotion;
- Industrial Information dissemination and publication;
- Promotion of Industrial R&D, and Technology Transfer;
- Human Resource Development;
- Promotion of Agricultural Machinery Industry;
- Promotion of Iron & Steel Industry;
- Promotion of Automotive and Parts Industry;

In 2004, Government had financed US \$ 5.1 Million' as well as providing technical assistance to three Industrial Zones, namely, Mandalay Monywa and Taunggi IZs for establishment of the Foundry, Machine Shop, Forging, Pressing and Heat Treatment Shop to produce component parts and spares parts needed by the local market for Automobile, Agricultural Machinery and General Industry. (Traditionally, Industrial loan is provided against collateral security).

#### **4. Establishment of Industries**

There are 43,435 industrial Enterprises as at 2004, of which private sector constituted 96% by number. In term of size, SMEs constituted 92.6% by number. Category-wise breakdown is shown as below: -

##### **Number of Industrial Enterprises registered as at 2004**

<b>Category (Workers)</b>	<b>Total</b>	
	<b>Qty</b>	<b>%</b>
Small (10-50)	33,863	78.0%
Medium (50-100)	6,359	14.6%
Large (>100)	3,213	7.4%
<b>Total</b>	<b>43,435</b>	<b>100.0%</b>

*Source of Data: MOI (1)*

##### **Share by Employment absorption, Output and Investment (2004)**

<b>Category</b>	<b>Employment</b>	<b>Output</b>	<b>Investment</b>	<b>Output / No (Kyat million)</b>
Small	61	41	45	0.40
Medium	19	28	23	2.21
Large	20	31	32	6.85
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	

#### **5. Composition of Industries**

In Myanmar. Foodstuff Industries being Number One by quantity follow by clothing and wearing apparel industries, construction industries, and petroleum product industries, etc. Industry -wise establishment is shown as below: -

**Number of SMEs & Cottage Industries establishment  
by type of Industries as registered in 2005**

Sr. No	Type of Industry	SME				Cottage Industries
		Total Number	Small	Medium	Share (%)	
1	Foodstuff	24,954	21,481	3,473	62.91	408
2	Clothing & Wearing Apparel	1,920	1,524	369	4.84	596
3	Construction articles (Incl. Wood based products)	2,946	2,417	529	7.43	107
4	Mineral and Petrol Chemical Products	1,641	1,286	335	4.14	249
5	Industrial raw Material	1,116	859	307	2.94	161
6	Consumer goods / articles	937	615	322	2.36	384
7	Machinery & Equipment	417	364	53	1.05	101
8	Home appliance / Utensils	157	82	75	0.40	22
9	Printing & Publishing	312	229	83	0.79	53
10	Electrical Goods	33	15	18	0.08	94
11	Motor Vehicles & Trailers	83	67	16	0.21	72
12	Agricultural Equipment	58	45	13	0.15	22
13	Others	5,045	4,470	575	12.72	411
	<b>Total</b>	<b>39,669</b>	<b>33,454</b>	<b>6,215</b>	<b>100%</b>	<b>2,680</b>

There are 5029 registered Handiworks, which become popular year by year due to development of Tourism Industry.

(Source: \* Review on Financial, Economic and Social Condition Ministry of National Planning and Economic Development, Myanmar  
\* Department of Cottage industries)

## **6. Present status of Foreign Investment in Myanmar**

Foreign Investment is being promoted since 1989 by enacting the Union of Myanmar Foreign Investment Law (MFIL) and establishing Myanmar Investment Commission (MIC) for doing executive task. So far there are (133) Foreign investment Projects.

Investment can be made 100% by Foreigner or by joint venture with local partner. Investment made under the Union of Myanmar Foreign Investment Law can enjoy exemption or relieve of custom duty or other internal taxes on both machinery, equipment, component parts and materials used in business during the period of construction as well as 50% tax relieve on profits accrued from export. Guarantee the repatriation of profit and not to be nationalized. Three years tax holiday is granted for first three years of operation.

## **7. Policy regarding export / import and technology exchange**

The basic aim of the economic policy of the Government is to promote sustainable and balanced socio-economic development by promoting agricultural production, agro-based & resource based industrialization and export promotion. Export activities being encourage, exporters are given permission to import machinery, equipment, raw materials and other commodities with their export income.

At present, there are (39,133) registered companies in Myanmar. Category wise registrations are shown as below: -

<b>Sr. No</b>	<b>Description</b>	<b>Total Numbers (As at June 2005)</b>
1.	Exporters / Importers	19,494
2.	Business Representative	2,363
3.	Partnership Firms	1,272
4.	Myanmar Co., Ltd.	14,364
5.	Foreign Companies & Branches	1,469
6.	Joint Venture Co. (Between Foreign Firm & Local Firm)	148
7.	Chamber of Commerce	41
	<b>Total</b>	<b>39,133</b>

With regard to technology exchange, it is permitted under Foreign Investment Law to treat technology as a payable investment asset. Since Myanmar is one of the WIPO members, transferred technology will be protected under IPR Laws of Myanmar, which are to be enacted soon.

### **Trend of Production of Components and Outsourcing**

With the development of Industrial Zones, component manufacturing industries sprang up as the producer of replacement parts for existing Industries on parts suppliers, but there are many parts and raw materials need to be imported from abroad, such as differential gears for big trucks and buses, nozzles and injection pumps, ball bearing, safety glasses, oil seals, electro-automotive parts, instrumentation, switches for electrical home appliances, electronic component parts, alloy steel, high carbon steel, cutting tools, dies & molds etc.

