

Chapter 1

1.1 Introduction of study

Myanmar faced economic sanctions and was isolated in past few decades from international community due to its military rule abusing human rights on its citizens. Since 2011 after national election, Myanmar has achieved political, economic and social reforms. The result aims to end the isolation and starts integrations into global economic although there are still many things to be done.

As political reforms, the national election was made in 2010 supported by army, and mostly sets of parliament were held by former army leaders. Since 2011 civilian rule, political situation in Myanmar is a shape of promising under transition government. In 2012 Myanmar by-election, Aung San Su Kyi, the opposition political leader, was elected to the Pyithu Hluttaw, the lower house of the Myanmar parliament, and West lifted economic sanctions as they recognized its political reforms. (International Crisis Group 2013)

The economic sector also is rapidly changed to reintegrate global economic, and foreign investments are welcome to the country, nevertheless there still many challenges with lack of infrastructures. There are not enough infrastructures through the county. To fill of its lack of infrastructures, many building and construction projects including special economic zones (SEZ) have been started in Yangon and some other part of country to fill needs of infrastructures to promote its economic development plans (KPMG 2013).

As of 19 July 2012 EU lifted restrictions of Generalized Scheme of Preferences (GSP) between its nations and Myanmar, and it reapplied the 'Everything But Arm (EBA)' which granted duty-free and quota-free access to the EU Market for all products except for arms. (Laura Beke & Nicolas Hachez 2015) Meanwhile, US also lifted some parts of sanctions in business sectors. (Vivian C. Jones 2014). Consequently, the country boosts to freely welcome foreign investments and reintegrate world economics and many investors has invested in many different kind of business industries in Myanmar.

World Bank stated 2014 Myanmar GDP growth is 6.8%. But, most are from exporting gas and directed foreign investments. Myanmar is still poor of manufacturing sectors and mostly depends on import products – lack of domestic products. In early 2015, statistic figure shows foreign investment in manufacturing sectors is third largest with 9.71% after power and oil & gas. However, it is seemed to take times to have its adequate standard domestic electrical products to fill in recent building and construction projects as manufacturing sectors is just to be started. On the other hand, the domestic investment in construction is the second largest with 16.55% after manufacturing. (PWC 2015) Therefore, import products are much required in Myanmar economic development plans.

In June 2012, non-automatic license rule has been changed to automatic with licensing with most licenses issued within 24 hours to persuade involving trading business development sector. Furthermore, 28 February 2013 for 166 types of imported commodities, a license requirement is extracted in order to improve trading business to support economic development plans. (Ministry of custom 2013) Most of electrical products such as cables, conduit pipes and fitting accessories are non-license products in tariff barriers.

On the other hand, ASEAN has agreed to develop the cooperation among its ten nations, and its free trade agreement is to be active in end of 2015. There is no doubt that ten countries are augmented for integration of economics for further step regional economic development. Of them, Thailand is the closer bordering country and top exporter to Myanmar. According To Myanmar ministry of commerce figure 2013, Thailand is second largest exporter to Myanmar after China. As regional integrations and cooperation, ASEAN Free Trade Area (AFTA) has agreed to remove trade barriers to all goods within region by 2015. Trading business is the core of ASEAN regional economic developments.

Thai-Myanmar border is likely to be busy with export/import trading business. In the past, even if Thailand-Myanmar border was active with trading business, the logistic supply chain network was not quite well. The road from border to Yangon was narrow and risky with climbing the high mountains. It always caused delivery delay. In August 2015, the Asian Highway is to open to people travelling from Bangkok to India crossing through

Myanmar by road. Asia main road from Thailand to Myanmar could be easier and better logistic and supply chain system between two countries.

As it's following up flows of its development process, Myanmar are accelerated its infrastructures including special economic zones, airports, roads, seaports, telecommunications and many others through the country. The electrical sector is one of the important parts in all constructions. Electrical material is one of essential elements in construction tools as priority. Meanwhile, the ministry of construction issued the laws of constructions to use standard and quality construction materials for safety manner according to its rules and regulations and not to affect social environments and natural environments. However, the country has not enough domestic standard electrical products to fill in those construction projects. Consequently, Myanmar relies on import products from neighboring countries because its manufacturing sector do not yet developed.

As per changing of economic, social, political system, Myanmar has developed construction projects and foreign investment, the market of electrical products in Myanmar is focused by local entrepreneurs for projects. The research conducts with two variables such as demands for Thai electrical products and customer royalty on Thai products and suppliers to study electrical trading business in Thai-Myanmar border-cross import for Thai electrical products to Myanmar.

