

## **Chapter 2**

### **Literature reviews**

This chapter is to contain variables of the study dealing with related literatures. First of all, there is to introduce situations of Myanmar construction projects citing from previous researchers to review demands for electrical products in Myanmar. Electrical import products described in various kinds of sources also are to be briefly introduced. Then, sources of manufacturing sectors in Myanmar development plans are brought and additionally, there is information of import and export products of situations in Myanmar. Furthermore, conditions of Thai products and suppliers are presented how they influence Myanmar market. There are also to state transportation facilities of Thailand and Myanmar. Finally, there is information of ASEAN economic integration and its logistic sectors from previous researcher views.

#### **2.1 Myanmar construction projects**

Myanmar accelerates many projects to fill needs of infrastructures such as housings, hotels, schools, hospitals, roads, bridges, sea ports and airports to integrate economics into global. Nevertheless, there are not enough electrical domestic products to fill those construction projects. The electrical materials such as cables, conducts, breakers, lightning protection and other accessories are desperately required. Demand situation of Myanmar electrical market has changed. Formerly, Myanmar electrical trading company import many lower products, but now those lower products are rejected to be used in large projects.

Myanmar strongly has focused on construction sector to fill needs of infrastructures lack of which is one of the most challenges to improve other sectors. So government of Myanmar put construction sectors as priority. The Myanmar construction sector was valued at close to US\$3 billion in 2012 and is expected to achieve an 8% compound annual growth rate (CAGR) and a total of 46% growth over the next five years to US\$4.2 billion in 2016 (Country report 2014).

U Khin Maung Thien, member from ministry of construction, Myanmar stated that demands of huge housing sectors in Myanmar. The demand for housing is 3.5 times of provision during last decade (2001-2010) while average increased households per year is about 26,000 to 30,000 and more than 70% of residential units are produced by privates sector and much more profit orienting and targeting on high income group (Construction Material Presentation by Ministry of Construction, Myanmar 2014).

From 2011, Myanmar encourages all construction projects to develop infrastructures. Meanwhile, governments focus on housing sectors to upgrade and improve national level living standards for lower and middle class people around the country. As a result, all those constructions require huge import products. In 2013, the ministry of construction announced a target to build more than one million houses across the country. The plan is to take 20 year period (50,000 units annually) to fill demands for residential real estate. Government showed its desires and motivated involvement of private sector construction companies. Government reportedly announced to start Dagon city plan and new Yangon housing plan, and those constructions are like to be started in 2016. Government stated that those constructions are intended to develop living standards for middle class income people especially in Yangon area. About 32% of Myanmar’s population lives in urban area. In future, half of country population is believed to be city dwellers (IPSOS Business Consulting 2013).

In 2014, the construction sector is second largest domestic investment 16.55% of country although foreign investments in Myanmar construction sector are less than 1% of total foreign investments (PWC 2015).

To Ten domestic investments in Myanmar July 2013

<b>No.</b>	<b>Industry</b>	<b>%</b>
<b>1</b>	Manufacturing	17.66
<b>2</b>	Construction	15.55
<b>3</b>	Hotel and tourism	14.58
<b>4</b>	Other	11.40
<b>5</b>	Power	9.96

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6	Transport
7	Industrial estate
8	Real estate development
9	Livestock and fisheries
10	Mining

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Construction workers in Yangon downtown 2013

Ministry of construction in Myanmar is affordable to put the laws and regulations ensuring provision of safe and adequate shelter for buildings and constructions. It notably mentioned to use standard construction materials for safety, and even warned to destroy all finished buildings in Yangon which have been built without construction permitted from Relevant City Council. (Kamayote Media in July 2015)

In the past, the construction sector was not organized. There was no registration system that categorizes contractors and builders. In addition, work site safety was lacking, where workers were not using proper personal protection equipment, and there was no authority to enforce work site safety. It took approximately eight to nine months for the

Yangon City Development Committee (YCDC) to process and approved building plans and designs. Some of the leading contractors in Yangon include Shwe Taung, Naing Group, A1 Construction, Shine Group, Max Myanmar Group and Fatherland Construction. Presently, contractors and architects are using the US or British Building codes. The Myanmar National Building Code is expected to be ready very soon, which will include the fire code as well (country report 2013)

The disaster management law has been followed by a new construction code, which was introduced in March this year but is still subject to consultation. It sets standards on building safety with regard to cyclones, storms and earthquakes, and establishes of a regulatory body to ensure standards are met. “The update on the codes for building construction takes into account new knowledge on possible effects from earthquakes and strong winds in the country. (Irrawaddy 2014)

2013 Myanmar ministry of transport showed list of required infrastructure projects crossing the country to invite investors. Most of projects are power stations and high way and building and construction.

