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**INTERNATIONAL BUSINESS DEVELOPMENT:
THE CASE OF MYANMAR ELECTRIC INDUSTRY**

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ABSTRACT

Purpose – This article is devoted to international business development issues taking into considerations the electric industry in Myanmar.

Methodology - The primary research methodology of this paper is based on conducting comparative and systematic analyses, causes and consequences analysis, methods of statistic grouping and expert assessment. It also implemented risk management analysis and market analysis in terms of the electric industry in Myanmar and ASEAN.

Originality/Value - Myanmar, previously known as Burma, is the second-largest country in South East Asia with a strategic geographic location bordering India, China, Thailand, Laos and Bangladesh having many contemporary attractive competitive advantages for international business development. The given research is studied the electric industry in the context of analysis of two big electric companies – ‘Thai Yazaki Electric’ (TYE) and ‘Peace Myanmar Electric Holding’ Company, operating both in Myanmar and ASEAN community. Thus, this paper presents the most contemporary analytical review of this current economic situation based on the latest data of 2016-2018.

Findings – It has been conducted the country’s macro-analysis, as well as micro-analysis of Myanmar’s cable and wire market including external and internal business environmental aspects. It has been studied the entry modes of the considered companies. On the basis of risk management methods, it is carried out the risk identification and risk assessment, and strategic risk management proposals are presented. Based on the current market review and strategic approaches to the competitiveness by M. Porter, it is revealed the positioning of companies and competitive advantages for the electric power industry within the domestic and foreign markets. Moreover, it is proposed the recommendations to accelerate the development of international business in the given industry.

Key words – International business, development, electric industry, Myanmar, ASEAN.

INTRODUCTION

Myanmar is the second-largest country in South East Asia with a strategic geographic location bordering India, China, Thailand, Laos, and Bangladesh. 70% of its 55-million population is rural. Myanmar’s GDP per capita is USD 1484,2 in 2017. The economy is predominantly agrarian and agriculture accounts for more than 70% of employment [1].

Myanmar was riddled with deep economic sanctions for nearly three decades as the international community reacted to the oppression of democratic liberties in the country. With restrictions on foreign investment and lack of assistance from multilateral organizations, Myanmar’s economy lagged behind its potential. With

a new government taking office in 2011, Myanmar's foreign relations have been improved. Sanctions are increasingly being lifted and assistance has started pouring in from ADB and World Bank.

As Myanmar embarks upon reversing the damage and realizing its potential, availability of electricity is crucial in all spheres – economic, health-related and educational. However, nowhere is the immensity of the task at hand more apparent than in the electricity sector. Less than 30% of households are connected to the electric grid. Per capita consumption of power is lowest in ASEAN. There is over-reliance on hydropower and erratic demand side management, especially in summer months. Current supply is almost 30% below demand, manifested in sweeping load-shedding [2]. Planning is centralized, haphazard and seemingly untouched by market dynamics. Power plants have numerous breakdowns and abysmal efficiency. Transmission and distribution networks are antiquated and omit large expanses. Highly-subsidized electricity tariffs and resulting fiscal deficits have crippled public investment in infrastructure. Skepticism over political stability, heavy-handed government terms, and deficient financing ecosystems discourage private entrants.

This paper is devoted to the study of international business development in the case of Myanmar electric industry, particularly taking into consideration two big electric companies - Thai Yazaki Electric (TYE) and Peace Myanmar Electric Holding company - operating in Myanmar and ASEAN.

In Thailand, Thai Yazaki Electric (TYE) wire company limited was founded in 1962 and the new factory has been completed in 1974 that to produce copper rod and aluminum rod, low-voltage power and control cable, high voltage power cable, aluminum cable, PVC insulated flexible wire and cable, PVC electric insulating adhesive tape, automobile insulating adhesive tape, automobile wire and cable, telephone and communication wire and cable. Thai Yazaki Electric has been agreed with Peace Myanmar Electric Holding company limited in 2014, to distribute their products as the only one authorized distributor in Myanmar. Currently, Peace Myanmar Electric Holding company is distributing the various products of TYE as well but according to the Myanmar market situation, they have to invest for production in Myanmar [3].

