Myanmar comes on board as Australian trade partner

Jemma Castle

Photo: Hutchison

MODEST CAPACITY: Myanmar International Terminal Thilawa is operated by Hutchison.

MARK Wood has been appointed to the new position of trade commissioner in Myanmar by the Australian government.

The appointment marks the opening of an Austrade office in Myanmar for the first time and is part of the Federal government's drive to help break into and expand in the emerging market.

"Austrade's role will be to help establish commercial relationships with this strategic market, forecast to grow 6% in the current financial year," said Austrade CEO Kevin Gosper.

Initially, a large part of this focus will be to help Australian businesses interested in the mining, resources, oil and gas and infrastructure sectors in Myanmar to enter that market.

However, in years to come there will likely be some opportunities that arise in terms of trade in agriculture, textiles and for Australia as a supplier of offshore and mining equipment, Mr Wood, the new trade commissioner in Yangon, told *Lloyd's List Australia*.

"There's going to be a lot of potential in that market. It's got all the right factors for economic development," said Mr Wood.

Australian sanctions on Myanmar began to ease at the beginning of last year and the appointment of a trade commissioner is part of the federal government's push to normalise trade.

Trade

While there were never trade sanctions in place between Australia and Myanmar, until about six months ago the Australian government had a hands-off approach to trade with Myanmar.

Australian businesses were allowed to trade with Myanmar but the volumes were small.

However since the dissolution of military rule in 2011, global focus has shifted to Myanmar as an emerging market. So if Myanmar is to be one of the next big markets in south-east Asia, what does this mean for the Australian shipping industry?

Currently there are no direct liner services between Australia and Myanmar. All cargo to the country is currently trans-shipped through trade hubs in Malaysia and Singapore according to Peter van Duyn, a maritime industry expert at the Institute for Supply Chain and Logistics.

Considering the port in Yangon, Myanmar's capital, is only handling about 500 containers per day, Mr van Duyn said there are not sufficient volumes for larger vessels to go to the port.

Yangon's port draft (10 metres) can only cater for ships with a capacity of around 1000 teu, so infrastructure developments will need to occur before trade can increase dramatically.

"Their infrastructure is fairly minimal; their roads are a problem," said Mr van Duyn.

Maersk currently runs four sailings per week departing from Yangon.

CMA CGM and Mitsui OSK Lines (MOL) also operate in Myanmar as well as a couple of other regional Asian lines. The national line is Myanmar Five Star Line which is fully state-owned.

However this could all change in due course.

While industry analysts do not think any dramatic increases in trade to Myanmar are going to happen overnight, there is a consensus that the market provides a lot of opportunity.

It seems the shipping lines agree. Maersk and MCC Transport, Maersk's intra-Asia feeder service, recently announced a permanent branch office in Myanmar following the cessation of trade sanctions from the US and the European Union.

Last year, the Myanmar market saw a throughput of about 400,000 teu, Maersk said in its announcement.

"Myanmar is the last untapped market in south east Asia," said Maersk managing director in Thailand, Henrik Jensen.

"With a population of 60m, Myanmar has the potential of becoming one of the largest consumer markets in south-east Asia, while the low cost labour is attracting low end manufacturing and production companies," said Mr Jensen.

Maersk is not alone in its decision to permanently enter the market in Myanmar.

Last month, MOL announced it would be setting up a fully-owned subsidiary in Yangon as an indication of its "continued commitment to the Myanmar market" it said in its announcement.

While shipping lines see increased opportunity for trade into the country, the current infrastructure is limiting.

However, there are plans to improve Yangon port. Last year, local media reported a three-year port development project to bring Yangon port into line with international standards.

On top of this there are also discussions about new ports.

"There are plans of having an inland container port," said Mr van Duyn.

Expansion

Currently cargoes are barged up the river on smaller vessels.

Last year the United Nations Economic and Social Commission for Asia and the Pacific proposed that a dry port be built in Mandalay to facilitate the trans-shipment of cargo to inland destinations.

Three other port developments are also being considered – an expansion of the pre-existing port at Thilawa near Yangon, a port in Dawei in the south east near the Thai border to develop a new trade route through Thailand and one over the west in Kyaukphu for oil and gas.

Myanmar is a country rich with natural resources and opportunities for foreign investment in mining and the oil and gas sector are the most promising. However, there are also some opportunities in the agricultural and manufacturing sectors in years to come.