Ministry of transport showed list of required infrastructure projects:

<b>No.</b>	<b>Type of Project</b>	<b>Description</b>
1	Infrastructure	Roads & Highways Greater Mekong Sub-region East-West Economic Corridor Eindu to Kawkareik Road Improvement
2	Infrastructure Roads & Highways	Developing the Asset Management Programme for Myanmar Roads
3	Infrastructure - Buildings	Meeting facilities
4	Energy, Power & Electrical, Infrastructure & Construction	Mai Khot Power Station
5	Energy, Power & Electrical,	Dawei Power Station

	Infrastructure & Construction	
6	Energy, Power & Electrical, Infrastructure & Construction	Htantabin Power Station
7	Energy, Power & Electrical, Infrastructure & Construction	Kalewa Power Station
8	Energy, Power & Electrical, Infrastructure & Construction	Kalewa Power Station
9	Infrastructure – Roads & Highways	Greater Mekong Sub-region East-West Economic Corridor Extension into Myanmar
10	Infrastructure & Construction	Myanmar National Community Driven Development Projects
11	Transportation – Ports, Waterways & Shipping, Infrastructure & Construction	Kaladan Multi-Modal Transit Transport Project to link sea route in Myanmar with Mizoram
12	Transportation – Ports, Waterways & Shipping,	Construction of Sittwe Port
13	Infrastructure – Bridges, Water & Sanitation, Infrastructure & Construction, Infrastructure – Roads & Highways, Energy, Power & Electrical, Consultancy, Environment & Pollution, Consultancy – Engineering, Industry – Fire Safety & Securities, Services	National Community Driven Development Project
14	Infrastructure & Construction	E Large Grants

Myanmar ministry of transport also revealed list of 23 required infrastructure projects crossing the country to invite investors for the most of projects are power main sectors such as airport, aviation services, shipping services and buildings & construction projects. Those infrastructure projects are described as followings:

- (a) Airport Construction Investment & Terminal Operation Services
- (b) Civil Aviation Training Services
- (c) Aircraft Repair & Maintenance Services
- (d) Selling & Marketing of Air Transport Services
- (e) Computer Reservation System (CRS) Services
- (f) Aircraft Leasing without Crew Services
- (g) Aircraft Leasing with Crew Services
- (h) Air Freight Forwarding Services
- (i) Cargo Handling Services
- (j) Aircraft Catering Services
- (k) Refueling Services
- (l) Aircraft Line Maintenance Services
- (m) Ramp Handling Services
- (n) Baggage Handling Services
- (o) Passenger Handling Services
- (p) Ground Handling Services
- (q) Airport Hotel Services
- (r) Aircraft Spare Parts Selling & Marketing Services
- (s) Nautical Institute & Training School 20
- (t) Shipping Agency Services for Foreign-Owned Ships

- (u) Dockyard Services (v) Water Transport related Services
- (w) Construction of Buildings & other related business

Types of services provided by the Ministry of Construction:

- (a) Establishment & Lease of Office/Commercial Buildings
- (b) Building Design & Construction & other related Consultancy Services
- (c) Construction of Factories, Installation of Machinery & Equipment & Test Run
- (d) Mass Production of Building Materials to support Urban & Housing Sector
- (e) Production of High Technology Prefabricated Building Materials
- (f) Construction of Natural Disaster Resistant Buildings & related Infrastructure using High/Modern Technology

## **2.2. Manufacturing sector in Myanmar**

In new domestic investment, the manufacturing sector is the top 27.66 % of country total investments. Likewise, the manufacturing of foreign investment is also third largest positioned by holding 9.71% of total foreign investment (USD 5175 of 53,171 million) after power and oil & gas. Most of those investments are under constructions and some are yet started (Myanmar Ministry of Industrial 2013).

To develop manufacturing sectors, Myanmar has planned three special economic zones with the deep seaports in Myanmar – Kyaukphu special economic zone in Rakhaing State, Dawai special economic zone in Taninthari Division, and Thilawa special economic zone in Yangon Division (PWC 2015).

Thilawa special economic zone is under constructions and it was expected to accomplish to open end of 2015. The Thilawa Special Economic Zone project is located in Myanmar's southern Yangon region and shares its border with Dawei. The project is in the

early stages of development, but has already received significant financial commitments from Japanese companies. The SEZ will be home to textile, manufacturing and high-tech industries, as well as a deep-sea port.

Myanmar and Japan jointly develop the area, with Japanese companies holding a 49% stake in the project. Thilawa special economic zone is in the early stages of development, but has already received significant financial commitments from Japanese companies. The SEZ will be home to textile, manufacturing and high-tech industries, as well as a deep-sea port. As Myanmar and Japan will jointly develop the area, Japanese companies hold a 49% stake in the project. Shares of percentages are showed: A Myanmar-Japan consortium comprising Mitsubishi, Marubeni, Sumitomo, Japan international Cooperation Agency (49%) and a public and private partnership comprising the Government of Myanmar (10%) and local enterprises (41%) was established in October 2013. Thilawa Special Economic Zone (SEZ) is the first 400 hectares of the entire SEZ, which is planned to cover a total of 2,400 hectares (Mekong Watch 2014).

