Preface

by
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In the past decade, Myanmar has implemented major economic and political reforms to gradually open its economy and to build sustainable private sector-led growth, with the ultimate objective of improving the lives of Myanmar citizens. As a result, Myanmar has become one of the fastest growing economies in the region. The number of people living under the poverty line has fallen drastically. However, 50 years of isolation cannot be overcome overnight. As this 2nd *OECD Investment Policy Review of Myanmar* aptly states, "despite substantial improvements, a peaceful Myanmar, open to the world and on a sustainable and inclusive development path, is still a work in progress."

Myanmar has come a long way in laying down the legal foundations to support a thriving business environment. Building on many of the recommendations from the first *OECD Investment Policy Review* or Myanmar (2014), outdated colonial era laws governing business activities have been replaced by modern frameworks, and many restrictions placed on foreign investments have been removed in the past five years. The government established in 2015 its first Special Economic Zone (SEZ) at Thilawa on the outskirts of Yangon and more are expected to be created in the near future to attract further investments. The Thilawa SEZ has attracted over a hundred investors from nearly 20 countries and is charting the way for a successful business environment nationwide. These advancements are contributing to further economic diversification and generating quality jobs for the people of Myanmar. These reforms have also resulted in increased foreign investment, with FDI stocks growing 12% on average annually from 2011 to 2019, and playing a major role in Myanmar's economic transformation in the post-liberalisation era, contributing both to capital accumulation and productivity gains.

The first *OECD Investment Policy Review of Myanmar* (2014) was in many ways instrumental in shaping these past reforms, but the full achievement of Myanmar's sustainable development objectives will require building and expanding on this progress. This 2nd *OECD Investment Policy Review of Myanmar* focuses on complementary actions that can further support the strengthening of Myanmar's business environment and to ensure that these reforms benefit society at large. It provides an assessment of Myanmar's current policies in critical areas such as green growth, responsible business conduct (RBC), SEZs and land rights and administration. The recommendations provide the government with tangible policy options to enhance the mobilisation of investments that can support the needs of the times in terms of environmental sustainability, inclusiveness, and responsible business conduct more broadly.

The *Review* stresses, for instance, the importance of embedding Myanmar's SEZ and industrial zone development strategies into a broader enabling policy and institutional eco-system for nurturing deeper linkages of zones, and foreign investors more generally, with the local economy. It documents the unique opportunity for Myanmar to strengthen at this early stage of development its commitments to green growth policies for avoiding locking-in unsustainable development pathways to the detriment of more forwardlooking, low-emissions and climate-resilient development. Myanmar is one of the most vulnerable countries in the world to climate change and cannot afford to consume its rich natural endowments in an unsustainable manner. The livelihoods of millions of its citizens are directly at stake.

The *Review* also underlines the important role that the government can play in promoting and supporting RBC. This becomes ever-more important as Myanmar increasingly opens its economy and progressively integrates itself into the world economy. Societal demands on RBC are rising globally alongside greater international scrutiny by trading partners, businesses and civil society. A failure to meet and address these RBC standards can negatively impact on investment, trade and tourism. There is a clear argument, therefore, to work toward promoting the protection of human rights, ensuring that businesses identify and manage RBC risk, and that there is a strong framework for RBC in Myanmar. The *Review's* recommendations provide insights and directions to make progress in this regard.

Addressing the complicated and conflicting land-governance situation is perhaps Myanmar's greatest reform challenge in the near term. As stressed in the *Review*, this is a complicated issue that, if not addressed, will continue to have important economic and political implications, including for the ongoing peace process.

Like for most countries, Myanmar's previous achievements and efforts will be put at considerable strain due to the covid-19 crisis. GDP growth is expected to more than halve in 2020 due to declines in trade, FDI, and tourism, as well as commodity prices shocks, with the most vulnerable populations being disproportionately affected. Investment will be key for the recovery and many of the structural challenges and policies to investment discussed in this *Review* will resurface again in an ever more important fashion as investors become more risk-averse and selective and industries get eventually reshaped by a faster adoption of transformative technologies and new business models.

Moving ahead with reforms in all these areas will, therefore, be essential in the long run, if Myanmar is to benefit in full from past reforms to improve its investment climate. In so doing, Myanmar can ensure that incoming investments truly contribute towards improving the lives of Myanmar people and meeting the Sustainable Development Goals (SDGs).

The Government of the Republic of the Union of Myanmar and the OECD are very pleased to have once again joined forces in this *2nd OECD Investment Policy Review of Myanmar*, giving continuity to a collaboration that first started in the early years of reform. This could not have been achieved without the support of the governments of Norway and Switzerland.

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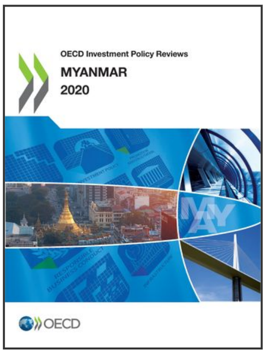

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