1.2 Statement of the problem

Electrical trading companies in Myanmar have normally imported electrical products such as cables, conduit pipes and fitting accessories from Thailand but in the past, Thai electrical products were less used due to high cost if they compare to Chinese and Indian products. Most of current Myanmar importers mainly focus on only retail channels for home supply and they traditionally import various kinds of non-international standard products with unknown-brands from lower markets of China and Thailand. Some Thai and Chinese manufactures produce special products with low quality focusing on Myanmar market and they use Original Equipment Manufacture (OEM); however, Thai products yet cost higher.

Since past few years, Myanmar has started many building and construction projects as it needs infrastructures for its economic development plans. Now, those lower products are questionable for whether or not quality to be used in large construction projects although they are still widely used in minor constructions. There is lack of domestic electrical products to supply enough for those construction projects. Consequently Myanmar electrical trading business is to turn Thai standard import electrical products which are desperately required in Myanmar building & constructions projects. Thus, this study is intended to learn imports of Thai electrical products for constructions projects in Myanmar.

1.3 Objectives of the study

This research is to achieve following objectives:

1. To identify that demands of Thai electrical products increase in Myanmar in order to fill in the basic infrastructures which have been developed in all over the country especially in Yangon.
2. To discover why and who prefers Thai electrical products by confronting other products which are likely to be competitors in the electrical market in Myanmar.
3. To determine how and where Thai products can penetrate in Myanmar electrical market by seeing current situations and future potential market sizes.

For achieving those objectives of the study, the following related research questions are included:

1. How to identify to increase Thai electrical products in Myanmar in order to fill in the basic infrastructures which have been developed in all over the country especially in Yangon?

2. How to evaluate the preferences of Thai products with comparing other competitors in Myanmar market?

3. How to search the way of penetration for Thai products in Myanmar market according to the current situations and future potential market sizes?

1.4 Independent variables

Two independent variables of this study are conducted as following:

1. Demands for Thai electrical products in Myanmar

There are two sub-variables of demands for Thai electrical products in Myanmar:

- 1.1 There is lack of domestic electrical products in Myanmar
- 1.2 Myanmar consumers believe Thai electrical products as quality products

2. Myanmar Consumers loyalty on Thai electrical products and suppliers

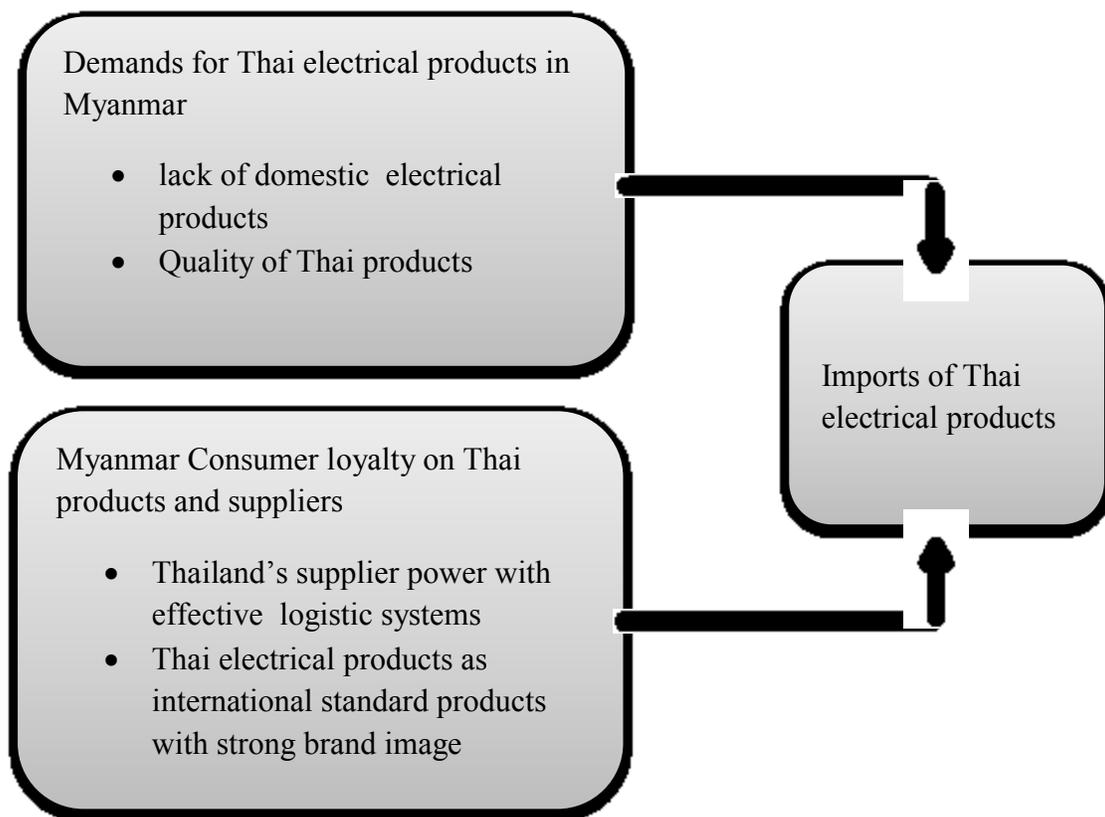
There are two sub-variables of Myanmar Consumer loyalty on Thai electrical products and suppliers:

- 2.1 Myanmar consumers loyalty Thai electrical supplier power with effective logistic systems
- 2.2 Myanmar consumers loyalty Thai electrical products as international standard electrical products with strong brand image

1.5 Dependent variable

The Dependent variable of this study is imports of Thai electrical products in Myanmar.