Kyaukphyu SEZ located in Kyaukpyu Township, Rakhine State has attracted 12 companies (11 from mainland China) to enter bids for its US\$227 million phase one development. The development project comprises a deep sea port, an industrial park and a residential area. The bids were received in December 2014 and a Singapore-based consortium has been assigned to develop the overall master plan. CPG Consultancy Ltd, which leads the consortium, will serve as the key advisor for choosing and inviting international developers to the Kyaukpyu SEZ under an agreement signed with the Committee of Bid Invitation and Selection for the Kyaukpyu. The Myanmar government and the consortium will select construction companies in December, using an international bid process and the chosen companies are to draw detailed plans in the first two months of 2015. The 227-million-US-dollar project, which is part of plans to create a "mini-Singapore" on an island off in Myanmar, will include a deep-sea port and an industrial park and residential development with education, healthcare and recreation facilities. The Kyaukpyu SEZ will be implemented in three phases with the first from 2014 to 2016, while the second from 2017 to 2020 and the third from 2021 to 2025 (ShanghaiDaily Jul 2014).



The development plan for Dawei SEZ located in Thanintharyi Region had been revised following the pull-out of Italian-Thai Development Plc. Following the Myanmar and Thai governments' efforts to reaffirm their commitment in developing the 196 square-kilometre strategic development project, Japan had agreed to help develop Dawei holding an equal partnership in Dawei SEZ (Myanmar Times February 2015). Thailand and Myanmar signed memorandum of understanding (MOU) to develop the project in 2008. The estimated total costs of Dawei Special Economic Zone were US \$8.6 billion, but later those estimates have risen to US\$ 10.7 billion (Irrawaddy News 2013).

A manufacturing business in Myanmar is controlled by the Ministry of Industry No. 1, which is responsible for directing and promoting industrial investment and production of consumer goods and other light industrial products. A variety of consumer goods such as textiles and garments they have manufacturing contracts with existing factories to provide raw materials and spare parts in exchange for the finished products after payment of processing charges in foreign currency. Myanmar manufacturing industries need helps of foreign machinery and equipment. (Myanmar Legal 2015)

Asia General Group of Myanmar produced electrical transformers. However, Mr. Khin Maung Myat, managing director of Asia General Group, admitted lack of high technology, engineering knowledge and advanced electrical engineering skills. In June 26 2015 the group signed with Japanese Mitsubishi for agreement to accept one year technical electrical engineer training to improve electrical engineering knowledge to produce electrical transformers. They intended to export electrical transformers to other country, and Mitsubishi also want to cooperate with them to expand their products in Myanmar electrical markets. (Kamayote Media report 2015)

Myanmar has been in the limelight since the easing of international restrictions. There are opportunities through business partnerships, mergers and acquisitions, joint-ventures or strategic alliances that could be a driver for business expansion in Myanmar going forward into 2015 as the easing of international sanctions and has seen with confidence the enactment of the Foreign Investment Law, the Special Economic Zone law and are monitoring the rapid

pace of change in Myanmar (PKMG June 2014). Manufacturing sector in Myanmar is strongly interested by foreign investors.

### **2.3 Export and import products in Myanmar**

Myanmar has lack of domestic manufacturing products and it relies on import products from foreign countries. According to ministry of commerce statistic figures, Myanmar export and import equally shared percentages in 2012/2013 – each sector had about 9 billion USD in total 18.4 billion. However, more than 40% of export goods were from natural gas while agriculture industries took share 22.48%. Extracting garment manufacturing products (7.97%) all export goods are nature resources. On the other hand, almost all manufacturing products such as petroleum products, vehicle & spare parts, machinery & spare and Iron & steel are import products. Most of those imported products are mainly occupied from China and Thailand. (Ministry of Commerce, Myanmar 2013)

Although Myanmar manufacturing factors accelerated to fill the lack of domestic products, it will take times.



Thai-Yazaki Cable Drums: HTG, Vietnamese Company Imports from Thailand to Use for Foster Project in Thilawa SEZ, Myanmar

Statistics of results show Myanmar has lack of domestic manufacturing products and depend on import products from foreign countries. Figure for 2012-2013vof ministry of commerce shows as following:

Figure1. Top Export Items in 2012-2013

No.	Items	% of Total export
1	Natural gas	40.57
2	Pulse & Bean	11.12
3	Garment	7.79
4	Rice	5.83
5	Fish	4.54
6	Jade	3.65
7	Teak log	3.65
8	Natural rubber	2.93
9	Sesame seed	2.60
10	Hardwood log	2.37
<b>Total million USD</b>		9056.24

Source: ministry of commerce, Myanmar

Figure1. Top Import Items in 2012-2013

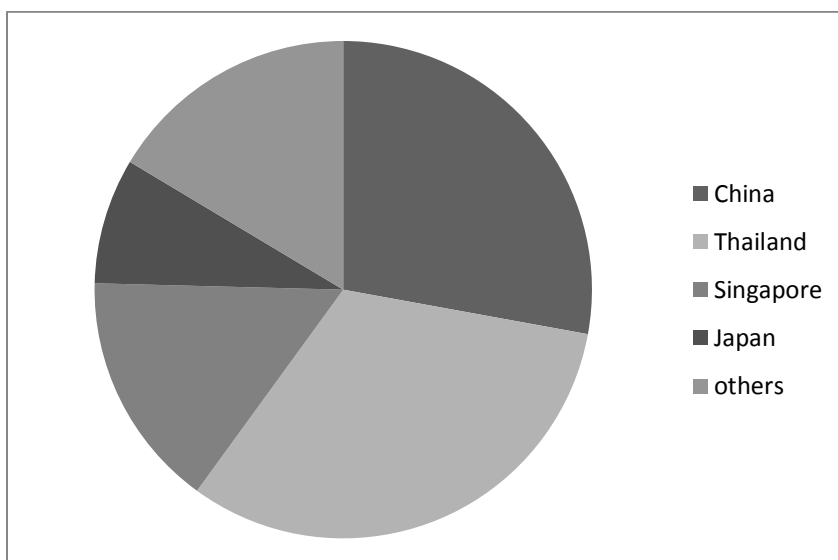
No.	Items	% of total import
1	Petroleum product	18.12
2	Vehicle & spare parts	15.38
3	Iron & steel	10.50
4	Machinery & spare	8.44
5	Plastic raw materials	3.31
6	Palm oil	3.16
7	Pharmaceuticals	2.93
8	Ships, boats and spare	2.67
9	Fertilizer	1.83
<b>Total million USD</b>		9371.64

