

Expectation and Challenges in Myanmar

~ Investors' point of view ~

April 4, 2014

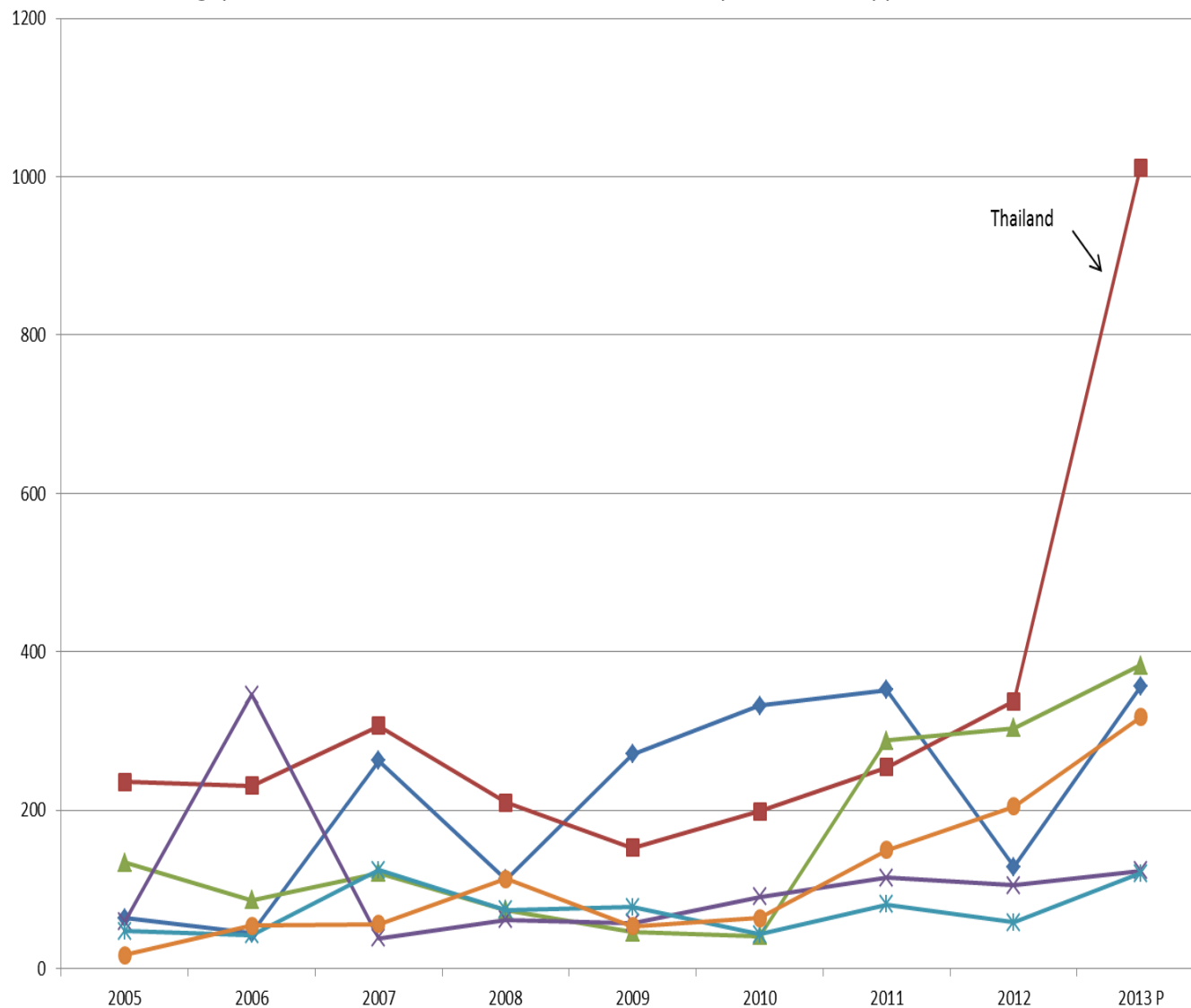
Setsuo IUCHI

Chief Representative for ASEAN and South Asia,
President of Bangkok Office,
Japan External Trade Organization (JETRO)

Japan's FDI in ASEAN (1)

(Unit: Billion yen)

◆ Singapore ■ Thailand ▲ Indonesia ✕ Malaysia * Philippines ● Viet Nam

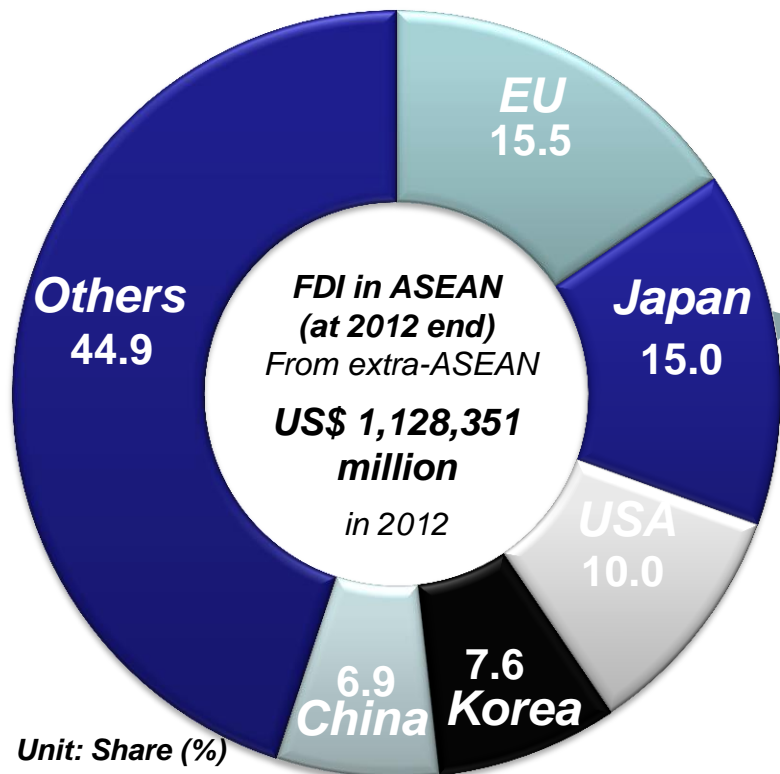


Source: JETRO, based on MOF data

Japan's FDI in ASEAN (2)

- ❖ **Japan is the principal investor in ASEAN**, account for 15% of total FDI in ASEAN.
- ❖ Increasing number of FJCCIA members (**more than 5,500** as of June 2013) shows Japanese companies' strong commitments in ASEAN.

