



The Changing Myanmar Economy and the Development of a Modern Transport System

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Introduction

1. Proper design of modern transport system for Myanmar requires understanding of evolution of
 - a. global trade growth
 - b. changes in transport
 - c. Myanmar economy, over past 60 years

 2. Transport
 - a. technology and global production chains
 - b. Myanmar transport system

 3. Myanmar economy
 - a. 1965 to 2012
 - b. the emerging economy

 4. Transport and the New Economy
 - a. general requirements
 - b. New Growth Areas
 - c. Maritime Myanmar Strategy

 5. What do we do?
 - a. the vision
 - b. the action plan

 6. Conclusions
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1. Growth of Global Trade

A. Trade has increased dramatically over past half century

- a. World....merchandise exports in 1980 ..\$2.03 trillion. In 2011..\$18 trillion (7per cent growth)
- b. Asean: \$134 billion in 1980, \$650 billion in 1995 and \$2.2 trillion in 2016 (of which 24 per cent is within Asean)

B. Trade is needed for

- a. expand consumption opps.
- b. expanding production opps and FEx income
- c. more trade > less trade (generally)

C. Why the expansion?

- a. Trade liberalization: reduction of tariff thru bilateral, regional (AEC) and global (WTO) agreements
- b. Trade Facilitation: reduction of transport costs





2. Transport and Globalization

A. Major tech. innovations

a. Air

- i. Jet passenger 1958
- ii. Jumbo jet 1970
- iii. A-380, Boeing 782 2007

B. Shipping Container 1958

(first Atlantic container ship 1965)

C. Megaships....larger, more efficient in crew costs and fuel

D. Road networks/ corridors

- i. US Interstate 41000 miles (1956)
- ii. EU TEN road network (1994)
- iii. ADB...economic corridor concept (Oct 1998)

E. Information Technology: internet, GPS, e governance (post 1994)

Net effect: transport becomes cheaper, faster movement, safer with less damage to cargo. More reliable and predictable especially with IT.





3. Transport and Globalization (2)

A. Transport advances enable

- a. mgmt and coordination of
- b. diverse economic activities
- c. which are regionally/ globally distributed.

B. Creation of a global production network (intra and inter firm) or value chain which

- a. maximizes efficiency
- b. according to intl division of labor based on comparative advantage (access to natural resources, skills, cheap labor, transport costs)

C. BUT increases global competition greatly.





4. Globalization is **NOT** business as usual!

- A. New markets: global brands, services eg banking services, freight forwarders, tourism

- B. New actors: MNCs, China, unified Europe, civil society

- C. New rules: WTO, Asean, human rights, climate change and environment, social media

- D. New bosses: **MUST** listen to the needs of the largest users of the transport system: the freight forwarders

- E. the new bosses demand transport efficiency from **ALL** modes of transport **COMBINED**.
No (modern) transport, no trade!





5. Myanmar Transport

A. Qty. expansion (1988 - 2012)

- a. Rail: 1976 to 3500 mile
- b. Road: 5500 to 10000 mile
- c. Aya. Bridges: 1 to 11

B. Alignment

- a. East- west road and rail
- b. central Myan: transport density increases
- c. New North- south highway

C. Private sector investment

- a. Airline deregulation
- b. BOT road project
- c. Yangon port exp.

D. Problems

- a. Qty: efficiency, service and safety....WW2 buses and home assembled jeeps
- b. underutilized major projects eg Mdy airport, NS highway
- c. incomplete and/or unlinked eg no bus to Yangon airport, no feeder road to the new highway,

E. Implications

Very high transport costs which make

- a. Myanmar less competitive
- b. difficult to join global production chains and thereby get high GDP growth rate

F. Why so bad?

- a. Micro level...ignore key issues...demand, cost benefit, VOC, time savings, employment generation, poverty reduction
- b. macro level...underinvestment and little linkage/ coordination with the changing global and domestic economy





6. Myanmar Economy

A. 1965 to 1974

- a. Collapse of the rice economy (no FE, some regions collapse)
- b. Self reliance and ISI (no aid, miss out on the Japan led investment boom, loss making SOEs, black mkt becomes critical)
- c. Oil production collapse

B. Reforms 1975 and 1990 but

- a. No exports and SOE losses continue
- b. 1997 Asian financial crisis
- c. No aid 1986-2012..Myanmar 'loses' over \$ 20 billion
- d. US sanctions kill garments 2001
- e. but...small scale/ low prody services emerge, tourism, summer paddy, pulses and beans

C. Post 2003...rent seeking, who you know economy based on

- a. raw material extraction: teak, jade ,gas
- b. reliance on Asian neighbors
- c. de facto labor exporting economy
- d. investment in physical infra. without fiscal resources...hyper inflation and macro economy destroyed





7. The New Economy

Key features

- a. resumption of aid
- b. FDI: large amount and diversified
- c. gas exports important : 25 to 40 per cent
- d. jade exportsimportant but how much? (\$1-10 billion)
- e. rice exports again! (3 million)
- f. garment exports again! (\$2.5 billion)
- g. services exports (labor and tourism)
- h. new trading partners ...EU, Jpn, US, Africa
- i. increased regional cooperation: bimstec, lmt,aec,gms,bcim, obor, Kyaukpkyu, Dawei, Thilawa
- j. competition among new 'friends'; countries, aid agencies, civil society, social media.....Government confusion.





