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Myanmar News: Trading Activities in Special Economic Zones

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On 27 May 2015, the Management Committee of the Thilawa Special Economic Zone ("Thilawa SEZ") issued Instruction 2/2015, which provides for important changes in the policy on trading activities by foreign investors.

Due to ministerial policy, foreign investors were so far not allowed to conduct any trading activities within the Republic of the Union of Myanmar. This general policy has been changed by Instruction 2/2015 (*"Instruction on the Scope of "Trading" Activities Permitted for Investors in the Thilawa Special Economic Zone"*) for investors in both the free zone and the promotion zone of Thilawa SEZ.

Permitted Trading Activities in the Thilawa SEZ

We set out below a summary of the regulations applicable for investors in the promotion zone intending to sell to the domestic market.

1. Wholesale by the Manufacturer

Import and wholesale throughout the country is permitted for products manufactured by the investor, its parent company or a group company, provided that the following requirements are met:

- Minimum investment of USD 2 Million, excluding leasing costs for the land;
- Establishment of a warehouse at its own lot in the Thilawa SEZ; and
- Provision of value adding services or activities.

2. Wholesale by a Distributor or Agent

For the import and wholesale of products by a distributor or agent, the following requirements apply:

- Minimum investment of USD 3 Million, excluding leasing costs for the land;
- Official agency or distributor relationship with the manufacturer;

- An established place of business in at least five (5) countries, a minimum of ten (10) year experience in international trading and minimum three (3) year average annual consolidated sales of at least USD 500 million of either the investor, its parent company or a group company;
- Paid up capital of at least USD 25 million of either the investor, its parent company or a group company;
- Establishment of a warehouse at its own lot in the Thilawa SEZ; and
- Provision of value adding services or activities.

Wholesale includes the direct sale to end-users in the case of industrial machinery and equipment with a sales price in excess of USD 500,000, as well as industrial materials in bulk.

As "adding value" is defined widely, the trade prohibition for foreign investors has effectively been abolished for companies operating in the Thilawa SEZ. However, some restrictions remain: retail sale outside of the Thilawa SEZ is excluded from the trade permission, as is the sale of imported "4-wheel vehicles" and motorcycles, for which specific regulations of the Ministry of Commerce apply.

Please do not hesitate to contact us for further guidance and information.

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