ASEAN Foreign Direct Investments net Inflow from extra-ASEAN (2012)



The number of member companies of FJCCIA

Country	June 2013	June 2012
Brunei	3	3
Cambodia	144	91
Indonesia	631	594
Lao PDR	56	41
Malaysia	568	556
Myanmar	107	56
Philippines	674	604
Singapore	772	675
Thailand	1,479	1,379
Viet Nam	1,213	1,035
Total	5,647	5,034

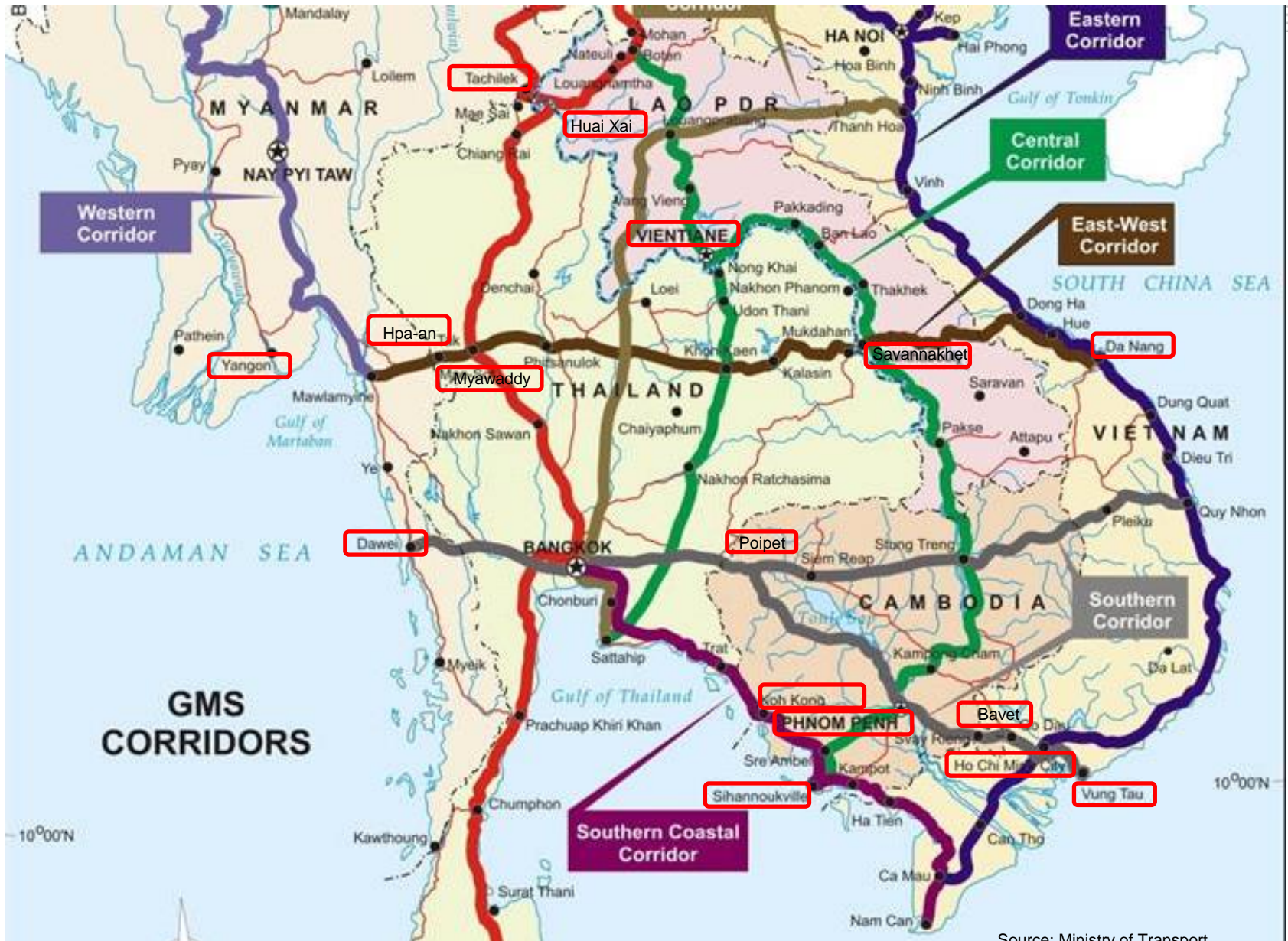
The outstanding position of Japanese investment in each ASEAN members by ranking in 2012(*3)

Country	Rank	Share
Thailand	1	63.5%
Vietnam	1	51.0%
Malaysia	1	13.4%
Philippines	2	23.9%
Cambodia	3	18.5%
Indonesia	3	10.0%

Note

- 1: Total numbers include regional chambers(e.g.Cebu in the Philippines, Danan in Vietnam, East Java, Bandon and Bali in Indonesia). The member companies of FJCCIA was 4,447 In 2010., 4944 in 2011.
- 2: FDI data is based on BOP (excluding intra-ASEAN FDI)

GMS Economic Corridors



Business Base for Thailand +1 Policy (by “corridor”)

Regarding Thai-Plus One bases already established, or with plans to develop in the economic corridor, the predominant response was “Yangon area (including Thilawa)” (31%) on the East-West economic corridor, followed by “Myanmar (including Dawei)” (22%), and “Phnom Penh” (18%) on the Southern economic corridor.

