

LECTURE ON MYANMAR

Faculty of Economics, Thammasat University

July 6, 2016

Professor Mitsuhiro KAGAMI

Panyapiwat Institute of Management

- 1 Politics in Myanmar
- 2 Economic Comparison of Myanmar and Thailand Economies
- 3 Trade and FDI in Myanmar
- 4 Three Big Projects by SEZ (Special Economic Zone)
- 5 Myanmar's Comparative Advantage and Necessary Improvement
- 6 Thai Positions toward Myanmar

1 Politics in Myanmar

In Myanmar a general election was held in November 2015 and the NLD (National League for Democracy) won against the USDP (Union Solidarity and Development Party). The NLD obtained more than 50% of all assembly seats as follows:

	NLD	Total
House of Representatives	255	440
House of Nationalities	135	224
TOTAL	390 (58.7%)	664

There is a law under the military government that 25% of these seats are automatically given to the military personnel. So 166 seats are theirs (110 for the House of Representatives and 56 for the House of Nationalities).

U Htin Kyaw became the President of Myanmar and Daw Aung San Suu Kyi finally became a State Counselor. The Myanmar Constitution under the military government also prohibits a person whose relatives have a foreign nationality can't be the President.

If Daw Aung San Suu Kyi wants to be President, she needs to change the Constitution. It requires more than two third in the Assembly (443). It is impossible at present.

2 Economic Comparison of Myanmar and Thailand

Table 1 shows several characteristics as follows:

- ① GDP growth rate shows Myanmar grows quite rapidly while Thailand has a modest growth in recent years.
- ② Myanmar's GDP per capita is 1,416 dollar in 2016 (24% of Thailand's).
- ③ Investment is increasing in Myanmar.
- ④ Savings ratio is still low in Myanmar.
- ⑤ Inflation is higher than that of Thailand.
- ⑥ Thai population is larger than that of Myanmar but its figure shows a great market in the future.
- ⑦ Government debt (in terms of a per cent of GDP) is smaller than that of Thailand.
- ⑧ Current account balance shown as a per cent of GDP shows minus in Myanmar while that of Thailand is plus and better and favorable.

3 Trade and FDI in Myanmar

Trade (see Tables 2 and 3)

Myanmar's exports reached 12,524 million dollars in 2014. The top 5 items were 1. natural gas, 2. beans, 3. textiles, 4. jade and 5. paddy. Natural gas exports occupied 41.4 %. In 2013 the top 5 items were 1. natural gas, 2. jade, 3. beans, 4. textiles and 5. paddy. In the case of imports, the value reached 16,633 million dollars in 2014. The top 5 import items were 1. transport machinery, 2. petroleum products, 3. base metal & its products, 4. electric machines & equipment and 5. edible plant oil. Transport machines such as cars and trucks occupied 20.4% in 2014.

Exports by country/area show that the top 5 were 1. China, 2. Thailand, 3. Singapore, 4. India and 5. Japan in 2014 while those were 1. Thailand, 2. China, 3. India, 4. Singapore and 5. Japan in 2013.

Imports by country/area tell us that the top 5 were 1. China, 2. Singapore, 3. Japan, 4. Thailand and 5. Malaysia in 2014 but those were 1. China, 2. Singapore, 3. Thailand, 4. Japan and 5. South Korea in 2013. China's importance in both exports and imports in Myanmar is clear. Thailand also plays a fundamental roles in exports and imports. An interesting point is that U.S.A. is gradually growing in Myanmar's imports.

Japan's statistics (in the customs clearance basis) show that her exports to Myanmar reached 1,186 million dollars in 2014. Transport equipment such as cars and trucks occupied 72.5%. In the case of Japanese imports from Myanmar were 858 million dollars in which clothes occupies 60.4% and footwear 12.1% in 2014. Japan showed an excess of exports in the consecutive three years (2012-2014).

Foreign Direct Investment (FDI, Table 4 and 5)

The FDI inflows to Myanmar in 2014 show that three sectors were important in terms of the

dollar amount, i.e. oil and gas, transportation and communication and manufacturing. The number of 211 cases in 2014 was the largest in the recent history as compared with only 13 cases in 2011. It means that Myanmar's development started due to the two factors: one, economic sanctions by USA and European countries were removed, and the other, Myanmar itself deregulates its FDI laws.