Source: ministry of commerce, Myanmar

All Myanmar export products are natural resources according to table of Myanmar ministry of commerce. There is lack of domestic manufacturing products except garments in Myanmar. Therefore, Myanmar relies on import manufacturing products. As total goods for imports, top importer to Myanmar is China. Singapore and Japan products are also largely enter Myanmar market but costs of goods from those countries are the most concerns for Myanmar consumers due to lower income. However, Thai products influence Myanmar market. Even Thai products still high costs for such lower income people, the short of Logistic supply chain network between two countries helps Myanmar importers to earn seasonable profits. According to ministry of commerce, Myanmar, Thailand is second largest exporter after china. (See the follow table)

List of Major imports products 2012/2013

No	Country	Value USD (million)
1	China	5112.20
2	Thailand	5897.10
3	Singapore	2825.71
4	Japan	1500.64
5	India	1346.75
6	South Korea	628.78
7	Malaysia	458.80
8	Indonesia	227.26
9	Germany	192.35
10	Vietnam	156.89



Total summary of export and import of Myanmar 2013

Top 5 Products exported by Myanmar	<b>Petroleum Gas (42%), Rough Wood (11%), Dried Legumes (10%), Non-Knit Men's Coats (2.9%), and Rubber (2.8%)</b>
Top 5 Products imported by Myanmar	Iron Structures (6.3%), Cars (5.3%), Refined Petroleum (4.6%), Delivery Trucks (4.1%), and Palm Oil (4.0%)
Top 5 Export destinations of Myanmar	Thailand (44%), India (17%), China (15%), Japan (9.0%), and South Korea (4.7%)
Top 5 Import origins of Myanmar	China (40%), Thailand (17%), South Korea (10%), Japan (9.3%), and Singapore (7.5%)

In order to overcome infrastructure bottlenecks, attract FDI and increase exports, two parallel laws, the Myanmar Special Economic Zone Law and Dawei Special Economic Zone Law were enacted shortly before the new Government took office in 2011. They were an integral part of a strategy to promote Myanmar as a low-cost production base for export destinations within the wider region. However, the two laws were found to be deficient in inducing foreign and domestic investors to locate their investments in these SEZs. Moreover, the two laws raised some doubts about the harmonization of the regulatory framework across zones. Therefore, the two laws have been revised as a new Myanmar Special Economic Zone Law, which was enacted in January 2014. The NES (national export strategy) of Myanmar provides for the establishment of a Myanmar Trade Council (MTC) that will manage and monitor the implementation of the NES over time. Thus, the NES serves as a blueprint for export and trade development and a platform for coordination of aid for trade and donor alignment (WTO 2014).

## **2.4 Electrical materials and trade laws in Myanmar**

Import policy of Myanmar is to offer the commodity given priority as capital goods required by the State, raw material for production, other important essential goods and the goods which support to the public health and export promotion. Trade Promotion Strategies of Myanmar can be outlined as follows (ministry of commerce 2012). However, the country is lack of domestic manufacturing products. Therefore, Myanmar can't be affordable to fill its needs without foreign products. Consequently it still continues to rely on foreign manufacturing products such as electrical products and machinery products.

In 2012, Myanmar has afforded to rules of import licenses changed. 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. Most of electrical products such as cables, conduit pipes and fitting accessories are non-license products in tariff barriers. (Ministry of custom 2013) The outcome was the elimination of licenses on imports covered by 1,928 HS tariff lines. As a result, it is estimated that government revenue from import license fees dropped by 40%. On the export side, licensing has been maintained on the export of natural gas, rice, timber and some other commodities considered as sensitive.

With this close-knit trade relationship, Thailand is very pleased and much welcomes Myanmar's continuing growth and the tireless effort in major economic reforms. We appreciate Myanmar's new Central Bank Law enacted in 2013, the new Foreign Investment Law in 2012, and elimination of import licensing requirements for particular products. Myanmar is also in the process of preparing and revising trade-related legislation, including competition law, consumer protection law and IPR regime. All of these indicate how far Myanmar has come and how ready Myanmar is to continue to be even more integrated to the multilateral trading system ( Joakim Reiter 2014).

Formerly import and export licenses had to wait long period for an approval from ministry of custom. According to present liberalization and changing laws, the licenses are issued in three days. Taxes are also reduced to be convenience and improve export and import factor in Myanmar border cross trading business industries.