Unit: No. of firms and (%)

Ranking	Thai-Plus One bases already established, or with plans to develop in the economic corridor	Manufacturing		Non-manufacturing		Total	
1	Yangon area (including Thilawa) [EWEC]	12	(21)	16	(48)	28	(31)
2	Myanmar (including Dawei) [SEC]	11	(19)	9	(27)	20	(22)
3	Phnom Penh [SEC]	7	(12)	9	(27)	16	(18)
4	Vientiane [CEC]	9	(16)	6	(18)	15	(17)
5	Da Nang [EWEC]	8	(14)	1	(3)	9	(10)
6	Ho Chi Minh [SEC]	6	(11)	2	(6)	8	(9)
7	Savannakhet [EWEC]	3	(5)	2	(6)	5	(6)
8	Poipet [SEC]	2	(4)	1	(3)	3	(3)
8	Koh Kong [SCEC]	2	(4)	1	(3)	3	(3)
10	Sihanoukville [SCEC]	0	(0)	2	(6)	2	(2)
11	Myawaddy [EWEC]	1	(2)	0	(0)	1	(1)
11	Pa An [EWEC]	1	(2)	0	(0)	1	(1)
11	Vũng Tàu [SEC]	1	(2)	0	(0)	1	(1)
14	Bavet [SEC]	0	(0)	0	(0)	0	(0)
14	Huai Xai [SNEC]	0	(0)	0	(0)	0	(0)
14	Tachileik [SNEC]	0	(0)	0	(0)	0	(0)
—	Other	3	(5)	2	(6)	5	(6)
Total		66		51		117	
No. of firms		57		33		90	(100)

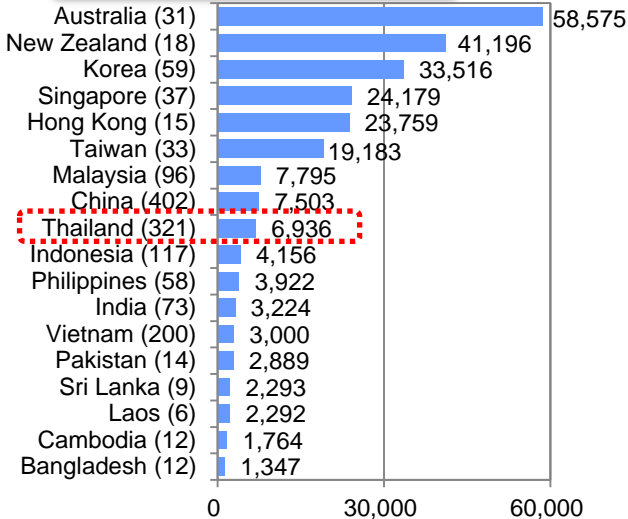
(Note) EWEC: East-West Economic Corridor, SEC: Southern Economic Corridor, CEC: Central Economic Corridor, SCEC: Southern-Coastal Economic Corridor, SNEC: South-North Economic Corridor

Source: JCC Bangkok Survey 2013

Annual Salary in Asia and Oceania

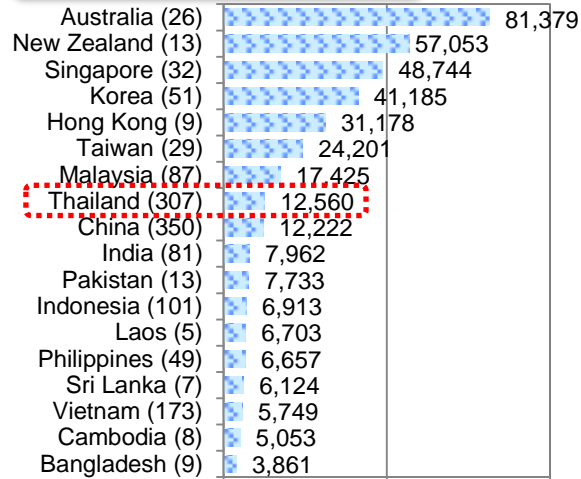
Worker, Manufacturing

Unit: US\$



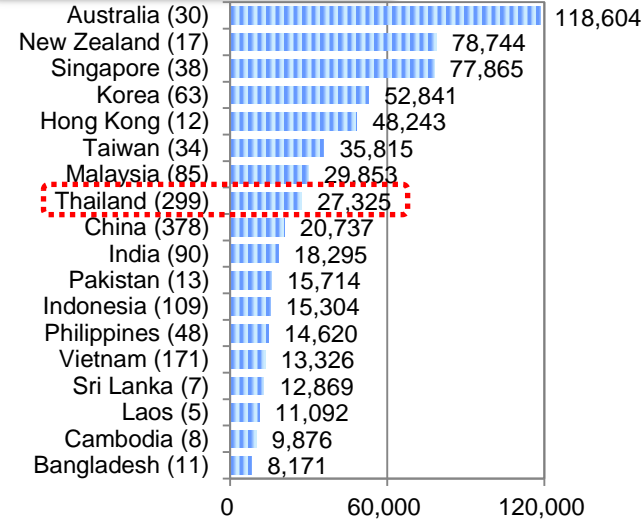
Engineer, Manufacturing

Unit: US\$



Manager, Manufacturing

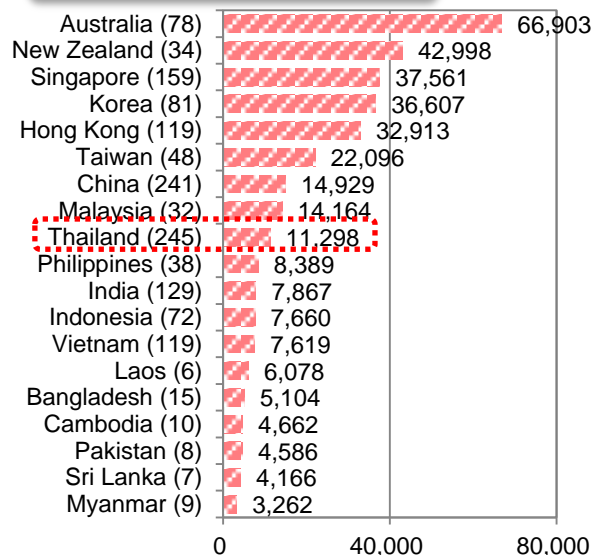
Unit: US\$



Reference: Myanmar(2) 1,135 US dollars for "worker, manufacturing", 1,741 US dollars for "engineer, manufacturing" and 5,542 dollars for "manager, manufacturing."