Singapore played an important role to invest in Myanmar. Two biggest investment items in 2014 were mobile telephone investment by KDDI Summit Global Myanmar and buying development rights for a mining area of natural gas in the sea by Shell Myanmar Energy. Both used their subsidiaries in Singapore to invest in Myanmar. Singapore and Myanmar have a tax agreement to evade double taxation. Singapore itself offers foreign companies many favorable business treatments. These are the reasons why Singapore is the No. 1 country to invest in Myanmar.

4 Three Big Projects by SEZs (Special Economic Zone)

The Myanmar government planned to develop three areas and nominated them the Special Economic Zone. Those are 1. Thilawa, 2. Kyaukpyu, and 3. Dawei (see the map).

Japan is helping the Thilawa project. Myanmar Japan Thilawa Development (MJTD) was established in January 2014 and the first phase of 200 ha opened in 2015. Invested sectors are textiles · closing, automobile parts, electronic parts, food, construction materials, chemicals, and distribution. Sumitomo & Co. won a contract to build two gas turbine units in the Thilawa Thermal Electricity Plant to supply electricity to the factories in the Zone (Myanmar often faces blackout due to the lack of electricity supplies).

Kyaukpyu is a small island near Sittwe, the capital of Rakhine State. China helps to develop this SEZ. Especially, the China National Petroleum Corporation constructed a terminal of gas and oil pipelines which go to Kunming, Yunnan Province. The pipelines have already operated since 2015. CPG group (Singapore) wrote a master plan of the development of the Kyaukpyu SEZ. Its development will be realized from now on according to the plan.

In July 2015, the Japan · Mekong Area Summit was held in Tokyo. MOU by three countries (Japan, Myanmar and Thailand) on the development of the Dawei SEZ was signed in that occasion. Dawei is a gateway for India, Africa and Europe. There is a plan to connect five main cities from Vung Tau (port for the South China Sea), to Ho Chi Minh, to Phnom Penh, to Bangkok, and to Dawei (what we call the Southern Economic Corridor). This rout skips Singapore.

5 Myanmar's Comparative Advantage and Necessary Improvement

Comparative Advantage

- 1) Low wage rate
- 2) Diligent workers who can understand English
- 3) Rich natural resources such as natural gas, water power generation, biomass fuel

materials (sugar cane, maize, tapioca, oil palm, jatropha seed, and coconuts), agricultural products, jade and precious stones, etc.

- 4) Many attractive tourist spots
- 5) Geopolitical position between China and India

Necessary Improvement or Weak Points

- 1) Delayed infrastructure development, especially, electricity, industrial water, telecommunication, and roads
- 2) Influence of the military government, especially business persons who have strong connections with the military personnel
- 3) The lack of deregulation, liberalization and democratization
- 4) Practical use of technicians, technocrats, and professionals

6 Thai Positions toward Myanmar

- 1) Thailand can utilize low-wage Myanmar workers (from China+1 to Thailand+1).
- 2) Thailand should invest in Myanmar for the sake of Myanmar. Both countries have large population which form a huge market for each other and other ASEAN countries.
- 3) Thailand borders on Myanmar so that both countries can enjoy low transportation costs. Both countries should improve roads and bridges which pass the two countries such as Mae Sot – Mawlamyine (East-West Economic Corridor), Kanchanaburi – Dawei (Southern Economic Corridor), etc.
- 4) Thailand can utilize contract agriculture methods not only for food processing but also biomass fuel production.
- 5) Border trade and border investment should be expanded such as Myawaddy (Mae Sot), Tachileik (Mae Sai), and Kawthoung (Ranong).
- 6) Thailand as well as Japan should promote the Dawei SEZ project.

Myanmar Zodiac

8 days a week:

Sunday		Garuda (legendary bird)
Monday		Tiger
Tuesday		Lion
Wednesday	a.m.	Tasked elephant
Wednesday	p.m.	Taskless elephant
Thursday		Rat
Friday		Guinea pig
Saturday		Naga (dragon)

You don't know which day of the week you were born. You can calculate it by the following tables.

1. Find a figure which crosses between your year and the month which you were born in TABLE A.
2. Then the figure + your day which you were born (the figure + your birthday=X).
3. Find your day of the week in the TABLE B.
(You should know which time you were born, a.m. or p.m. for Wednesday born people.
So please ask your mother.)