Peace Myanmar Electric Holding company limited was founded in 1994 and their main business is distributing the electric products and service for low voltage and high voltage power transmission and distribution system. The wire, cable and its related products are essential need to expand the electric power business. PME Holding has also distributed circuit breaker, meter, pipe lock lamp, relay and so many panel accessories over 20 years' experiences on those business partners so that they understand to expand which the related market needs [4]. Thus, the key research findings of the research are presented below.

KEY RESEARCH RESULTS

Macro-analysis of Myanmar. In Myanmar, wire and cable market with price competitiveness and good opportunities business in the future that are leading by Yazaki, Sumitomo, Standard, Eland, LS, TaiHan, Triple Circle, Golden Lion, Tai Sin, RR, Sun Light, Wilson, Universal such are penetrating since before 2014 but mainly have be competing by Yazaki, Sumitomo, LS, RR and Golden Lion. According to the contemporary market survey, their positions are as the followings (Figure 1).

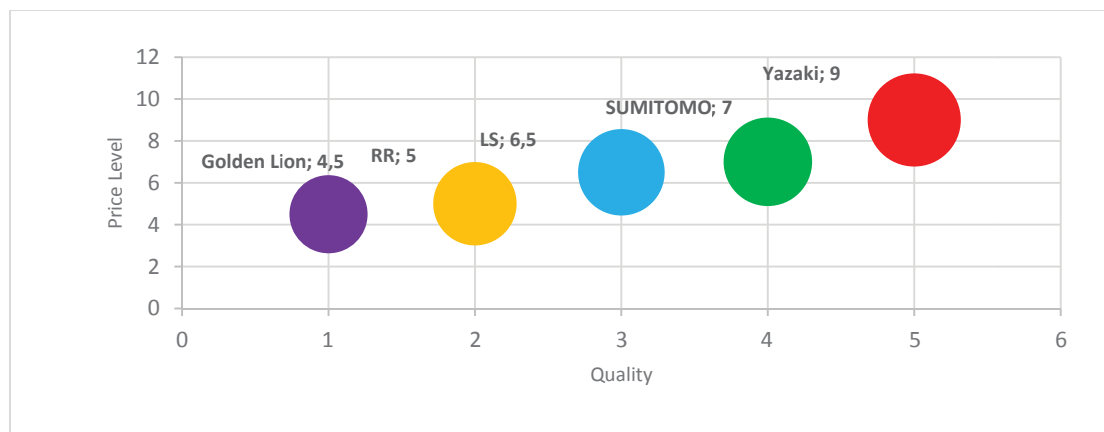


Figure 1 - Competitive Profile Matrix of Myanmar Electric Market

Note: Source – Compiled on the base of [2,3,4].

Building competitive profile matrix of Myanmar electric market, it needs to mention that Myanmar electric industry has over 20 years' experiences in electric and power system and also they have a lot of customer loyalty and strong organization.

Table 1 – Key Distribution Companies Network in Myanmar Electric Market

Critical Success Factor	W	Distributor Company									
		PMEH		WM Power		Alpha Power		Classic Engineering		Golden Lion	
		R	S	R	S	R	S	R	S	R	S
Advertising & Promotion	0.12	4	0.48	2	0.24	2	0.24	1	0.12	2	0.24
Product Quality	0.12	4	0.48	4	0.48	4	0.48	4	0.48	4	0.48
Price Competitiveness	0.12	1	0.12	2	0.24	2	0.24	2	0.24	2	0.24
Sales Distribution	0.12	3	0.36	2	0.24	3	0.36	2	0.24	2	0.24
Organization	0.02	3	0.06	3	0.06	2	0.04	2	0.04	1	0.02
Customer Care	0.02	3	0.06	2	0.04	3	0.06	2	0.04	1	0.02
Financial Position	0.08	3	0.24	3	0.24	3	0.24	2	0.16	3	0.24
Management Experience	0.08	3	0.24	2	0.16	3	0.24	2	0.16	2	0.16
Customer Loyalty	0.1	4	0.4	3	0.3	3	0.3	1	0.1	1	0.1
Global Expansion	0.05	2	0.1	4	0.2	2	0.1	2	0.1	2	0.1
Market Share	0.05	3	0.15	2	0.1	2	0.1	1	0.05	1	0.05
Sales Support	0.12	4	0.48	2	0.24	2	0.24	2	0.24	2	0.24
	1		3.17		2.54		2.64		1.97		2.13
		Yazaki		SUMITOMO		LS		RR		Golden Lion	

Note: Source – Compiled on the base of [2,3,4].