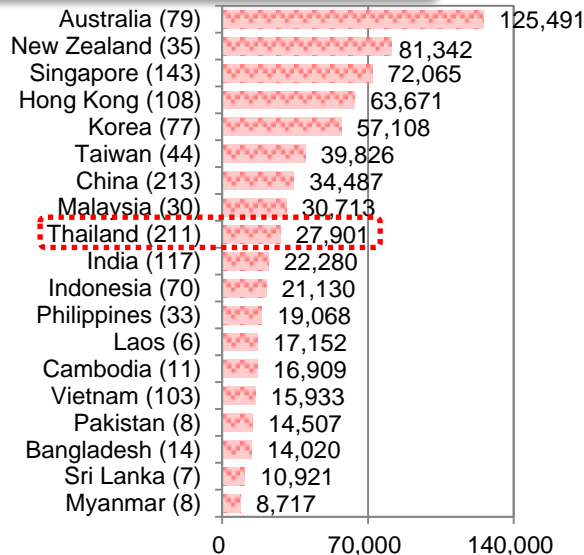
Staff, Non-Manufacturing

Unit: US\$



Manager, Non-Manufacturing

Unit: US\$



Annual salary: The total liability to an employee means the total of annual base salary, benefits, social security, overtime allowances, and bonuses are added; but excluding severance benefits. As of FY2013

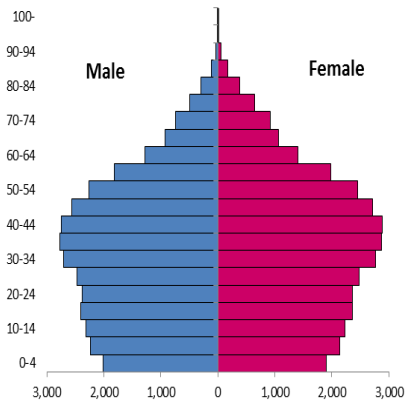
See previous page for definitions of worker, engineer, manager (manufacturing), staff, and manager (non-manufacturing).

Note: Except for Cambodia, average annual total pay burdens were reported in local currency (it was selective between local currency or US dollars for Myanmar) and converted to US dollars at the average exchange rate as of October, 2013 (except China, announced by each country's central bank. In China, it was announced by State Administration of Foreign Exchange of China). In Myanmar, because some firms used different currencies (the local currency or US\$), averages were calculated after converting salaries to US dollars.

Population Structure by Country (2012)

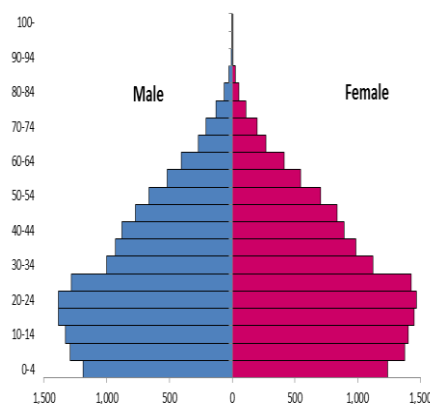
Thailand

Population: 66.403M
 Under 20 y/o: 25.7%
 65 y/o and over: 8.6%
 *Growth Rates: 0.3%



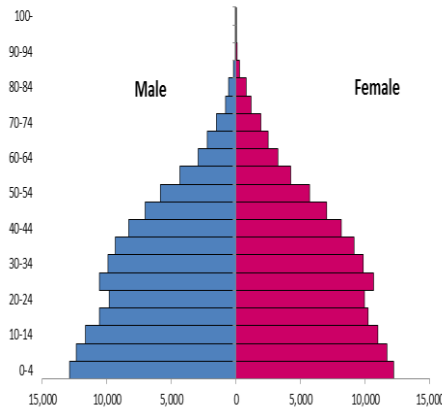
Malaysia

Population: 28.276M
 Under 20 y/o: 35.2%
 65 y/o and over: 4.5%
 Growth rates: 1.8%



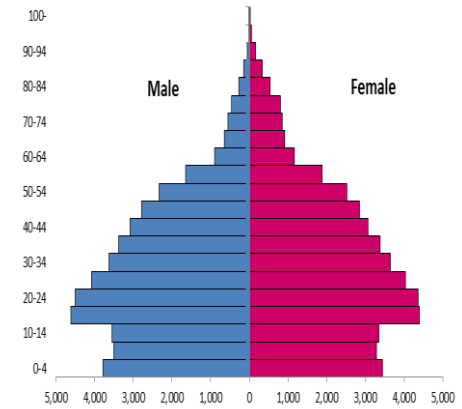
Indonesia

Population: 240.676M
 Under 20 y/o: 38.1%
 65 y/o and over: 5.0%
 Growth Rates: 1.4%



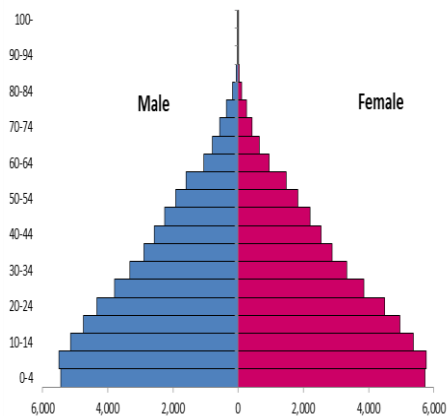
Vietnam

Population: 89.047M
 Under 20 y/o: 32.9%
 65 y/o and over: 6.4%
 Growth Rates: 1.2%



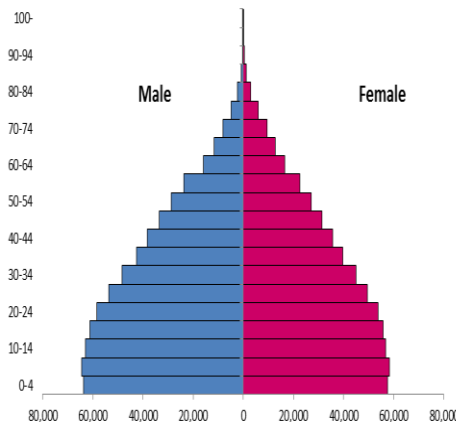
Philippines

Population: 93.444M
 Under 20 y/o : 44.7%
 65 y/o and over : 3.6%
 Growth Rates: 1.7%



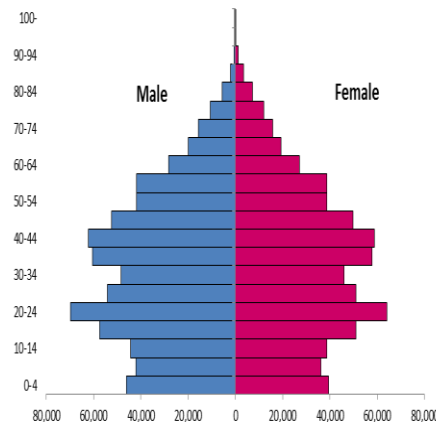
India

Population: 1,205.625M
 Under 20 y/o: 39.8%
 65 y/o and over: 5.1%
 Growth Rates: 1.3%