(If you want to know your own fortune according to your animal, please see

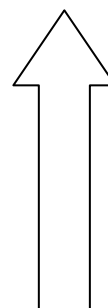
<http://www.whats-your-sign.com/burmese-zodiac-animal-signs.html>)

TABLE A

Year of your birthday					Month of your birthday											
0000					1	2	3	4	5	6	7	8	9	10	11	12
1897	1925	1953	1981	2009	4	0	0	3	5	1	3	6	2	4	0	2
1898	1926	1954	1982	2010	5	1	1	4	6	2	4	0	3	5	1	3
1899	1927	1955	1983	2011	6	2	2	5	0	3	5	1	4	6	2	4
1900	1928	1956	1984	2012	0	3	4	0	2	5	0	3	6	1	4	6
1901	1929	1957	1985	2013	2	5	5	1	3	6	1	4	0	2	5	0
1902	1930	1958	1986	2014	3	6	6	2	5	0	2	5	1	3	6	1
1903	1931	1959	1987	2015	4	0	0	3	5	1	3	6	2	4	0	2
1904	1932	1960	1988		5	1	2	5	0	3	5	1	4	6	2	4
1905	1933	1961	1989		0	3	3	6	1	4	6	2	5	0	3	5
1906	1934	1962	1990		1	4	4	0	2	5	0	3	6	1	4	6
1907	1935	1963	1991		2	5	5	1	3	6	1	4	0	2	5	0
1908	1936	1964	1992		3	6	0	3	5	1	3	6	2	4	0	2
1909	1937	1965	1993		5	1	1	4	6	2	4	0	3	5	1	3
1910	1938	1966	1994		6	2	2	5	0	3	5	1	4	6	2	4
1911	1939	1967	1995		0	3	3	6	1	4	6	2	5	0	3	5
1912	1940	1968	1996		1	4	5	1	3	6	1	4	0	2	5	0
1913	1941	1969	1997		3	6	6	2	4	0	2	5	1	3	6	1
1914	1942	1970	1998		4	0	0	3	5	1	3	6	2	4	0	2
1915	1943	1971	1999		5	1	1	4	6	2	4	0	3	5	1	3
1916	1944	1972	2000		6	2	3	6	1	4	6	2	5	0	3	5
1917	1945	1973	2001		1	4	4	0	2	5	0	3	6	1	4	6
1918	1946	1974	2002		2	5	5	1	3	6	1	4	0	2	5	0
1919	1947	1975	2003		3	6	6	2	4	0	2	5	1	3	6	1
1920	1948	1976	2004		4	0	1	4	6	2	4	0	3	5	1	3
1921	1949	1977	2005		6	2	2	5	0	3	5	1	4	6	2	4
1922	1950	1978	2006		0	3	3	6	1	4	6	2	5	0	3	5
1923	1951	1979	2007		1	4	4	0	2	5	0	3	6	1	4	6
1924	1952	1980	2008		2	5	6	2	4	0	2	5	1	3	6	1

TABLE B

<i>Day of the week</i>						
S	M	T	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	32	33	34	35
36	37					



(+ Day= X)