The distribution network is country wide already strategically located with branches at capital city Naypyidaw and Mandalay as well. According to CPM analyst (Table 1), (1) PME Holding, (2) Alpha Power company, (3) Wa Min Power company, (4) Golden Lion, and (5) Classic Engineering company.

There are three kinds of selling type as the marketing intermediaries that are modern trade, whole sellers and dealers for the wire and cable market in Myanmar. Modern trade like the one-stop selling for construction material and electric power of low voltage. The whole seller almost same the dealer but they are so many outlets more than the dealer and the dealer type like an electric shop.

The customer market is different from some Asian country that is an army. Normally, the market type or segment are a consumer, business, government, reseller and international but it needs to divide the army and government for the government sector in Myanmar cable market.

The Public. Between 2010 to 2018, the media publics is improving effectively more than the past as the rest, the local publics, government publics and internal publics are changing to improve that to be developed the country.

The Micro-analysis of Myanmar. *Geographic Opportunities.* Myanmar is the strategical located between India and China and has the neighbor countries of the important business window with India 1468Km, China 2129 Km and Thailand 2416Km and the coastline 1930Km is the chance to connect with western world (Figure 2).



Figure 2 – Myanmar in the Context of Geographic Opportunities

Note: Source [2].

It is many chances to do the seaport across the coastline. Currently, Yangon seaport is the main port and the other main port are Dawei seaport, Sittwe seaport and Kyaukpu seaport and then other prospective ports are Thandwe, Patheingyi, Mawlamyine and Kawthaung. The Dawei SEZ economic zone and Kyaukpu SEZ economic zone are constructing as the plan.

On the other hand, (Link-1) the strategical economic corridor link plan start form Dawei SEZ – Bangkok(Thailand)– Phnom Penh(Cambodia)– Hochiminh City(Vietnam). (Link-2) the Mawlamyine(Myanmar) – Thailand – Laos – Vietnam. (Link-3) From India – Tamu(Myanmar) – Naypyidaw – link to Mawlamyine. (Link-4) From India – Tamu(Myanmar) – Mandalay – Muse(Myanmar) – Kunming(China) – until Qinzhou [5].

The Demographic factors. According to the 2018 Census, the current Myanmar population is 55,3 million, and the population growth rate of 0.91%. The age structure 0-14 years 26.85%, 15-24 years 17.75%, 25-54 years 42.36%, 55-64 years 7.52% and 65 years and over 5.53% [2;5].

The 2018 Census shows an overall increase in the number of covenantal households from 6,495,621 in 1983 to 10,877,832 in 2018. The highest increase was recorded in Kayah State (166 percent), Shan State (119 percent) and Yangon Region (108 percent). The detailed information concerning demographic factors in Myanmar is presented in Figure 3.