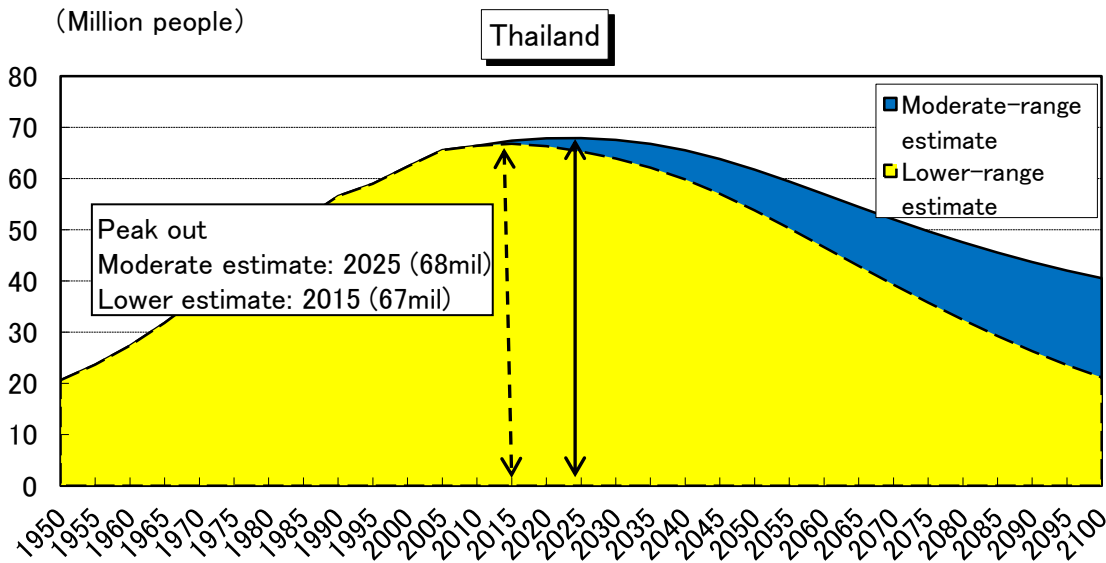
China

Population: 1,359.821M
 Under 20 y/o: 26.1%
 65 y/o and over: 8.3%
 Growth Rates: 0.6%

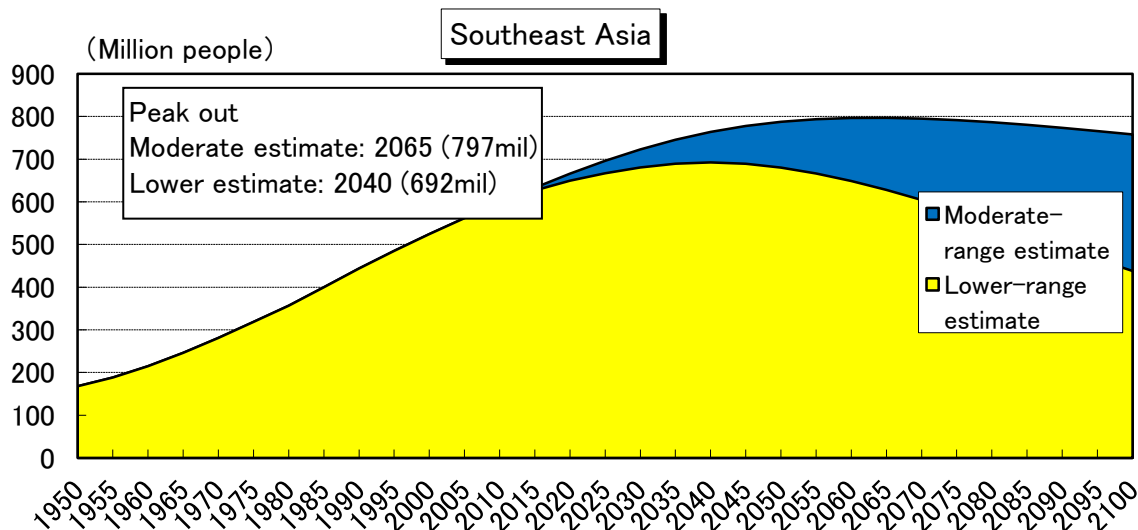


Thailand/China:
 Ratio of younger population is low, e.g. rate of young population under 20 y/o is less than 30%. The both countries have already entered an aging society in which elder population aged 65 and over has accounted for 7% of their totals separately.
Vietnam, Malaysia, Indonesia, Philippines, India:
 Ratio of younger population is high, e.g. rate of young population under 20 y/o is more than 30%. India and Philippines have a triangle-shaped population pyramid featuring a high proportion of young people.

