

Burma

Factories Shuttered in Myanmar's First Special Economic Zone Amid Post-Coup Turmoil

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Almost a quarter of all factories in the Japan-backed Thilawa Special Economic Zone (SEZ) in Yangon have suspended operations amid post-coup turmoil.

Thilawa Special Economic Zone in Yangon's Thanlyin Township. / MJTD

Nearly 30 out of the 122 factories in the SEZ are not currently operating. Most are suppliers to the domestic market, including Japanese firms. A decline in demand, limited availability of raw materials, as well as cash flow problems as a result of the banking crisis, have led the factories to suspend operations.

Japanese automobile maker Suzuki suspended its operations after the COVID-19 outbreak last year, while Japanese instant noodle producer Acecook Myanmar Co plans to take a break at the end of June.

"While there are [large volumes of] stock in the market, the demand is declining. Manufacturers have to stop production when their stocks reach a limit. And there haven't been new orders from the domestic market. So, they have suspended operations," said an official of Myanmar Thilawa SEZ Holdings.

Thilawa SEZ is located in Yangon's Thanlyin Township. It houses automobile assembly and spare parts manufacturing plants, steel, cement, building materials, fertilizer and farming machinery factories as well as beverage, food processing, pharmaceutical and medical device manufacturers.

Most of the firms in the SEZ are from Japan and the total investment is around US\$2 billion.

While some companies have suspended operations due to the domestic crisis, others have done so due to a change of policy at their headquarters.

However, none of the companies are planning for a permanent shutdown or to withdraw investment from Myanmar, according to a source from the Thilawa SEZ management committee.

"As all the industries are having a hard time, it is natural that some will suspend operations. But you don't rent land just for one to two years when you invest in a SEZ. So they won't shut down or leave Myanmar easily," he said.

The SEZ has not received new investment for more than a year, following the COVID-19 pandemic which saw Myanmar ban most international flights since March 2020. Many of the factories that are still operating are engaged in the construction industry.

However, some foreign companies that have opened representative offices in Myanmar have expressed an interest in investing in the SEZ.

Thilawa is the first SEZ in Myanmar. It became operational in 2015 after the idea was initially presented in 2011 as Myanmar began its transition to democracy.

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