

Chapter 4-3

FLOWCHART APPROACH TO INDUSTRIAL CLUSTER POLICY IN YANGON

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Abstract

There are 18 industrial zones in the whole country. However, necessary measures should be taken to establish well-structured industrial zones. Most industries are not provided with sufficient supply of electricity for production. Yangon transport infrastructure is relatively underdeveloped compared to those of other Southeast Asian countries.

Objectives of the study

The objectives of the flowchart approach survey are to assess the industrial zone, to find out bottlenecks in production networks, to recommend appropriate timing and sequence of policy measures to develop industrial clusters and to attract and invite anchor firms.

Institutional structure for industrial development in Myanmar

The Industrial Development Committee (IDC) headed by the Head of State stands at the top of the institutional structure followed by the Myanmar Industrial Development Committee (MIDC) headed by the Prime Minister. Under the MIDC, the Myanmar Industrial Development Working Committee (MIDWC) chaired by the Minister for Industry No (2) was established to encourage the production of machinery and equipment for industrial use.

The roles and functions of industrial development committees are to assist in better production and management techniques, R&D and standard quality control; to assist in technology transfer and providing consultations for process and management improvement; to encourage production of machinery and equipment for industrial use;

and to provide financial assistance to specific industry located at industrial zones. The industrial zones and sub-industrial zones are under the control and supervision of the respective Industrial Zone Supervisory Committees and Industrial Zone Management Committees.

The situation of the industrial zones

In Yangon, there are 10 industrial zones, namely: Hlaing Thayar, Shwe Pyi Thar, Shwe Pauk Kan, North Okkalapa, South Okkalapa, East Dagon, South Dagon, Dagon Seikkan, Thaketa, and Thilawa. These industrial zones have a total of 5,469 industries. In the Mandalay industrial zones, there are 1,267 industries such as food industry, clothing, construction, consumer goods, household goods, printing and publishing, industrial raw materials, oil and minerals, agricultural machinery, machinery and parts, transportation, electric goods, and general industry. In the Myeik industrial zone, there are 26 industries operating different kinds of industrial activities. Industries such as food industry, wood-based industry, raw materials, light truck production and general industry could be found in the Myeik industrial zone.

The survey team carried out the flow chart approach survey in November 2008 by interviewing 10 key reliable respondents who have knowledge of industrial zones and industrial development in Yangon. These 10 respondents consisted of two departmental officials, one professor, two executive members of industrial association and five industrialists. They were asked three sets of questions.

- 1) **Industrial zone:** There are 18 industrial zones and 28 sub-industrial zones in the whole country. However, some zones do not meet the fundamental objective of industrial development and necessary measures should be taken to establish well-structured industrial zones.
- 2) **Electricity:** Electricity distribution is still limited in Myanmar and most industries are not provided with sufficient supply of electricity for production. Insufficient electricity supply poses a big problem for industrial development and it discourages the entrepreneurs to sustain or expand their industries.

Table : Questionnaires on industrial cluster policy: Yangon Industrial Zones Flow chart approach survey

	1	2	3	4	5	6	7	8	9	10	Result	Problems
1. Do industrial zones exist sufficiently?	X	X	X	O	X	x	O	X	x	O	3	X
Capacity building: Physical infrastructure												
2. Does transport infrastructure exist sufficiently?	X	X	X	O	O	X	X	X	X	X	2	X
3. Does electricity infrastructure exist sufficiently?	X	X	X	X	X	X	X	X	X	X	0	X
4. Does communication infrastructure exist sufficiently?	X	X	X	O	O	X	X	X	X	X	2	X
5. Does port infrastructure exist sufficiently?	X	X	X	O	X	X	X	X	X	X	1	X
6. Do institutions exist sufficiently?	X	X	X	X	X	X	O	X	X	X	1	X
Human resources												
7. Does unskilled labor exist sufficiently?	O	O	O	O	X	X	O	O	O	X	7	
8. Does skilled labor exist sufficiently?	X	X	X	O	X	X	X	X	X	O	2	X
Living conditions												
9. Do hospitals exist sufficiently?	O	O	X	X	O	O	X	O	O	X	6	
10. Do schools exist sufficiently?	O	X	O	O	X	O	O	O	O	O	8	
11. Do entertainments exist sufficiently?	O	O	X	X	X	X	X	O	O	O	5	X
12. Do thefts happen?	X	X	X	X	X	O	O	X	X	O	3	X

Source: (interviews in Yangon in November 2008) (O= Yes, X= No)

- 3) **Telecommunications:** Telecommunication services are under the control of the Myanmar Post and Telecommunication, a government enterprise. Internet/email facility is not reliable and Myanmar has direct satellite links to eight countries such as Japan, Hong Kong, Singapore, Thailand, India, UK, Australia and Indonesia.
- 4) **Transportation:** Yangon transport infrastructure is relatively underdeveloped compared to those of other Southeast Asian countries. Most respondents suggested that the existing roads should be maintained and upgraded because the roads are still underdeveloped to cope with the increasing traffic volume.
- 5) **Port:** The port facilities are poor and need to be developed to modern standard to efficiently handle cargo and containers. The port services are aggravated by

the red tape type of management system and the port location is not on the international sea line.

- 6) **Others infrastructure:** Good quality water can be available for industrial use in industrial zone areas. Other infrastructures such as supporting industries are not yet developed.
- 7) **Institutions:** The Industrial Zones Management Committees were formed under the Industrial Zone Management Order No (1/97). There is lack of one-stop service (OSS) and it is necessary that OSS should be provided in the industrial zones or in the zone group.
- 8) **Unskilled labor:** There is a large size of unskilled labor although there is a labor issue of migration moving to neighboring countries for better income. While labor turnover is high in some industries, there is no serious problem in relationship between management and employees.
- 9) **Skilled labor:** Most of the engineers are technically competent and highly skilled. Some factories try to keep their efficient employees by paying attractive salaries. However, some industries have launched a training program of capacity building to train workers to take charge of the operation.
- 10) **Hospital:** There are international medical centres and hospitals such as the 'Pan Hlaing' hospital in Hlaing Thar Yar and the 'Pin Lon' hospital in North Dagon. There are also many private clinics that provide good health care services.
- 11) **School:** In Yangon, there are international schools and other private education/ learning centres.
- 12) **Living condition:** There are hotels and apartments which are widely used by business persons, foreign expatriates and tourists. In the Hlaingthayar Industrial Zone, residential complex, supermarkets and shopping centres have proved to be standard service facilities.

Bottlenecks of industrial cluster

The bottlenecks which hinder the development of industrial clusters include electricity shortage, lack of one-stop service, time-consuming procedure of license application and permit issuance, restriction on imports of raw materials, lack of sound trade and industrial policy, weak control on informal and illegal imports, absence of tax relief and exemption, limitation to enjoy GSP, double or repeated taxation system applied to raw materials and finished goods, scarcity in skilled workers and technicians, and higher transportation cost due to scattered supporting industries.

Prospect for industrial cluster

The definition of industrial cluster in Myanmar has become complex with the agglomeration of industries, in which the combination of the same industries has been regarded as a cluster. The linkage among industrial clusters is weak in the industrial

zones, i.e., the main or mother industry and supporting industries are kept far away from one another. The flow chart approach suggests that industries such as fishery, wood-based, automotive, and plastic should be regarded as industrial clusters in Myanmar.

Policy recommendations for inviting anchor firms

It is recommended that regulation, institution, infrastructure, and human resources should be improved to invite anchor firms. Through the cooperation of government and related organizations and the promotion of infrastructure development, Myanmar could become an attractive country for anchor firms to invest in.