Population Outlook

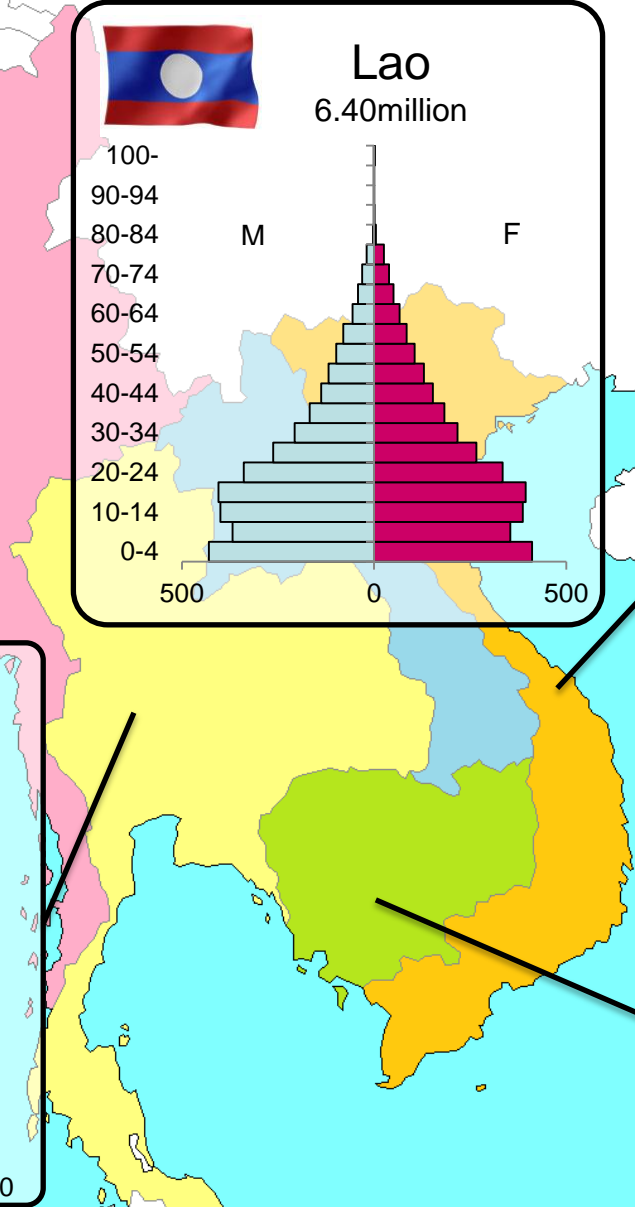
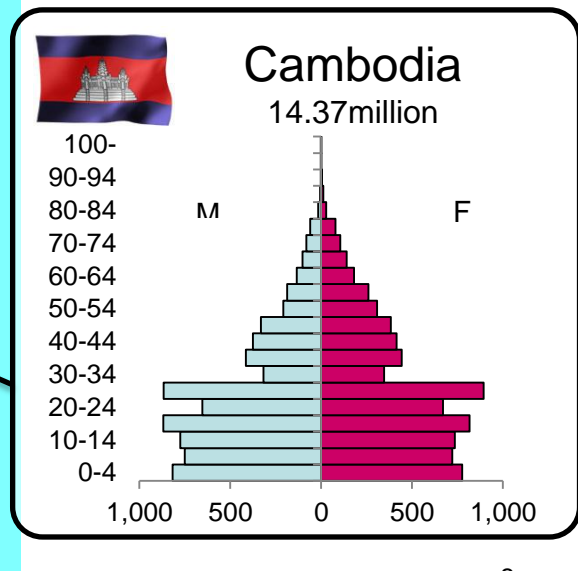
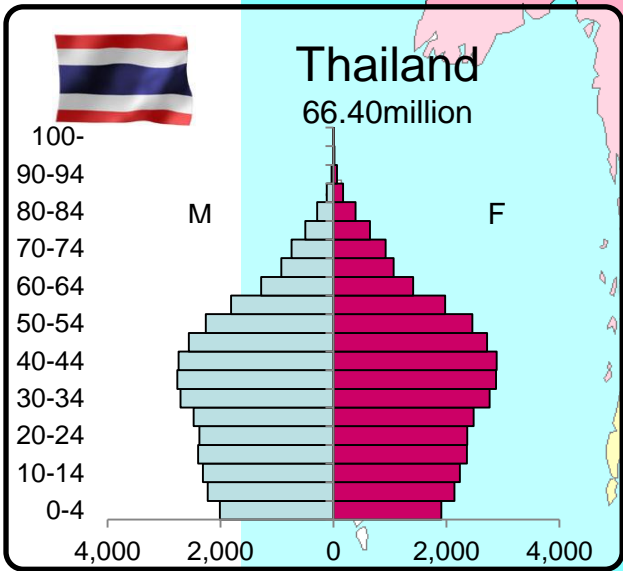
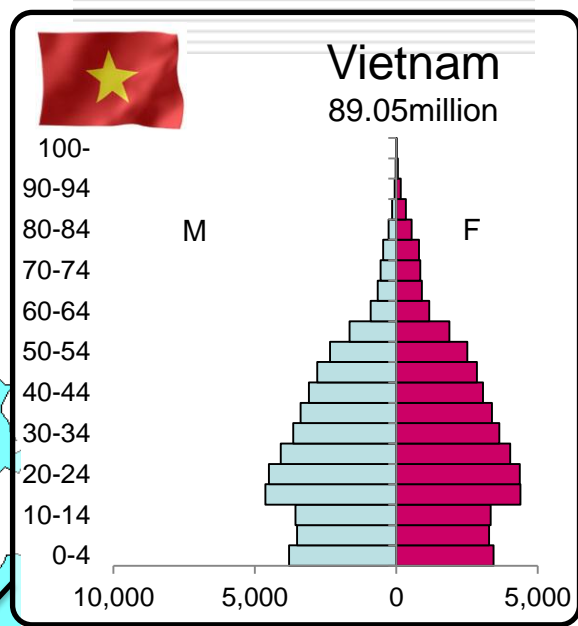
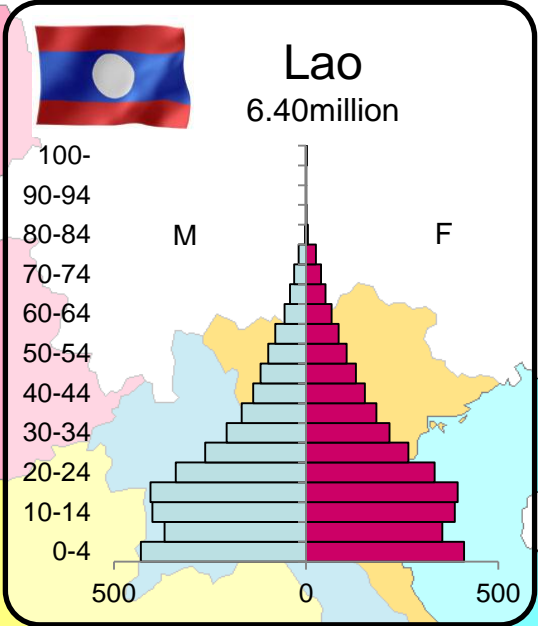
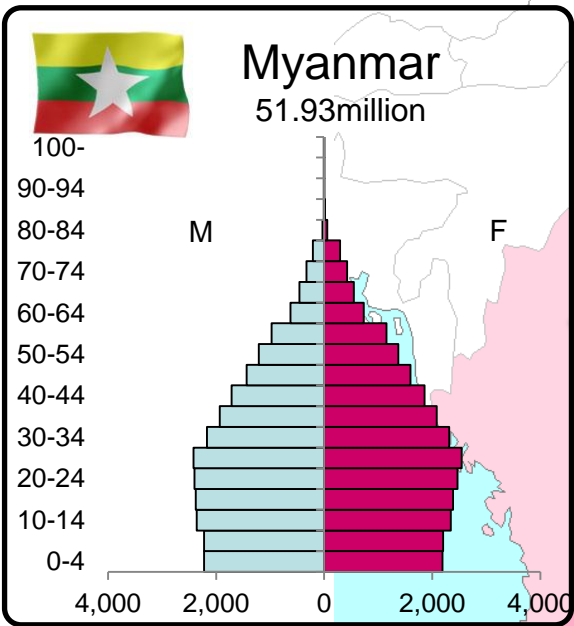