Since 2013, Myanmar has used commercial tax, which is a hybrid of VAT and excises. With the benefit of technical assistance from international institutions, the Government of Myanmar aims to reform the existing commercial tax so as to bring it into line with international best practices concerning internal consumption taxes. This will involve converting the commercial tax into a broadly-based VAT on goods and services supplemented by a special commodities tax on excisable products on selected goods and services (country report 2014). It gives advantages for trading business for both exporters and importers of Myanmar.

## **2.5 Thai electrical products and suppliers**

Electronics and electrical industries of Thailand which is neighboring to Myanmar are rapidly and continuously increased for almost three decades and throughout year, and electrical industries played as major providers of the country export income. Earlier 2010, Thailand's electrical and electronic industry had taken 5% of its gross domestic product (GDP). (Chiadamrong 2010)

As electrical and electronic industries of Thailand were growing, it also manufactured many standard worldwide electrical products such as ABB, Yaaki, Mitsubishi, Schneider, MCI Draka (Prysmain Group) and so on. And Thailand also is the giant of electrical exporters in ASEAN. 2014, electronics and electrical sector afforded USD 55 billion, 30% of total Thailand's exports. USD 22.6 billion is from electrical products. Thailand has position the leader of exporters in ASEAN. On the other hand, Thailand has strong supply chain networks and major distribution channels for export and import. That takes huge advantages over other neighboring countries in ASEAN Region. Furthermore, consumers from neighboring countries are confident on using Thailand manufacturing products. (TIR 2015)

Then again, Thailand is top exporters of ASEAN member countries to Myanmar. In 2013, Myanmar import products from Thailand were 4.9 billion USD. Thai is second largest exporter to Myanmar after China. Although Myanmar's increased economic integration into ASEAN, this does not appear to have caused trade diversion between 2008-2019 and 2012 -

2013. The statistic results showed Myanmar import products from ASEAN Region declined from 44.1% to 43.7%. The reason is that import products from China and India were increased as they powerfully influence the global business. However, Thailand still remained a main trading partner of Myanmar. (Daw Zaw Zaw Naing 2014)

In 2013 Myanmar first held building and construction material exhibition at Myanmar Convention Center Hall in Yangon, Myanmar. There were many 171 exhibitors from 24 different countries. 3491 trade visitors from 29 countries attended over 3 days. Thailand's visitors were top with 29.8% of total visitors. Most of Thailand electrical suppliers joined and exhibited their products in both 2013 and 2014 of Myanmar building and constructions material shows. Thai electrical suppliers companies tried to grasp Myanmar market (Myanmar building and Construction Exhibition handbook 2014)

There is no doubt that Thailand has strong electrical product manufacture. As the strong supplier side, Thailand has many kinds of international standard electrical products with strong brand images and there are some well-known brands with their specific electrical main products lines. Most of those products have strong brand images as high quality product: here are some of those international recognized brands which Thailand has as following:

#### List of some international electrical products manufacturers in Thailand

1. ABB (Switzerland Based Electrical Breaker Manufacturer)
2. Belden ( American Cables and Wires Manufacturer)
3. Panasonic (Japanese Electrical Conduit Manufacture)
4. Yazaki (Japanese Cables and Wires Manufacturer)
5. MCI Draka (Italian Cables and Wires Manufacturer)
6. 3M ( American Electrical Tapes and Installation Material Manufacturer)
7. Mitsubishi (Japanese Electrical Breaker Manufacturer)
8. Schneider (France Based Electrical Breaker and Penal Board Manufacturer)
9. BTC Bticino (Italian Breaker and Switch & Socket Manufacturer)



10. Nippon ( Japanese Electrical Conduit Manufacture)
11. Hyundai (Korean Electrical Breaker Manufacturer)
12. Osram (Garment Lighting Manufacturer)
13. Phelps Dodges ( American Cables and Wires Manufacturer)

All of them are worldwide acceptable products and available in Thai markets. Some of them are manufacturing in Thailand. Some are set up a main distribution channels targeting both Thailand and neighboring countries, such as Cambodia, Laos, Myanmar, Vietnam and Bangladesh. They keep large inventories to supply whenever customers need their products as ready.

Not only those international recognized products but there are also some domestic electrical products with their main product lines. Most of neighboring country use as standard and quality products.

1. Arrowpipe (Electrical Metal and Flexible Conduit Pipe Manufacturer)
2. Steel City (Electrical Accessories and Fitting Manufacturer)
3. Kumwell (Grounding and Lightning Protection System Products Manufacturer)
4. KJL (Cable Tray, Cable Ladder, and Panel Box Manufacturer)
5. Thai Union (Cable and Wire Manufacturer)
6. BCC Bangkok Cables (Cable and Wire Manufacturer)
7. Racer (Lighting Manufacturer)
8. Bosston (fighting and electrical accessories manufacturer)

(TEMCA' Show 2014)

Thailand's business industrials have been paying intention AEC (ASEAN Economic Community). Thailand also targets the regional hub function and is explicitly focusing on research and development (R&D) for the automobile industry and other industrial products. At the same time Thailand could benefit from a staged liberalization of the services sector and improved quality through increased competition (KPMG June 2014)