Jared Bissinger is a PhD candidate at Macquarie University specialising in trade with Myanmar. He said that Myanmar's imports currently consist predominantly of basic consumer goods, refined fuels, and luxury goods.

"There's definitely scope for Australia to export goods like pharmaceuticals, where the 'Made in Australia' (or made in the 'west') label matters to consumers who are looking for quality," said Mr Bissinger.

Exports from Myanmar are predominantly raw materials such as natural gas, hardwoods, metals, precious stones, agricultural products and a "small but growing export-oriented" garment manufacturing sector, said Mr Bissinger.

Raw materials are a potential candidate for trade with Australia as well as the fledgling garment industry.

Academic member at the Sydney South-east Asia Centre at the University of Sydney, Nigel Finch, said that as the Myanmar market is emerging it is hard to predict what upcoming trade will be.

Luxury goods, mining equipment and wheat are the three areas of opportunity for Australian exports said Mr Finch.

Currently Australian exports to Myanmar are worth $82m and are dominated by wheat ($54m). Most low-cost imports to Myanmar will likely come from within Asia, places like China, said Mr Finch.

However, luxury goods such as wine and premium quality foods, which have already been successfully shipped into other parts of Asia are a likely candidate for increasing trade between the two countries he said.

"There is an emerging affluent sector of the economy," said Mr Finch.

Opportunity

The other area is capital equipment. As the mining and oil and gas sector comes on board, high end specialised equipment may well be shipped from Australia.

For example, Mongolia imported a lot of its mining equipment from Western Australia, said Mr Finch.

"The threat of course is that Chinese service providers win," he said.

However, Mr Finch Australia has a good relationship with Myanmar at the moment.

"We were the first country to lift sanctions and that hasn't gone unnoticed," he said.

On the commodities level, Myanmar is quite self-sufficient, meaning that it will continue to be dominated by wheat exports.

Other areas that have the potential to develop are in the food and beverage sector said trade commissioner Mr Wood.

Some of the international brewing companies are looking at local production, said Mr Wood. Barley, which goes into beer production, is not something that is produced locally and could become a potential export for Australia.

Another area is milk powder. Mr Wood said that Australia is already exporting about 60-100 containers of milk powder each year.

Dairy producer, Fonterra's New Zealand branch is also making plans to open an office in Myanmar later this year.

Last month, Fonterra's CEO and chairman met with Myanmar's president Thein Sein to develop the partnership.

The consumption of higher protein foods is likely to increase as the standard of living improves.

Mr Wood said that securing import and export licences in the past have been problematic. However, the government has just announced it will be removing the requirement for import licences for a lot of products he said.

In order to make Myanmar a more attractive country to do business in, President Thein Sein is revising the country's foreign investment law and mining legislation.

Fast facts – Myanmar

Population: 62m

GDP: $54bn (poorest country in the ASEAN region)

Per capita GDP: $850

Australia's main exports: wheat ($54m), pigments paints and varnishes ($7m), edible products ($5m) and milk, cream, whey and yoghurt ($5m)

Australia's main imports: fish ($4m), crustaceans ($3m), vegetables ($2m) and clothing $1m)

Coastline: 1930km

Myanmar's biggest exports: timber, jade, natural resources

Both Myanmar and Australia are signatories to the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA).

Myanmar shipping facts

- National shipping line is Myanmar Five Star Line which is fully state-owned.
- There are no direct services between Myanmar and Australia.

Ports

All ports in the country are administered by the government's Myanma Port Authority under the management of the ministry of transport.

Yangon is the only container terminal. About 90% of the country's total trade goes through Yangon.

Terminals:

Myanmar International Terminal Thilawa – Hutchison's container terminal. Operates 24/7. The terminal has five berths capable of handling various cargoes. It has two 40 tonne quayside cranes, five berths.

Myanma Port Authority facilities – container and general cargo. It has one 30.5 tonne quayside crane.

Myanmar Integrated Port Limited – a private foreign investment that deals with bulk and general cargoes. It has one berth – general cargo and edible oil.

Asia World Port Terminal – part of the Burmese conglomerate Asia World Group. It handles general cargo and containers and has three wharves.

Myanmar Industrial Port – Handles containers and general cargo with two wharves.

The eight other ports are: Sittwe, Kyaukphu, Thandwe, Pathein, Mawlamyine, Dawei, Myeik and Kawthoung.