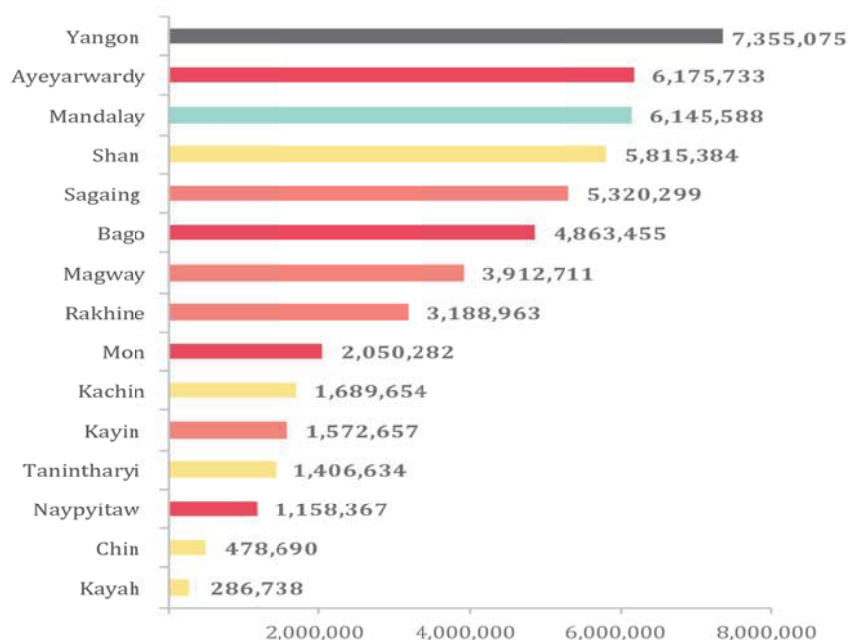


Figure 3 – Demographic Factors of Myanmar

Note: Source – Compiled on the base of [1;2;5].

Political factors. The threats of the political issues are cease-fire problem that mainly in Kachin state northern of Myanmar, Shan state and Kayin state in the east. Another problem is in western Rakhine state that is watching as a global issue. It is the neighbor country Bangladesh border as the problem of the race of Bangali case. Another one is the inherited oppression that the previous government held heavily visible mass releases of political prisoners almost 1,200 people have been freed since 2011 to begin locking up a new generation of activists simply for taking part in demonstrations over issues like education reform and land confiscation [2;6].

Economic factors. In Myanmar, construction market presents opportunities in real estate, building construction materials & building finishing materials that the market grew from USD 2.4 billion in 2011 to USD 3.95 billion in 2013, with 87% of spending coming from the private sector, especially from local companies. In the coming years, Solidiance forecasts Myanmar's construction market to reach at least USD 6.6 billion by 2018 that frontier market the fastest growing construction industry in the region [2;7-9].

According to the data provided in Figure 4, during 2016-2017 Foreign Direct Investment result, USD 9.6 billion invested that are mostly in power and oil and gas sectors as the government tenders [9].

Foreign investment in Myanmar's construction comes mostly from Asian companies like HK & Shanghai group, Capitaland, and Lotte. As foreign companies cannot buy land in Myanmar, they tend to partner with large local conglomerates like Yoma, Max, Naing & Shwe Taung Group [10].

Legal factors. As the new legal issue, the key Element of Myanmar investment law three mainly announces that are the most investment proposals no longer need to be screened or approved by the Myanmar Investment Commission. Tax 'holidays' of up to seven years are available for promoted sectors in certain geographic areas. The funds can be transferred overseas by foreign and domestic investors [11].

The key element of company law is the foreign investors will be able to own up to 35% of a Myanmar company before it is considered a foreign company [12]. The replacement of the inflexible Articles of Association and Memorandum of Association with a corporate Constitution. A company must have at least one resident director but that director does not need to be a Myanmar citizen. New protections for minority shareholders.



Figure 4 – Myanmar Foreign Direct Investment

Note: Source – Compiled on the base of [2;7-9].

Environmental factors. The huge mine of Monywa and Letpadaung copper mine project in the Sagaing region in Myanmar is running by China North Industries Corporation. Myanmar military government and China North Industries Corporation and Canada's Ivanhoe Mines Ltd agreed to operate since 2007. Many Myanmar people going up against the mine because of the environmental damage and those living near villagers against for health problems and environmental devastation around the mine that also chemical concentrated water, dying crops, higher cancer rates. In 2012, the parliament launched an independent organization was headed by Nobel laureate Aung San Suu Kyi but the villagers argued and to stop the mine and want to get their old land [13].

Regarding the Thai, Yazaki Electric has been agreed with PMEHL as direct export since 2014 that are using parallel direct export mode international representative office and foreign distributor (PMEHL) [12]. For Thilawa SEZ economic zone, it is running by mostly Japanese investors that while TYE is joining and dealing to direct connect the Japanese customers by the representative but if they have agreed to contract, PMEHL can sell and deliver to them because the TYE representative office made only the negotiation and manage the customer requirements. For the government and some localize projects, PMEHL distributes as a foreign distributor with agreement right. But according to the market situation, TYE has to make investment mode of joint venture subsidiary and as the production subsidiary of the rationalized manufacturer. In high voltage cable market and government tender, TYE direct export to PMEHL and they will distribute and compete the tenders. On the government side, they define the spec in with premium brand, for example; country of origin must be able to have Europe or Japanese brand. For the building wire and cable, market is not easy to compete especially for the price and local production so that they should invest and a joint venture with PMEHL to produce only building wire for competitive advantage before anticipating by the competitors. If they produce in local, can save the commercial tax and tax "holidays" of up to seven years and lead time for inventory shortage and high potential market demand of housing projects and rural power supply projects.