## 2.6 Logistic and supply chain situations of Thai-Myanmar cross border

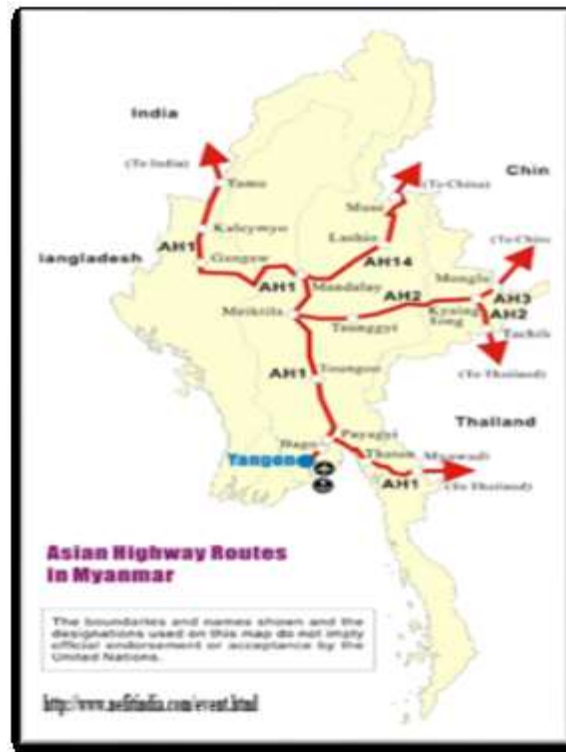
Myanmar has shares of borders with Thailand's 10 provinces of northern, central and southern regions of Thailand, with a longest total length of 2,400 kilometers: Northern region: Chiang Rai, Chiang Mai, Mae Hong Son and Tak; Western region: Kanchanaburi, Ratchaburi, Phetchaburi and Prachuapkhirikhan; Southern region: Chumphon and Ranong. However, Thai border town of Mae Sot Gate is most important trading point between Myanmar and Thailand.

In the past years, export and import trading products took times in custom clearance to cross border between Myanmar-Thailand. Importers for bordering cross supply chain network used the narrow road claim dangerous mountain on the ways to Yangon from Thai border. Under that situation trading business is too risk and the logistic factor does not smoothly works between Thailand and Myanmar. On the other hand, shipping couldn't work with situation of the civil war between Myanmar army and ethnic Karen army for long decades.



In August 2014, the Asian Highway is to open to people travelling from Bangkok to India crossing through Myanmar by road. This new highway road can use the transportation sectors for trading business as part of the India-Myanmar-Thailand Trilateral Highway. The road will connect Myawaddy to Mae Sot in Thailand, via Mandalay and Yangon in Myanmar. Future garget of road will start from Tokyo (connected by ferry) and run through Seoul, Beijing, Ho Chi Minh City, Phnom to Mae Sot , Yangon, Mandalay, Tamu, Moreh,

Imphal, Kohima, Dimapur, Nagaon, Jorabat (Guwahati), Shillong, Dawki, Sylhet, Dhaka, Kolkata, Kanpur, New Delhi, Attari, Lahore, Rawalpindi, Peshawar, Kabul, Istanbul till the border of Bulgaria ( Deccan Chronicle 2015)



This Asia High ways gives advantages between Myanmar Thailand cross border trading business. Moreover, 2015 governments and ethnic arm groups are going to sign national ceasefires agreement (NCA) for peace process. Before end of 2015, Thai and Myanmar announced to open new Asia main roads. On the other hand, AEC (ASEAN Economic Community) will likely to actives within ASEAN member countries. Border tariff will be removed for custom duties (Irrawaddy news 2015).

## 2.7 Logistic sectors in ASEAN economic integrations

ASEAN regional trade or Intra-ASEAN trade almost quadrupled since 2000, to US\$630 billion in 2013. Excluding Singapore, whose large gross trade flows can cloud underlying trends in the other member countries, intra-ASEAN trade now represents 23

percent of total ASEAN trade, up from 21 percent in 2000. As such, ASEAN countries' intraregional trade remains considerably smaller than intraregional trade in the European Union (50 percent of total trade). Recent studies indicate that nontariff measures (NTMs) may be holding back the growth of regional trade in ASEAN (World Bank, 2014).

ASEAN have agreed Non-tariff measures (NTMs) among members. The gradual removal of these NTMs, consistent with the Strategic Schedule in the AEC 2015 Blueprint, could give a renewed impetus to the creation of the single ASEAN market for goods and services. China's rising importance as a trading partner for ASEAN countries reflects increasing trade in intermediate goods as ASEAN countries and China integrate to form supply chain networks (IMF, 2010).