- ◆ Mobilization of elderly and foreign people
- ◆ Improvement of social insurance scheme



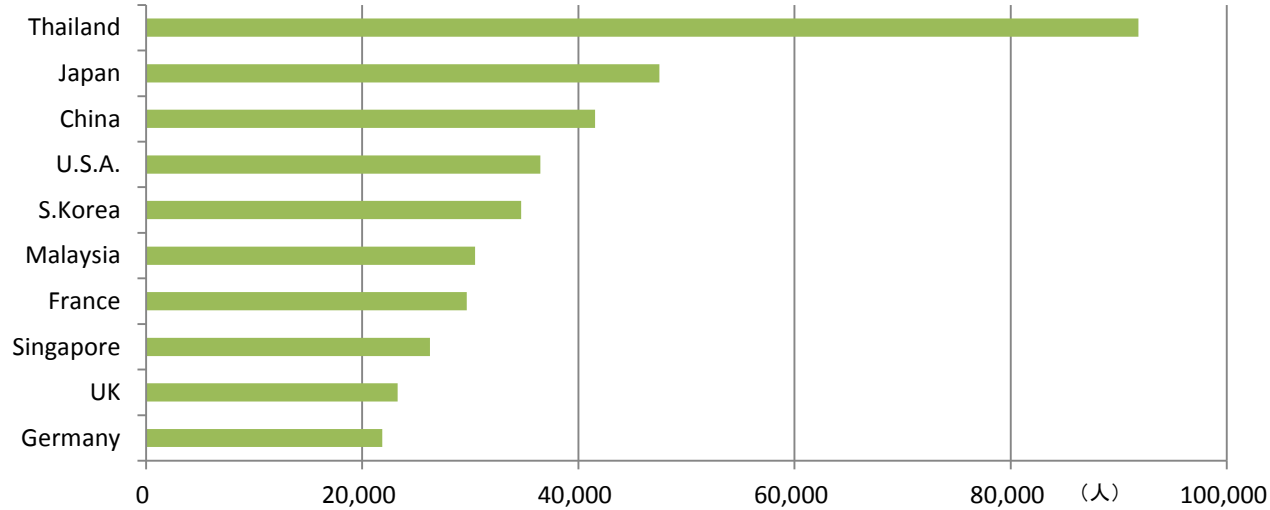
	life expectancy (years)	ratio of aged persons (%)	birthrate (person)
Thailand	70	13	1.6
Singapore	82	14	1.3
Vietnam	72	8	1.8
Cambodia	61	6	2.6
Lao	63	6	2.7
Myanmar	64	8	2.0
China	74	12	1.6
Japan	83	30	1.4

Population Structures in Mekong sub-region

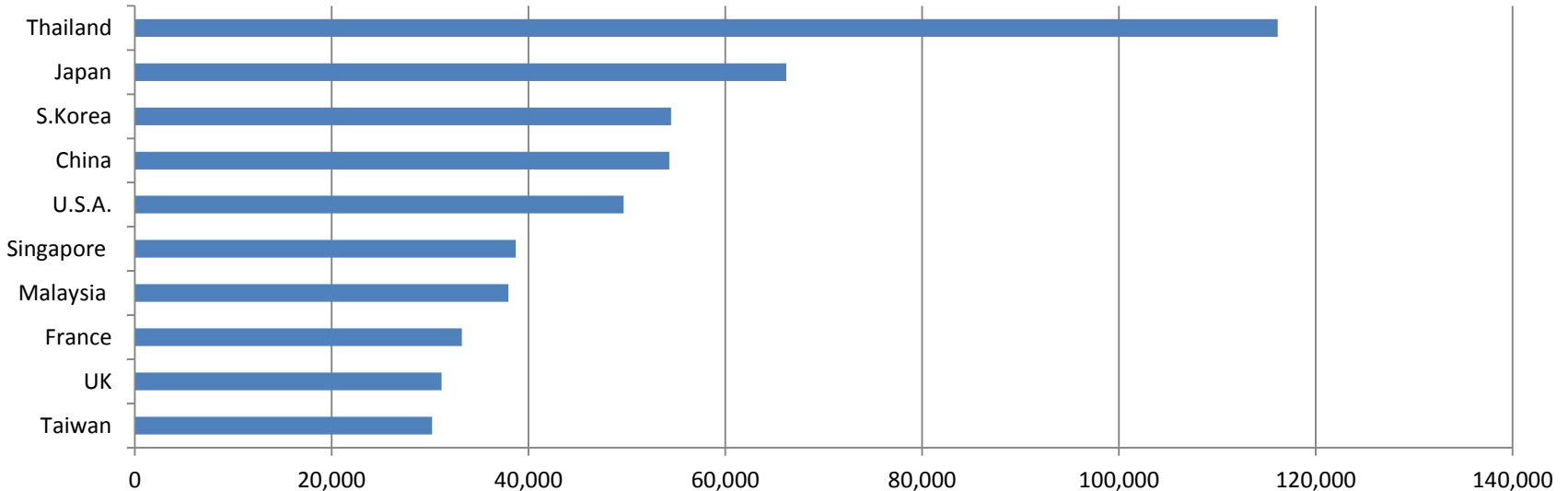


Visitors in Myanmar

Entries thru Yangon Airport (2012)