MAP OF MYANMAR

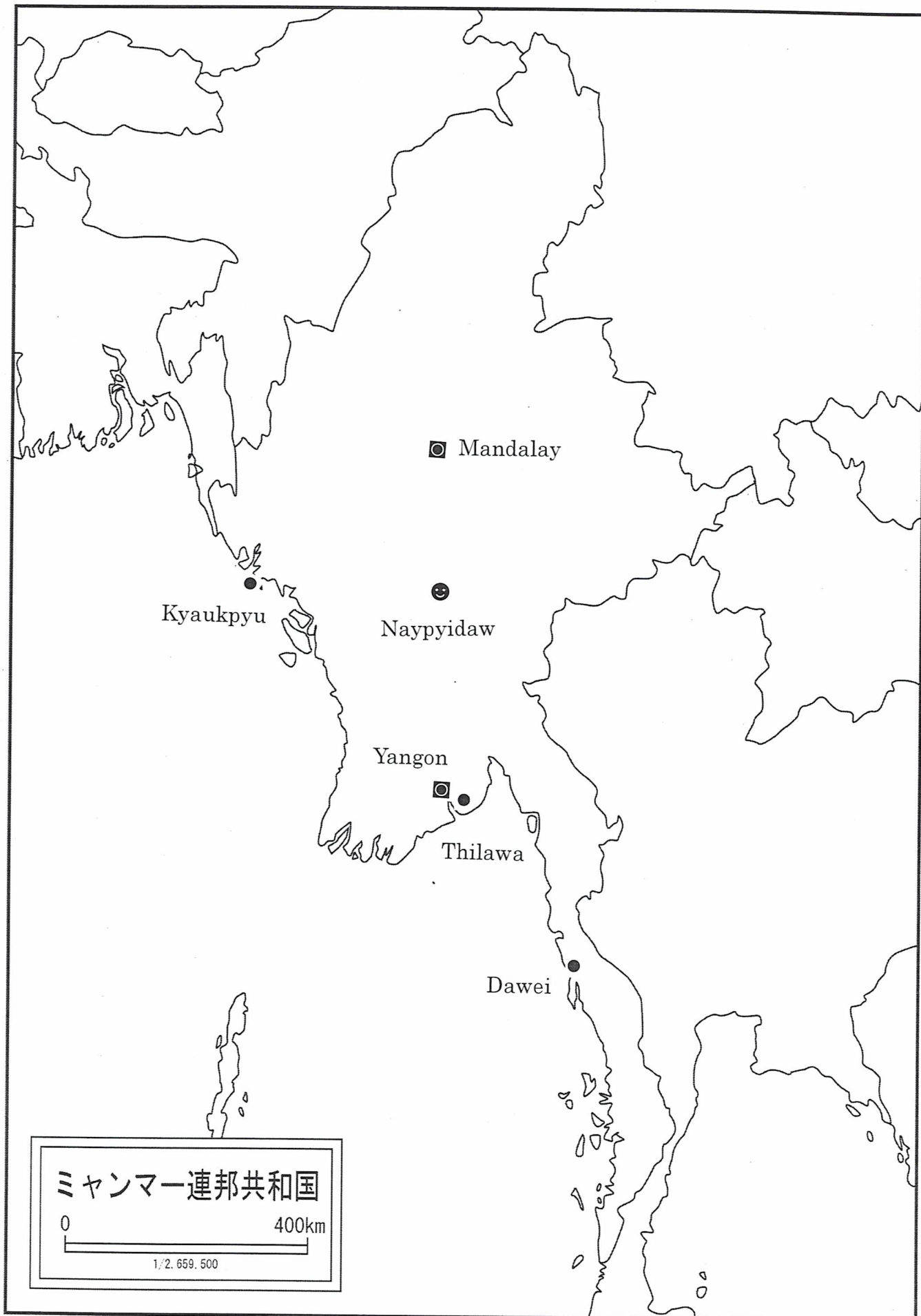


TABLE 1 ECONOMIC INDICATORS IN MYANMAR AND THAILAND

	Units	Scale	2008	2009	2010	2011	2012	2013	2014	2015	2016	Estimates Start After
MYANMAR												
GDP real growth rate	%		3.6	5.1	5.3	5.6	7.3	8.4	8.7	7.0	8.6	2015
GDP per capita	\$		704	770	997	1,197	1,182	1,180	1,279	1,292	1,416	2007
Total investment	% of GDP		13.1	14.7	16.0	14.9	16.8	22.1	23.5	23.8	24.3	2015
Gross national savings	% of GDP		14.5	18.4	23.2	25.7	12.8	17.2	17.9	14.9	15.9	2015
Inflation, average CPI	%		11.5	2.2	8.2	2.8	2.8	5.7	5.9	11.5	9.6	2015
Population	Persons	Millions	49.0	49.3	49.7	50.1	50.5	51.0	51.4	51.8	52.3	2007
General government gross debt	% of GDP		53.0	55.1	49.6	46.0	40.1	32.8	29.7	32.0	32.0	2015
Current account balance	% of GDP		-4.2	-1.2	-1.1	-1.8	-4.0	-4.9	-5.6	-8.9	-8.4	2015
THAILAND												
GDP real growth rate	%		1.7	-0.7	7.5	0.8	7.2	2.7	0.8	2.8	3.0	2014
GDP per capita	\$		4,380	4,206	5,063	5,479	5,846	6,148	5,889	5,742	5,940	2014
Total investment	% of GDP		28.2	20.6	25.4	26.8	28.0	27.5	24.1	24.1	25.5	2014
Gross national savings	% of GDP		28.5	28.0	28.3	29.2	27.7	26.3	27.9	32.9	33.5	2014
Inflation, average CPI	%		5.5	-0.9	3.3	3.8	3.0	2.2	1.9	-0.9	0.2	2015
Population	Persons	Millions	66.5	67.0	67.3	67.6	68.0	68.3	68.7	68.8	69.0	2014
General government gross debt	% of GDP		34.9	42.4	39.9	39.1	41.9	42.2	43.6	43.1	43.7	2014
Current account balance	% of GDP		0.3	7.3	2.9	2.4	-0.4	-1.2	3.8	8.8	8.0	2014

Source: IMF, World Economic Outlook Database, April 2016.