8. What the Emerging Economy means for the Transport Sector

- A. Economy has shifted from a resource dependent and rent seeking one to a more 'normal' one
- a. production of goods as well as range of goods produced increases
 - b. manufacturing increases in importance
 - c. economic partners become much more diverse
 - d. linkage with global production chain established
 - e. distinct economic centers emerging across the country eg Yangon for manufacturing, pulses in central region, rice in the Delta





9. Exports will require different types of transport systems

- a. gas (fertilizer)...pipes and port
- b. jade...roads
- c. garments(shoes, toys, electronics)...ports, air cargo
- d. rice...inland water, rail, road ,port
- e. food/ fishery....aircargo, ports
- f. pulses...road, rail,ports
- g. labor and tourism...air, road
- h. Kaladan transit trade...multimodal





10. The Emerging Transport Network (post 2012)

- A. Key changes...private cars, IT/ telephones, Ygn bus and taxis, Ygn airport expansion, Thilawa port exp.
 - B. Key programs being actually implemented
 - i. EWEC (Adb/ Japan 2020)
 - ii. Thilawa: port exp., bridge, highway (Japan, Ifc, private sector 2021)
 - iii. Sittwe- Kaladan corridor (India 2020)
 - iv. Dala bridge (Korea 2021)
 - v. India -Myan -Thai road (India 2020)
 - vi. Kyaukphyu: pipe, port, rail corridor (China)
 - vii. Dawei: port and road to Thai (Thai)
 - viii. Inland water transport (WB)
 - C. Good news....land connectivity to China, India, Vietnam increases
 - D. Bad news...We will still be missing
 - i. Institutional reform eg railway mgmt, ability to coordinate and appraise projects, border and transit trade controls etc
 - ii. Transparency of major projects...how to get to Hanthwaddy airport, transit fees for foreign cargo etc
 - iii. Solutions for existing problems eg IEZs to Thilawa, air cargo and refrigeration for garments ,fish and food, Ygn ..pedestrians vs cars vs food sellers
 - iv. Mobilization of financial recourses: bonds, user fees, special funds
 - v. Local government participation in transport work
 - E. Overarching issue
 - a. ALL the above projects are foreign driven: idea, financing, consultant and sometimes even low skilled labor
 - b. benefits are largely THEIRS eg access to ocean, access to larger market, jobs for their firms
 - c. NOTHING on the development of an integrated transport system. Just isolated projects.
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11. Transport Requirements of the New Economy

A. General

- a. Myanmar needs high growth rate for at least 20 more years eg \$4800 in 2040
- b. high growth rate requires high investment rate (FDI and domestic)
- c. Source of high growth rate is manufacturing (garments, shoe, toys, electronics) and agro industry
- d....and this requires joining global production networks and value chains which in turn requires an integrated and efficient transport system
- e. FDI will NOT come if transport system is bad in terms of access, quality, timeliness, reliability, and safety.

B. What to do?

- a. Vision, strategy, action plans are needed
- b. build on what we have for OUR benefit (complement transport projects with economic programs)
- c. Two issues worth thinking about early
 - i. New Growth Areas
 - ii. Maritime Myanmar Strategy





12. New Growth Areas (NGAs)

- a. New transport links are changing economic geography and creating potential NGAs
- b. NGA loose definition: 'demarcated geographical area within which economic activity and growth expected to accelerate as a result of policy incentives, closer proximity of inputs (clustering of land, labor, capital, skills) and agglomeration economies'.

May include growth triangles, economic corridors and growth poles and their immediate hinterland.

- c. Major NGAs are being created by intersection of new or old major corridors
 - i. Maha Ygn-Pathein-coastal port (?) corridor
 - ii. Maha Mdy-Monywa-Myingyan triangle
 - iii. Maha M'myine- Hpaan- Thaton triangle
 - iv. Sittwe-Kyaukphyu mini land corridor

D. NGA development requires

- i. government leadership and policy framework
- ii. multimodel transport networks
- iii. urban development (medium sized towns)
- iv. local area participation (regional gov., town administration and private sector)





13. Maritime Myanmar

A. Critical for Trade

- a. 97 per cent of global trade is by sea (petrol,dry bulk,genl)
- b. biggest source of lowering of transport costs eg US - trans Pacific costs 1998 is only one third of 1978

B. Ship tech has changed

- a. container replaces bulk
- b. ship size increases: 1958 58 TEU, 2005 6000 TEU, 2015 18000 TEU

C. Ports

- a. key cogs in global trading system. Interface between foreign and domestic hinterland via road, rail, inland water, pipe.
- b. BUT many ports have become useless due to ship size and container revolution
 - i. close down...Mawlamyine
 - ii. redefine eg Sittwe
 - iii. expand..Ygn port

D. Shipping fleets

Rank	country	vessel	dwt
23.	Malay.	644.	18.4
32.	Viet.	943.	8.8
34.	Thai.	393.	7.0
?	Mya.	20.	.2

E. Despite key importance

- a. Multilat donors do nothing
- b. bilateral donors concentrate on own needs
- c. Thai.....expects Myanmar to pay for Dawei port!