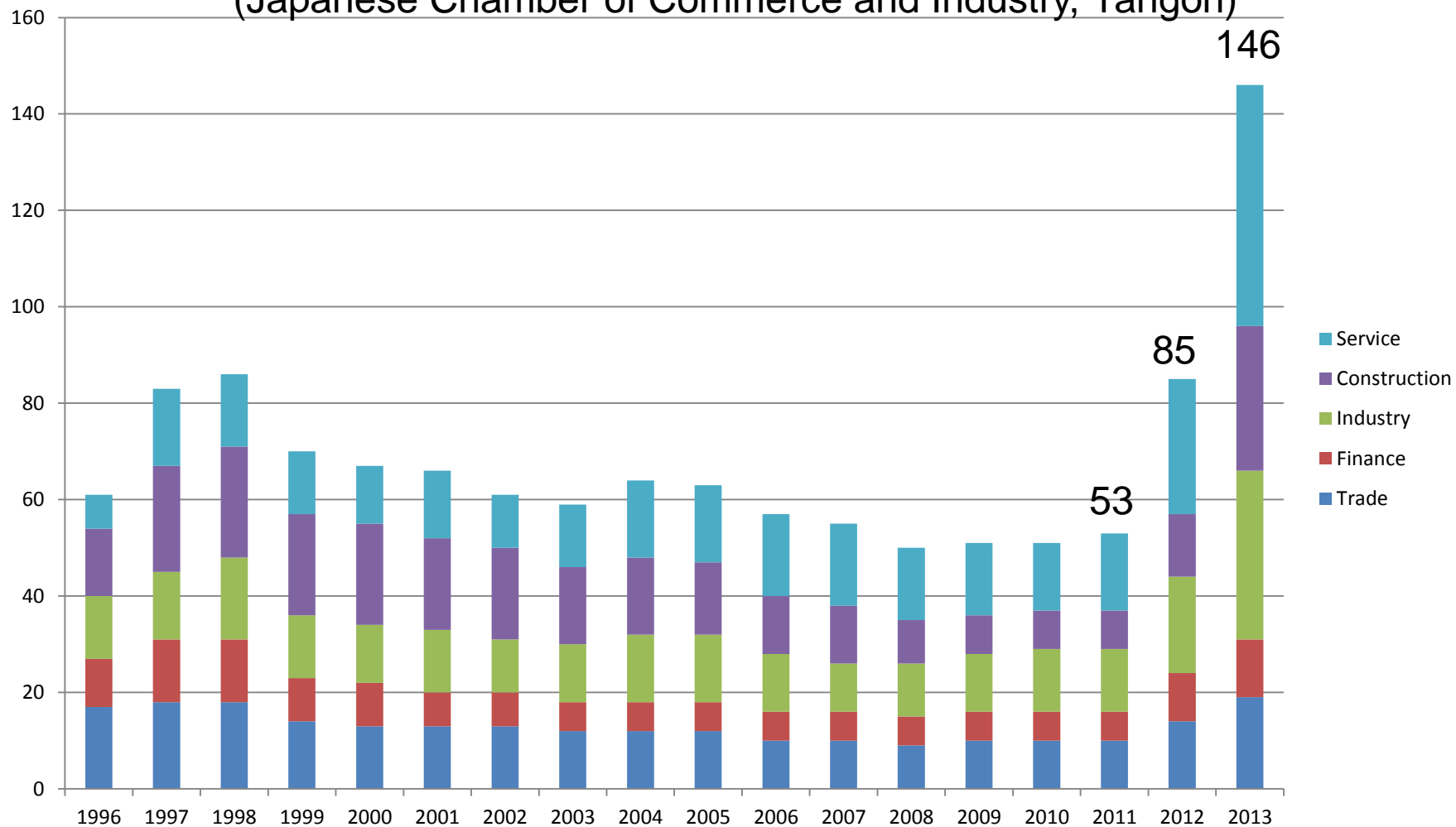
Entries thru Yangon Airport (2013)



Japanese Investors in Myanmar

Number of Member of JCCY

(Japanese Chamber of Commerce and Industry, Yangon)



Ease of Doing Business in Myanmar (rank)

Ease of Doing Business in Myanmar ranks 182 (out of 189 countries)

	2014	2013	Change
Starting a business	189	189	
Dealing with construction permits	150	140	↓ 10
Getting electricity	126	123	↓ 3
Registering property	154	149	↓ 5
Getting credit	170	167	↓ 3
Protecting investors	182	182	
Paying taxes	107	113	↑ 6
Trading across borders	113	114	↑ 1
Enforcing contracts	188	188	
Resolving insolvency	155	153	↓ 2

rf. Singapore:1, Malaysia 6, Thailand: 18,Japan 27,Vietnam: 59 ,Indonesia: 120, Cambodia:137, Lao: 159

Major Business Challenges in Mekong Sub-region

Thailand		(%)	
1	Wage increase (n=811)	73.4	(77.9)
2	Lack of employee performance/employee awareness among local staff (n=762)	57.3	(55.0)
3	Competitors' market shares are growing (cost-wise competition) (n=812)	55.5	(57.2)
4	Quality of employees (n=811)	51.4	(48.7)
5	Difficulty in recruiting local candidates for executive positions (n=762)	48.7	(50.3)

Vietnam		(%)	
1	Wage increase (n=432)	78.2	(81.5)
2	Difficulty in local procurement of raw materials and parts (n=276)	71.0	(74.5)
3	Complicated customs clearance procedures (n=422)	64.5	(53.9)
4	Lack of employee performance/employee awareness among local staff (n=402)	60.9	(60.5)
5	Difficulty in quality control (n=276)	49.3	(51.5)

Laos		(%)	
1	Difficulty in recruiting local candidates for executive positions (n=22)	68.2	(64.7)
2	Difficulty in local procurement of raw materials and parts (n=11)	63.6	(84.6)
3	Difficulty in recruiting general workers (Manufacturing only) (n=11)	54.5	(30.8)
4	Difficulty in recruiting middle management staff (n=23)	52.2	(64.7)
5	Wage increase (n=23)	47.8	(58.8)
5	Employee retention rate (n=23)	47.8	(52.9)

Myanmar		(%)	
1	Difficulty in local procurement of raw materials and parts (n=3)	100.0	(60.0)
1	Power shortage or blackout (n=3)	100.0	(100.0)
3	Wage increase (n=13)	76.9	(80.0)
3	Quality of employees (n=13)	76.9	(70.0)
5	Lack of employee performance/employee awareness among local staff (n=13)	69.2	(65.0)

Cambodia		(%)	
1	Difficulty in local procurement of raw materials and parts (n=14)	78.6	(81.8)
2	Lack of employee performance/employee awareness among local staff (n=25)	76.0	(60.0)
3	Difficulty in recruiting local candidates for executive positions (n=25)	64.0	(60.0)
4	Wage increase (n=30)	63.3	(34.6)
4	Quality of employees (n=30)	63.3	(42.3)

Source: Survey of Japanese-Affiliated Companies in Asia and Oceania 2013, JETRO