TABLE 2

TRADE BY GOODS
EXPORTS (FOB)

Goods	2013	2014	
		(\$ Million)	(% Share)
Natural gas	3,299	5,179	41.4
Beans	896	1,140	9.1
Textiles	885	1,023	8.2
Jade	1,012	1,018	8.1
Paddy	460	652	5.2
Base metal · ore	130	440	3.5
Maize	286	393	3.1
Fish products	311	227	1.8
Sesame	341	182	1.5
Others	3,585	2,270	18.1
Total	11,204	12,524	100.0

IMPORTS (CIF)

Goods	2013	2014	
		(\$ Million)	(% Share)
Transport machinery	4,145	3,387	20.4
Petroleum products	2,300	2,576	15.5
Base metal & its products	1,543	1,346	8.1
Electric machines & equipment	708	380	2.3
Edible plant oil	515	341	2.1
Plastics	468	326	2.0
Cement	204	301	1.8
Medical supplies	253	300	1.8
Others	3,623	7,676	46.2
Total	13,760	16,633	100.0

Source: JETRO, *World Trade and Investment Report 2015, 2016*.

TABLE 3

TRADE BY COUNTRY/AREA
EXPORTS (FOB)

(\$ Million, %)

	2013		2014	
		Share		Share
China	2,911	26.0	4,674	37.3
Thailand	4,306	38.4	4,029	32.2
Singapore	694	6.2	759	6.1
India	1,144	10.2	746	6.0
Japan	513	4.6	556	4.4
South Korea	353	3.2	370	3.0
Hong Kong	489	4.4	289	2.3
Malaysia	109	1.0	265	2.1
Indonesia	60	0.5	86	0.7
Others	625	5.6	751	6.0
Total	11,204	100.0	12,524	100.0

IMPORTS (CIF)

(\$ Million, %)

	2013		2014	
		Share		Share
China	4,105	29.8	5,020	30.2
Singapore	2,910	21.1	4,137	24.9
Japan	1,296	9.4	1,749	10.5
Thailand	1,377	10.0	1,679	10.1
Malaysia	840	6.1	744	4.5
India	494	3.6	595	3.6
Indonesia	439	3.2	551	3.3
USA	80	0.6	494	3.0
South Korea	1,218	8.9	493	3.0
Others	1,001	7.3	1,171	7.0
Total	13,760		16,633	100.0

Source: JETRO, *World Trade and Investment Report 2015*, 2016.

TABLE 4

FOREIGN DIRECT INVESTMENT INFLOW BY SECTOR (APPROVAL BASIS)

(Cases, \$ Million, %)

SECTOR	2013		2014		
	Case	Amount	Case	Amount	Share
Oil and gas	-	-	26	3,220	40.2
Transportation and communication	4	1,190	8	1,679	21.0
Manufacturing	95	1,837	141	1,502	18.8
Real estate development	4	441	6	781	9.7
Hotel and tourism	5	434	5	358	4.5
Electric power	1	47	1	40	0.5
Agriculture	4	20	4	40	0.5
Fisheries	2	89	5	27	0.3
Mining	2	33	1	6	0.1
Others	6	16	14	357	4.4
Total	123	4,107	211	8,011	100.0

Source: JETRO, *World Trade and Investment Report 2015, 2016*.

TABLE 5

FOREIGN DIRECT INVESTMENT INFLOW BY COUNTRY/AREA (APPROVAL BASIS)

(Cases, \$ Million, %)

Country/Area	2013			2014		
	Case	Amount	Share	Case	Amount	Share
Singapore	25	2,340	57.0	43	4,297	53.6
U.K.	10	157	3.8	13	851	10.6
Hong Kong	24	119	2.9	28	626	7.8
China	16	57	1.4	34	517	6.5
Holland	-	-	-	4	302	3.8
South Korea	13	641	15.6	24	300	3.7
India	4	26	0.6	6	209	2.6
Vietnam	1	142	3.5	1	175	2.2
Thailand	9	489	11.9	11	166	2.1
Canada	-	-	-	2	154	1.9
Japan	11	61	1.5	16	86	1.1
France	1	5	0.1	1	67	0.8
Others	9	70	1.7	28	261	3.3
Total	123	4,107	100.0	211	8,011	100.0

Source: JETRO, *World Trade and Investment Report 2015, 2016*.