The AEC fundamental principles for regional integration follow closely the fundamental freedoms stemming from the European treaties where for almost 60 years the European Member States have been developing an EU internal market offering fundamental freedoms of cross border movement for citizens and workers, goods and services, companies, investment and capital, including investment protection, based on an EU Treaty that supersedes domestic law and is supported by strong EU institutions such as the EU Commission (the EU day-to-day governing body and civil service), the EU Council, the EU Court of Justice and the European Parliament as co-legislator. Especially the role of the EU treaties and EU Court of Justice ensure a proper application for all EU citizens and companies with a right of dispute resolution to keep EU Member States in line. By contrast, the ASEAN Community does not provide this rule-based approach with transfer of sovereign powers to international institutions but is much more focused on a consensus based approach (the ASEAN way). That the EU integration process has been a great success in terms of additional GDP growth is a widely accepted view of most research done on the subject. The same will surely apply for ASEAN integration where the reduction of tariff and non-tariff barriers will urge economies to focus on their competitive industries and increase productivity. Furthermore a larger internal market will encourage businesses to operate on a greater scale and take advantage from the free flows of investment, people, business ideas

and innovative technologies, creating higher productivity and higher value added in increasingly varying business sectors (Vinod K. Aggarwal and Bora Park)

The launch of AEC is currently planned for the end of 2015. The start date was initially set for 2020 and subsequently moved forward to January 1, 2015. In November 2012, ASEAN leaders agreed to move the launch date again to December 31, 2015 in order to give member states more time to prepare for necessary regulatory changes. ASEAN Free Trade Area (AFTA) has brought down a significant number of tariffs and nontariff barriers in the region. Yet persistent problems that affect the SCM industry include customs-related barriers and transportation barriers. A study by Logistics Institute-Asia Pacific found that the greatest impediment that the SCM industry faced is in customs procedures and inspections, which include time consuming documentation requirements, burdensome inspection requirements, and different classification of goods in different countries. Land transportation barriers continue to exist owing to regulations on the operation of trucks in cross-border and in country transportation. In addition to facing the barriers to finance, logistics, technology development, and human development in the region, small and medium enterprises (SMEs) in the region also lack opportunities to provide input into policymaking or update information on policies that affect their enterprises (Syetarn Hansakul 2013).

There are challenges for the free movement of labour and demands for the new and adaptive processes for certification, customs, transportation, and other logistics— especially with respect to the issue of transparency—a core element of AEC 2015. If the SCM industry can provide logistics for professional services and basic services such as finance, health care, travel, and real estate, the interconnected and people-to-people community of AEC 2015 could provide more opportunities than challenges. (PKMG 2014)

These opportunities are not only valid for ASEAN businesses but for multinational companies worldwide. The combination of AEC, RECP and TPP creates the basis for continuing the ASEAN production hub which has been a dynamic growth model over past decades, with a focus on global value chains – for electronics, garments, information technology, automobile industry and many others – distributed across a range of countries to form a critical source of growth in global trade. The AEC project could lead to an even more

effective integration into the global value chains. And this will continue to make ASEAN a strategic economic region that is expected to exceed the global growth average for the foreseeable future. The regional integration will further pursue its goals towards 2020 and for global business it will be important to already set up in the ASEAN region and develop a business strategy from within.

There are six Major Policy Areas for ASEAN Logistics Roadmap: 1. Encourage the Integration of the ASEAN National Logistics Systems (by increasing communications at the regional level to identify actions in the logistics sector to support and facilitate trade flows between ASEAN countries); 2. Encourage the Progressive Liberalization of Logistics Services (to make them better able to respond to the opportunities available for ASEAN integration and increasing competitiveness); 3. Increase Trade, Logistics and Investment Facilitation (to identify the means needed to improve transport logistics facilities and the priorities for investment); 4. Build ASEAN Logistics Capacity (by encouraging human resource development in the sector, and an environment conducive to developing the sector); 5. Promote ASEAN Logistics Service Providers (by identifying them and providing channels for their greater participation in the sector); 6. Promote Multimodal Transport Capacity (especially containerized transport) (Ruth Banomyong).

There are factors of logistics which ASEAN need to develop: 1. Facilitate inter-state passenger land transportation. 2. Expedite the implementation of the existing bilateral and sub-regional arrangements on facilitation of inter-state passenger land transportation in the region, and develop a regional arrangement on facilitation of inter-state passenger land transportation, based on the assessment of the bilateral and sub-regional arrangements. 3. Enhance the competitiveness of ASEAN Logistics Industry. 4. Develop and upgrade skills and built capacity for MTOs and LSPs logistics service providers through joint training and workshops. 5. Establish national regional centers of excellence (training centers), national skills certification systems for LSPs, and common core curriculum. 6. Develop a practical, simple, and uniform liability framework including guidelines and requirements for multimodal transport.

Trade liberalization under the AEC builds upon achievements over the past decades which began with trade integration under the ASEAN Free Trade Area (AFTA), signed in 1992. Under AFTA, a substantial reduction of tariffs has already been achieved. And as of 1 January 2010, ASEAN-6 applied zero tariffs to 99 percent of goods, while the CLMV countries plan to achieve the same goal by 2015. The AEC takes this a step further and provides a blueprint for liberalization beyond AFTA, because despite considerable progress, the region falls short of being a complete free trade area. Under the AEC, not only will all tariffs will be reduced to zero, but non-tariff barriers, including subsidies, restrictions, and sensitive industry classification will also be eliminated. A unified trading region will facilitate development of production networks, bridge fragmented trade opportunities, and allow ASEAN to become central to global supply chains. This model is supportive of Asia's new growth model of a regional production hub and increasing intraregional trade (Prasarn Trairatvorakul 2015)

All projects are implemented and related countries (Vietnam, Cambodia, Thailand, Myanmar, Bangladesh and India) reduce NTB by 2% per year. Cambodia, Myanmar and Bangladesh have larger positive impacts, in terms of percentage increase. In absolute value of GDP, India and Thailand are the top receivers of the benefit, followed by Bangladesh and Vietnam.