Risk Assessment and Risk Management. The risk has everywhere and every situation but different more or less depending on project expectation. The investment of the building wire production has many risks to manage with four steps that are risk identification, risk assessment, risk response development, and risk response control. According to risk identification, TYE has to consider landowner side to build the factory as the financial risk, and another one is human resource management and they have to recruit as well as any contractual obligation risk in the current political situation. In Table 2 below it is building the risk assessment matrix describing risk events, risk probability, risk impact and risk score ratings.

Table 2 – Risk Assessment Matrix

Risk event	Probability	Impact rating	Score
To build the factory with land side of ownership and financial assessment	100%	B (50)	50
To recruit the good train workers and supervisor level as HR assessment	100%	B (50)	50
To avoid the impact of political and regulation unstable, contractual obligation consistent	90%	B (50)	45
To complete right time schedule before anticipating by a competitor, distribution plan	100%	A (100)	100
To plan and schedule for the manufacturing assessment in time until the distribution process	100%	A (100)	100

Note: Source – Compiled by authors on the base of [3,4,7].

To construct the building wire factory, they have to plan like short term, medium term and long term that it shall start level 1 production line up and set up the machine for it after that the plan to upgrade and modify partially. Level 2 production development plan and level 3 with a contingency plan. The HR assessment also needs to prepare that increased manpower to depend on the production plan. The schedule is important that action plan and will reduce the risk level upon likelihood.

The Thai Yazaki Electric focuses are where government 40% in high voltage and medium voltage, the construction business that are main contractors, sub-contractors and developers 25% in medium voltage, the dealers and the electric retail shop of distributor that direct from PME H 40% in low voltage as the building wire market and others 5% [3;4;7]. That they expect to invest to build the product in Myanmar market.

The Competitor's Analysis. According to Michael Porter's [14] competitive strategy, TYE have to use the focus best-value strategy during penetrate the market and branding after that to use the differentiation strategy that a business model can't offer the best product at the lowest price and maintain a sustainable competitive advantage that managing together with PME H company in Myanmar. The reason for using the focus best-value strategy firstly, the medium voltage and building wire market niche is large especially in the government sector, they want quality brand and products as their spec in and another market niche in the main contractors and sub-con are going to handle mega project that also need the quality brand in the construction industrial included Thihlawa SEZ, Kyaukpu SEZ, and Dawei SEZ projects. Before entry of foreign investor around 2010-2013, the cable and wire industry leader (e.g. Golden Lion cable & wire) is local and they do not care that huge market niche by using cost leadership strategy to success because they don't have multi-product range and avoid that risks [15]. And also the cable and wire market is very complicated segments and many market niche in Myanmar that while they are taking care of their loyal customers only. On the other hand, the most of competitors are penetrating with the cost leadership strategy that included LS, they also prepare to produce the building wire in Myanmar that market will be reduced the market niche coming future. The 'Yazaki' brand is worldwide that cannot be able to change to cost leadership and the local rival seller already have the sources and many costing methods rather than foreign investors. TYE have many ways to differentiate for the different value and also many competitors as diverse that can complicate the buyer needs and the market trend also switch to quality products.

CONCLUSION

To conclude, nowadays Myanmar has very good opportunities not only the cable and wire but also the constructions, infrastructure development plans, the real estate potential, power supply need assessment are ready to develop in the implementing era. According to identified mega-projects before 2020 by Solidiance Research and Analysis, USD 4.087 billion in infrastructure, USD 1.262 billion in commercial and residential, USD 3.605 billion in industrial and USD 26.3 billion in power transmission and plant. Moreover, the strategic approaches of the Myanmar governmental bodies are directed to building activities including the plan where 10,000 housing units will be built and sold installments for low-end basic people [16]. The electricity and power supply will produce 6,000 MW more than the current 3,000 MW in case of the rural electricity development plan that is one of the reasons to increase the cable and wire market demand.

