***Yatanarpon Cyber City*: Making it work**

**Policy Brief**

Studies have shown that technology parks can impact the quality of human capital and a country’s development. With that in mind, Myanmar government established ***Yatanarpon Cyber City (YCC)*** in 2007, inviting local and foreign investments along with incentive measures. However, no foreign investments have been found yet. Hence, this paper focuses on making an analysis to understand if YCC offers attractive opportunities or what challenges that foreign investors who are intending to invest in YCC may face. In fact, investors can get several opportunities including growing local market potential, low labour cost, and potential for expanding markets. On the other hand, investors will face several challenges in YCC. In Myanmar, basic infrastructures like telecommunication, electricity supply and transportation system still need to be improved. More importantly, Myanmar lacks private international banking system to practice One-Stop Services. In addition, proper ICT related rules and regulations are not yet ready. For instance, Intellectual Property Rights law, cyber law, digital copyrights laws, and IT related Investment laws have not enacted yet. Though, investors are offered incentives to invest in YCC, those incentives are not actually favourable. For example, higher tax rate as compared to QTSC IT Park from Vietnam. Moreover, the availability of qualified human resources is limited. Although 7,469 IT engineers are graduating from the state-owned universities annually, only limited numbers of graduates meet the industry standard, and they need further trainings. This paper argues that Myanmar still needs to improve policies and procedures for making YCC an attractive place for investments.

**KEY FINDINGS**

**<Finding 1>** Incentives offered by the Yatanarpon Cyber City are not very attractive to foreign investors

**<Finding 2>** Facilities provided by the Cyber City are adequate in terms of telecom and space availability but lack other facilities to practice One-Stop Services:

**JUSTIFICATIONS**

**Incentives offered by the Yatanarpon Cyber City are not very attractive to foreign investors:**

Investors are encouraged to come and invest in YCC by offering special incentives programs; however, obviously, incentive measures are not very attractive to foreign investors, particularly in tax incentive as compared to the biggest IT Park, QTSC in Ho Chi Minh City from Vietnam. For instance, Corporate Income tax is 10% and no VAT at QTSC while Corporate income tax is 30% and 0-200% VAT at YCC (Table 1) despite both countries offer certain periods of tax exemption.

Table 1: Tax Incentive Comparison of QTSC and YCC

|  |  |  |
| --- | --- | --- |
| Incentives | QTSC (Vietnam) | YCC (Myanmar) |
| Corporate Income Tax  | * 10%
 | * 30%
 |
| VAT | * No VAT
 | * 0% - 200%
 |

*Source: Directorate of Investment & Company Administration (DICA), Myanmar; http://www.quangtrungsoft.com.vn;*

Therefore, desirable incentive programs should be introduced for ICT related foreign investments by adopting means and ways of successful IT Parks in the regions.

**Facilities provided by the Cyber City are adequate in terms of telecommunication and space availability but lack other facilities to practice One-Stop Services:**

Facilities are provided at YCC in order to attract foreign investments. Telecommunication facilities is highly favourable because YCC serves as an International gateway, and fibre optic cables are laid out the whole city as well as to neighbouring countries such as China, India, and Thailand. Furthermore, other facilities such as CATV, GSM & CDMA System, VOIP, ADSL, and FTTx Internet access are available. In addition, investors can hire abundant space depending on their type of business. Business could be software development or hardware manufacturing or human resource training. However, other facilities like logistical supports, international banking, and collaborative supports from departmental concerned are not available at YCC. So that, One-Stop Services such as obtaining the investment licenses, import-export services, making the necessary international payments, procedure for land provision and lease, construction permit, and visa application, could not be done at YCC while QTSC IT Park can provide those services at HCM City. In fact, lack of One-Stop Services is the major drawback of YCC. Table 2 shows the number of local and foreign investment at QTSC and YCC as of early 2011.

**<Finding 3>** Qualified Human Resources are limited but they can be hired at low cost

**<Finding 4>** Foreign Investment policies are conducive despite only few investments in high-tech industry

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**Qualified Human Resources are limited but they can be hired at low cost:**

The availability of qualified human resources is very important for attracting foreign investors. According to official statistical data, an average of 7,469 IT engineers are graduating from the state-owned universities every year, and it seems to be sufficient for the current ICT industry requirement; however, those fresh graduates need further trainings to meeting the industry requirements. Hence, Information and Communication Technology Training Institute (ICTTI) with supports from Japanese government and India-Myanmar Enhancement of Information Technology Skill (IMCEITS) with support from India government are established in cooperation with the University of Computer Studies, Yangon to fill the needs. In addition, private-owned ICT training schools also produce qualified human resources, affiliating with foreign institutions. Those professional training schools can only produce limited numbers of qualified students. Although qualified human resources are limited, they can be hired at lower cost as compared to some other Asian countries (Table 3). Thus, it is necessary to have University-Industry collaboration programs in order to produce industry-ready human resources while taking advantage of the IT low-labour wages to successfully attract foreign investments.

Table 3: IT Labour Wages Comparison

|  |  |
| --- | --- |
| Country | Annual IT Labor Wages (USD) |
| China  | 19,674 |
| India | 13,592 |
| Indonesia | 7,017 |
| **Myanmar** | **1,200 – 8,400** |
| Philippine | 8,816 |
| Thailand | 21,117 |

*Source: ZDNet Asia IT salary benchmark 2010; Yatanarpon Teleport Co., Ltd; ACE Data System;*

Table 2: Investments Comparison between QTSC and YCC as of early 2011

|  |  |  |
| --- | --- | --- |
| Investment | QTSC (Vietnam) | YCC (Myanmar) |
| Local  | 58 | 14 |
| Foreign | 43 | 0 |
| Total | **101** | **14** |

*Source: Yatanarpon Teleport Co., Ltd; http://www.quangtrungsoft.com.vn;*

**Foreign Investment policies are conducive despite only few investments in high-tech industry:**

Myanmar has opened the door to the rest of the world adopting the market economy and allowed foreign investments in 1988 along with the enactment of the Foreign Investment Law. Consequently, investors from Western countries, neighbouring countries, and some Asian countries came to invest in Myanmar. According to the statistical data 2009, foreign investment in Myanmar was increasing, particular in the sector of power, oil and gas, manufacturing, hotel & tourism, real estate, and construction in the form of wholly owned investment or Joint Venture. As of March 31, 2009, there are 423 foreign enterprises with total investment amount of USD 15,726.043 millions (Figure 1 and 2). It implies that Myanmar foreign investment policies are somehow conductive, especially for those mentioned investment sectors. Apparently, Myanmar foreign investment policies could not attract to foreign investments in ICT industry. It seems that special adjustments need to be made to successfully attract foreign investment in YCC.

Figure 1: Number of Foreign Enterprises in Myanmar

*Source: Central Statistical Organization 2009*

Figure 2: FDI inflow into Myanmar (US $ in Million)

*Source: Central Statistical Organization 2009*

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