Future logistic sector of ASEAN is not only within its Region but also between ASEAN and South Asia. There are plans of highway for future logistic of ASEAN and South Asia: highway between Mae Sot and Siliguri, via Thahton, Bago, Pyay, Chittagong, and Dhaka leading to the speed-up to 60km/h along the road: Additional better highways between Dhaka and Kolkata and between Kanchanaburi and Thahton, to connect the large cities; Customs facilitation at the borders along the highway; Fixed non tangibles barriers (Ruth Banomyong).

## **2.8 Transport facilitation of Thailand and Myanmar**

There was ratification of Cross-Border Transport Facilitation Agreement (CBTA) annexes and protocols by Myanmar. Myanmar successfully ratified 17 annexes and protocols of the GMS CBTA by August 2013 and made a firm commitment to ratify the remaining three as soon as possible. The Government of Myanmar confirmed its readiness to fully implement the CBTA and actively pursue implementation at priority borders (i.e., Myawaddy – Mae Sot and Ruili – Muse). Consultation meetings were conducted to obtain first-hand information on Myanmar’s position on its transport and trade facilitation priorities. Two routes were identified as priorities for Myanmar, and ADB was requested to support and facilitate associated bilateral meetings with PRC and Thailand. To/from PRC the priority is the Lashio – Muse – Ruili – Kunming route, while to/from Thailand the priority is the Mawlamyine – Myawaddy – Mae Sot route. Insights from the meetings with Myanmar as well as from consultations with PRC and Thai Ministries of Transport will inform the upcoming bilateral meetings in the next phase of project implementation in 2014 (ADB 2013).

### **2.8.1 Transport facilitation of Thailand**

Thailand cross-border transportation act for joint inspections in foreign territories signed. A Thai act on cross-border transport facilitation that legally allows Thai officers and their foreign counterparts to conduct joint inspections both inside and outside Thailand was passed on 28 March 2013 in accordance with the implementation of the SSI scheme under the GMS CBTA (ADB 2013). Thailand performs better than the averages of Asian and upper middle income countries in the areas of information availability, involvement of the trade community, appeal procedures, harmonization and simplification of documents, automation, streamlining of procedures, external border agency co-operation and governance and impartiality. To help governments improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade, OECD has developed a set of trade facilitation indicators that identify areas for action and enable the potential impact of



reforms to be assessed. Estimates based on the indicators provide a basis for governments to prioritize trade facilitation actions and mobilize technical assistance and capacity-building efforts for developing countries in a more targeted way. OECD analysis shows that trade facilitation measures can benefit all countries in their role as exporters as well as importers, allowing better access to inputs for production and greater participation in the international trading system (OECD 2013).

### **2.8.2 Transport facilitation of Myanmar**

Transport facilitation of Myanmar is absence of capacity in all sectors but no doubt that it is going with promising. Even though technologically is showed as deficiency of capacity, new custom laws of Myanmar is quite well in flows of process of goods in trading business of cross borders.

Myanmar has also actively pursued measures to align its national laws with the CBTA framework and is in the process of ratifying the remaining three annexes and protocols which have already been submitted to the President's office and in the process of amending its multimodal transport laws. Thailand is in the process of ratifying the remaining six annexes which have already been submitted to Parliament for consideration and is in the process of revising its Customs and other related laws.

In spite of the progress that has been achieved, a number of challenges remain, especially in terms of limited capacity and awareness of the CBTA and related TTF measures. For example, since there is limited information in Myanmar on transport and trade facilitation and actual practices in other GMS countries, capacity building and training is needed. In response, missions have been fielded to provide briefings and more information on transport and trade facilitation issues. There were issues which Myanmar needs take imperative actions:

1. Accelerate administrative reform in all organizations dedicated to trade facilitation. In particular, Customs Department should necessarily be promoted as a core agency for the NSW.

2. Institutional capacity building will facilitate the reforms of the agencies concerned to be practical, and enable to overcome their operational frustration. Myanmar will then be most benefited from the inclusion of AEC among other members (ERIA 2012).

## **2.9 Summary**

Myanmar has yet developed its domestic manufacturing electrical products and it relies on import sectors. The building and construction projects over the counties are being started. Infrastructures in Myanmar are desperately required for its development plans. There will be imported electrical products required to fill those infrastructures. Thailand is the most capable country for supplying electrical products to Myanmar importers. For Logistic and supply chain system effectively works for trading business between Myanmar and Thailand. Thailand is the top exporter of ASEAN nation to Myanmar. Thailand has strong brand image electrical products and suppliers as worldwide manufactures. The Logistic sector of ASEAN is likely to be developed in future. Geographically, Myanmar is located between ASEAN Region and South Asia. It would take advantages in trading business. However, the transport facilitation of Myanmar is much needed to improve to support effectively trading business cross borders.