As for recommendations, the TYE could establish the representative office in Myanmar to study the market deeply and collaborate with PMEH. And then to use the investment mode for the building wire and do the joint venture with a local company as a rationalize manufacturer. For the medium voltage and high voltage, to use the direct export to the foreign distributor. Finally, to use the focus best-value strategy and after that change, differentiation strategy will be beneficial for the economic development of the country and ASEAN community as the whole.

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ТҮЙІН

Аталған мақала бизнесті халықаралық дамыту мәселелеріне, атап айтқанда Мьянмадағы электр өнеркәсібінің дамуына арналған. Мьянма, бұған дейін Бирма ретінде белгілі, Оңтүстік Шығыс

Азиядағы үлкендігі жөнінен екінші ел болып табылады, географиялық орналасуы стратегиялық маңызды, Үндістан, Қытай, Таиланд, Лаос және Бангладешпен шектеседі, халықаралық бизнесті дамытуға арналған көптеген қазіргі заманғы тартымды бәсекелестік басымдықтарға ие. Бұл зерттеуде Мьянма аумағында және АСЕАН қоғамдастығында әрекет ететін екі ірі электр компаниялары - «Тай Йязаки Электрик» (TYE) және «Пис Мьянма Электрик Холдинг» компаниясын талдау контексінде электр өнеркәсібі зерттелді. Мақаладағы зерттеудің негізгі методологиясы салыстырмалы және жүйелі талдауға, себептер мен салдарды, статистикалық топтама әдістерін және сараптамалық бағалауды талдауға негізделген. Елдік макро-талдау, сондай-ақ бизнестің сыртқы және ішкі аспектілерін қоса алғанда Мьянманың кабельдік және сымдық желілері нарығына микро-талдау жүргізілді. Қаралатын компаниялардың нарығына кіру режимі зерттелді. Тәуекел менеджмент әдістері негізінде, тәуекелдерді сәйкестендіру мен бағалау жүргізілді, оларды басқару бойынша стратегиялық ұсыныстар берілген. Нарықтың қазіргі заманғы шолуына және М. Портердің бәсекеге қабілеттілігінің стратегиялық көзқарастарына негізделе отыра, компанияларды жайғастыру және ішкі және сыртқы нарықтарда электр энергетикасы үшін бәсекелестік артықшылықтар анықталды. Бұған қоса, аталған салада халықаралық бизнесті дамытуды жылдамдату бойынша ұсынымдар ұсынылды.

РЕЗЮМЕ

Данная статья посвящена вопросам международного развития бизнеса, в частности развитию электрической промышленности в Мьянме. Мьянма, ранее известная как Бирма, является второй по величине страной в Юго-Восточной Азии со стратегически значимым географическим положением, граничащей с Индией, Китаем, Таиландом, Лаосом и Бангладеш, имеет много современных привлекательных конкурентных преимуществ для развития международного бизнеса. В данном исследовании изучена электрическая промышленность в контексте анализа двух крупных электрических компаний - «Тай Йязаки Электрик» (TYE) и компании «Пис Мьянма Электрик Холдинг», действующих на территории Мьянмы и в сообществе АСЕАН. Основная методология исследования статьи основана на проведении сравнительного и систематического анализа, анализа причин и последствий, методов статистической группировки и экспертной оценки. Был проведен страновой макроанализ, а также микро-анализ рынка кабельных и проводных сетей Мьянмы, включая внешние и внутренние аспекты бизнеса. Изучены режимы входа на рынок рассматриваемых компаний. На основе методов риск менеджмента проведена идентификация и оценка рисков, представлены стратегические предложения по их управлению. На основе современного обзора рынка и стратегических подходов конкурентоспособности М. Портера были выявлены позиционирование компаний и конкурентные преимущества для электроэнергетики на внутренних и внешних рынках. Более того, были предложены рекомендации по ускорению развития международного бизнеса в данной области.