F. Key issue

- a. We need a Maritime development strategy to support our economy and future growth
- b. the critical issue is Kyaukphyu deep sea port AND how to get there from our main economic center of Maha Yangon





14. Five Key Issues

- A. Thilawa is expanding rapidly but the natural limit is depth size : 20000 dwt vs 186000 dwt of Triple E class
- B. KP port is transit point to Africa for Chinese trade (Chinese exports to Africa in 2016 is \$83 billion)
- C. KP can be global production center for Chinese cars, consumption goods, textiles, electronics
- D.KP will be where three very large economies meet and trade (note ..Bangladesh pop in 2030 will be 180 million!)
- E. KP will be key to regional development of Myanmar
- i. Yakhine(trade, petrochemical, agri, fish and food, service sector eg insurance, banking,freight)
 - ii. West Bank Ayawaddy
 - iii. Maha Mdy NGA





15. Connectivity to KP

A. Two issues

- a. linking key economic areas of Ygn/Aya/Mdy with deep sea port
- b. linking KP with Yakhine coastal towns for Yakhine development: Sittwe, Thandwe, Gwa

B. Several options

- a. Ygn- Pathein- KP road
- b. China-Mdy- KP rail but with road, rail, river transshipment center at Mdy
- c. Biligyun- Ygn- Ngayokaung- KP- Sittwe container coastal shipping





16. What must be done?

- A. We need to formulate a strategic vision for Myanmar Transport
- B. Vision should be based on awareness that
 - a. Global competitiveness in 21 century requires ability to move goods across borders rapidly, reliably/ predictably, cheaply and with little damage
 - b. Myanmar economic geography has changed dramatically in past sixty years and that major changes may be expected in next 10-20 years.
- C. Vision will be
 - a. Holistic (sectors and disciplines): no more silos!
 - b. balance short term needs vs long term issues
 - c. for the benefit of all Myanmar people (rather than foreign countries, investors, companies, aid agencies and consultant 'experts')

We need: 'Myanmar First- in a Globalized Economy' strategy.





17. What will the Vision do?

A. The Vision(strategy) will

- a. clarify the government's position
- b. provide overall direction, priorities and sequencing
- c. establish critical policies and institutional reform
- d. support the private sector while safeguarding public interests: eg ethnic minority, workers, environment
- e. provide the basis for public financial mobilization and expenditure
- f. promote the role of regional and urban governments in the development of the strategy

B. the Vision is the starting point of a Strategy which will result in an Action Plan





18. Possible Action Plan

A. Short term (3 years)

- i. make Ygn competitive city within Asean (traffic, pedestrian, circular rail)
- ii. Hlaingthaya to Thilawa congestion and costs: road, barge, time mgmt
- iii. expansion of aircargo: garments, fish, food (Qatar started 60 tons/ week Nov '17)
- iv. cooperation of Mya owned airlines to fight Asean open skies competition (pooling of booking system, spare parts, repair facilities for ATR planes)
- v. upgrading of Mdy- Muse highway
- vi. government support to increase competitiveness of Myan owned truck companies
- vii. completion of Ewec and Kaladan multimodal corridors
- viii. development of transport based business centres in Ygn
 - a. Mingladon aerotropolis
 - b. Yangon Budagyee center (rail/ road)
 - c. Highway Bus centre
- ix. Soft infra: capacity building, institution reform, resource mobilization, involvement of local governments

B. Medium term (up to 5 y)

- i. feeder roads to connect to new highways
- ii. Maha Mawlamyine NGA multimodal development
- iii. Maha Ygn- Ngayokaung corridor and coastal port (fishing, cargo, leisure boating)
- iv. Maha Ygn to Mawlamyine connectivity
 - a. Ro Ro ship (Bilugyun port to mouth of Ygn river)
 - b. elevated highway: Sittaung bridge to Thilawa port (cargo and Kyaiktiyo buses)

C. Long term (up to 10 y)

- i. KP deep sea port
- ii. KP rail to China
- iii. Yangon to KP connectivity
- iv. Upgrading of river ports in Mandalay NGA
- v. Mandalay aerotropolis and cargo center
- vi. Multimodal development of Ayawaddy delta transport
- vii. Taungyee- Kyaington highway (connect with Tachileik and Northern Thai)





19. Conclusions

1. We need a modern/ integrated transport system which fully supports the emerging Myanmar economy which will be part of global and regional production chains
2. This requires own Vision which looks beyond short term problems and what foreigners tell us.
3. We need to work together across professions and ministries and regions.





Thank You