1.6 Conceptual framework



1.7 Scope of the study

As this research is to approach quantitative method research, the questionnaire of the study distributes to two significant groups in Yangon - contractors and retailers. Of them contractors, who supply electrical products, closely work with building and construction projects in Yangon. They mostly have large business networks and good relationships with both supplier side and customer side in electrical field. So they play key players as electrical marketers between electrical product suppliers and consumers. The other is retailers, who currently import electrical products from Thailand and distribute in the Myanmar market. They also supply electrical products to construction projects as well. Specifically the research focuses on only those who import Thai electrical products and supply in construction projects in Yangon area in Myanmar.

1.8 Limitation of the research

For logistic sector, this research focuses on Myawaddy-Mea Sod Gate, one of Thai-Myanmar border cross, where Myanmar importers largely import goods from Thailand. It also looks into how its logistic system works in the area. However, there are many kinds of electrical products and their services and it only emphasizes cables, electrical conduits pipes, breakers, lightning protection systems and fitting accessories – electrical materials for building and constructions.

With limited scales of people for collecting data, there are also some uncertainties of feedback from questionnaires due to lack of patients during interviews. Uncertainty of correlations between variables could be found.

As the time limitation, this research was conducted within 4 months of third semester of 2014 academy year in Siam University of Thailand.

1.9 Importance of the research

This research work is believed to help to not only inform how to improve Thai-Myanmar border cross electrical trading business especially how and who importers should focus on, but also support to fill needs of electrical products in Myanmar constructions projects. Furthermore it helps to improve electrical products and services in building and constructions with safety manner for future Myanmar electrical consumers.

In pass decades, Myanmar isolated from the world did not have many large projects for buildings and constructions, and trading business was not well with unstable trading laws. Local electrical importers in Myanmar were in only retailer channels for home used. But now, the situation of market in Myanmar has been changed in order to open all political freedom and business freedom. Many foreign investors come to invest to do business in Myanmar. Domestic construction companies have started building and construction projects. Thailand is the most potential electrical supplier for Myanmar which mainly relies on foreign products. Therefore, electrical trading companies can emerge a large business network for further business development by importing electrical products from Thailand to Myanmar and supplying to large constructions.

Imports of Thai electrical products can give advantages over other competitors who import other products such as Chinese, Indian and other electrical products. If electrical importers have a good relationship with many suppliers for product options, the products can be flexible choices with many construction projects according to vender list of products in certain projects. The import of electrical products from Thailand is a prospective business in Myanmar. This study is not only to support to information of improvement electrical trading business but also to bring benefits by using standard electrical products for safety manners of consuming electricity in Myanmar.

1.10 Definition of terms

2. **West:** refer to western countries such as EU, US and Canada, who put economic sanctions on Myanmar due to its military rulers.
3. **Non-automatic license:** refer to the import and export license which the applicant needed to wait long period until ministry of commerce approval in Myanmar.
4. **Automatic license:** refer to the import and export license which the applicant does not need to wait long period and it is issued within short period.
5. **Contractors:** refer to the companies who take electrical parts in building and construction in Yangon area.
6. **Retailers:** refer to the retailers who import and sell electrical products for both projects and home supply in Yangon.
7. **Non international standard products:** refer to the electrical products which are produced with lower quality for cheaper price.
8. **International standard products:** refer to branded electrical products which are widely used and internationally recognized.
9. **Lower market:** refer to the electrical market where consumer use under cheaper price with being careless of product quality
10. **OEM (Original Equipment Manufacturer):** Electrical Suppliers let manufactures produce specific quality products with a specific brand name, and supply the products in specific target markets.
11. **Importer:** refer to the importers who import electrical products from oversea and supply in Myanmar electrical markets.

- 12. Everything but Arms:** refer to the legislation which is regulated by UE and USA for economic sanction for Myanmar had been ruled by Army rule which was abusing human rights for the decades.
- 13. AFTA (ASEAN Free Trade Area) :** refer to the agreement among ten ASEAN members to remove trade barriers to all goods within region
- 14. AEC (ASEAN Economic community):** economic organization of ten Southeast Asian countries.