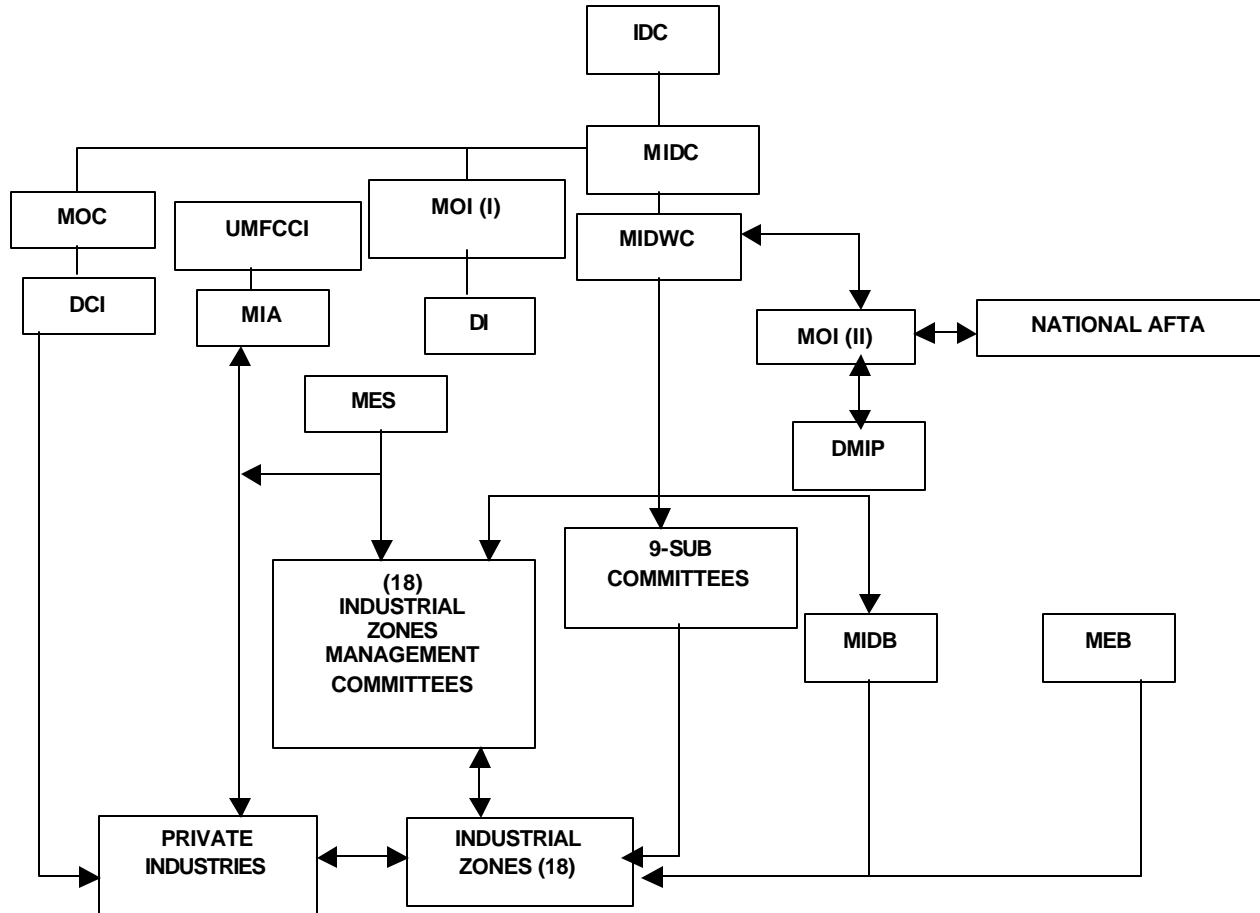
### **Conclusion**

As Myanmar being a Member of ASEAN, as well as an active member of sub-regional organizations such as GMS (Greater Mekong Sub-Region), ACMECS (Aye-yawady-Chao Phraya-Mekong Economic Cooperation Strategy) and BIMSTEC (Bay of Bengal initiative of Multi Sectoral Technical and Economic Cooperation). Myanmar Businessmen are increasingly participating in various international interactions, such as trade, fairs, exhibitions, seminars, forum etc, facilitating promotion of trade, technology transfer and mutual understanding. Therefore, the Government of the Union of Myanmar is promoting development of Private Industries including SMIs as much as it could by studying the good practices of ASEAN, BIMSTEC, Korea and Japan, etc.

Since Myanmar has plenty of Natural Resources to be tapped, economic and technical cooperation from abroad are welcome for mutual benefit and prosperity.

Thank You.

## LINKAGE OF ORGANIZATIONS AND INSTITUTIONS INVOLVED IN SME'S DEVELOPMENT IN MYANMAR



**Legend:**

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| <ul style="list-style-type: none"> <li>IDC : Industrial Development Committee</li> <li>MIDC : Myanmar Industrial Development Committee</li> <li>MIDWC : Myanmar Industrial Development Working Committee</li> <li>MOI (1) : Ministry of Industry No. (1)</li> <li>MOI (2) : Ministry of Industry No. (1)</li> <li>MOC : Ministry of Cooperative</li> <li>DMIP : Department of Myanmar Industrial Planning</li> <li>DI : Directorate of Industry</li> </ul> | <ul style="list-style-type: none"> <li>National AFTA : National Unit for ASEAN Free Trade Area</li> <li>UMFCFI : Union of Myanmar Federation of Chamber of Commerce and Industry</li> <li>MIA : Myanmar Industries Association</li> <li>DCI : Department of College Industry</li> <li>MES : Myanmar Engineering Society</li> <li>MEB : Myanmar Economic Bank</li> <li>MIDB : Myanmar Industrial Development Bank</li> </ul> |
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