

THE ROLE OF MYANMAR IN ASEAN ENERGY SECTOR

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Abstract

As the government of the union of Myanmar has made significant progress towards the marked oriented economy, the government has been striving hard to promote all-round development of national economy to upgrade the living standards of its people, results that have been achieved. So far are quite favorable for the general well-being of the people, what is really needed for further development is the influx of capital and appropriate technology, managerial Skills and access to international market in order to reap the most effective benefit of its endowment in natural and human resources. This is the most opportune time for foreign investors to do business in Myanmar. Myanmar Industries Association and ASEAN organization is most desirable at the present moment to obtain the successful development of an economic trade and investment atmosphere that will ultimately lead to the prosperity of the Southeast Asia country.

Keywords: *Myanmar, ASEAN, Energy programs, commerce and trade*

1. Introduction

Myanmar has been a full time of ASEAN Since July 1997. Indonesia, Malaysia, Philippine, Singapore and Thailand founded the ASEAN of Bangkok on 1 August 1967. ASEAN countries were developed in economy since last three decades. Myanmar was more than twenty years ago with socialist economy. After 1988, the state law and order Restoration council (SLORC) Government was in Myanmar. SLORC Governments economy policy was market oriented economy. In 1997, Myanmar become a ASEAN member and also a BIMST-EC member So ASEAN nations will have opportunity to cooperate in the economic programs. In 1992, ASEAN nations agreed to AFTA agreement ASEAN nations competed to get the good prices in raw materials and enhance to develop the production. ASEAN economic co-operations persuaded external investors.

Myanmar started the agreements to elaborate in 1st January 1998. Myanmar firstly Started the AICO program. Economic cooperation was to expand the ASEAN Industrial markets. The AICO program could be utilized in independent companies in ASEAN region. ASEAN Economic program committee was organized in April 1998. This committee collaborated with UMFCC and National (AFTA) unit.

In 1998 Hanoi in Vietnam had many attitudes to develop the AESAN Vision 2020. The ASEAN plant of Action for Energy cooperation (1994-2004) had six programs by Hanoi

plan of Action 1998. Myanmar worked in ASEAN program in an energy cooperation. Myanmar also agreed to the program of natural gas pipeline connection and coal production. Myanmar also studied energy sector of the ASEAN plus 3 countries of China, South Korea and Japan. In the future Myanmar may be important in ASEAN Energy sector.

This paper aims to analyze the tasks from the The Role of Myanmar in ASEAN energy sector, major objectives of this paper are: (i) to study the Associating of the South East Asia Nation (ASEAN); (ii) to cooperate Myanmar and BIMST-EE; (iii) to find out the major factor to develop benefits from ASEAN energy programmed for Myanmar.

2. Method

This study user descriptive method based on available secondary data and information from ASEAN countries economic of BIMST-EC from libraries and internet.

3. Results

According to the studies, to establish interconnecting arrangement in the field of energy and utilities for electricity, natural gas and water within ASEAN through the ASEAN power Grid and Trans-ASEAN Gas pipeline and promote cooperation in energy efficiency and conservation, as well as the development of new and renewable energy resources of the country and systematically implementing plants of Energy Sector.

The Founders of the Association of Southeast Asian Nations (ASEAN) envisioned it as eventually bringing together all the countries of Southeast Asia and getting them to cooperate in securing the region's peace, stability and development. Only five countries Indonesia, Malaysia, the Philippines, Singapore and Thailand signed the ASEAN Declaration of 8 August 1967. Thirty-two years later on 30 April 1999 ASEAN encompassed all ten countries of Southeast Asia by admitting Cambodia. Brunei Darussalam had been admitted in 1984, Viet Nam in 1995 and Laos and Myanmar in 1997. When the east Asian financial crisis broke out in July 1997, many people thought the Southeast Asian countries would retreat into isolationism and protectionism ending ASEAN's vision of regional economic integration. Even at the height of the crisis, in December 1997, ASEAN leaders had spelled out their vision of an integrated ASEAN economy in the first two decades of the century. As their ASEAN Vision 2020 put it, the leaders committed themselves to "closer cohesion and economic integration". The Declaration reads: "We will create a stable, prosperous and highly competitive ASEAN Economic Region in which there is a free flow of goods, services and investments, a freer flow of capital, equitable economic development, reduced poverty and social-economic disparities."

ASEAN's path to economic integration has evolved over the years. The very first sentence of the Bangkok Declaration, which set up the organization in 1967, spoke of "mutual interests and common problems among countries in Southeast Asia" and called for

a “firm foundation for common action to promote regional cooperation”. Economic cooperation at the time dealt with programs for joint ventures and complementation schemes among ASEAN governments or companies.

The most important move towards this new model was made at the Fourth ASEAN summit in 1992, at which member countries agreed to create the ASEAN Free Trade Area. A market of close to half a billion people would allow corporations in ASEAN to take advantage of economic of scale. They would also have access to the best prices for the raw materials they require, even as competition among them would stimulate their productivity and efficiency. An integrated ASEAN Economy would be a potent attraction for investors outside the region-who generally prefer large, integrated and efficient markets to small, fragmented and in efficient ones.

The 1992 agreement to set up the ASEAN Free Trade Area (AFTA) was the organization’s first breakthrough towards creating an integrated ASEAN economic region. The main implementing mechanism for AFTA is the Common Effective Preferential Tariff (CEPT) Scheme, also adopted in 1992. Under the CEPT, tariffs on a wide range of products traded within the region are progressively either lifted totally or limited to a maximum of 5 percent. Quantitative barriers -limits on the volume of certain products a country imports and other non-tariff barriers such as outright prohibition ad unnecessary technical requirements are being eliminated.

AFTA’s final goal is to eliminate altogether import duties on all products to create a truly free-trade, or tariff-less, region. The Third ASEAN Informal Summit in Manila in 1999 advanced the time table for this goal to 2010, ahead of the original schedule of 2015, for the six original signatories to the CEPT scheme - Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand. The newer ASEAN members - Cambodia, Laos, Myanmar and Viet Nam - have committed themselves to eliminating all import duties by 2015, with some sensitive products to follow these members’ original target for 2018.

Table 1: Year 2001 CEPT (Common Effective Preferential Triff)

Product List	Percent
Sensitive	0.55
Temporary	13.21
General exception	1.27
Inclusion	84.97

According to the CEPT Agreement, member countries have to complete the establishment of AFTA within ten years. As Myanmar is a new member country, the

commencing will start from 1st January 1998. In order to achieve the ASEAN free trade area the main instrument is the CEPT scheme. The year 2002 and 2003 ending date is applicable to Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand i.e. ASEAN-Six. For Vietnam, it will be in the year 2006, for LAOS PDR and Myanmar in 2008, for Cambodia in 2010. So there is a phase-in period here, of the year 2003, 2006, 2008, 2010. Now that's the background, so call ASEAN free trade area exercise.

The focus of ASEAN free trade area is trading activities. CEPT scheme is actually a trading scheme. When we look at the intra-regional trade share, we find that since the implementation of CEPT scheme in 1993 and after one year, the share of intra regional trade of ASEAN is 21%. In 1997 it is 25%. For the year 2000, it is about 23 to 24 percent. That means ASEAN trade among ourselves in terms of total export is 25%. That is for every dollar that ASEAN earned only 25 cent come from the intra ASEAN trade. In order to increase this percentage of Intra- ASEAN Trade, the CEPT scheme was used as one tool and the other tool that could be used in the ASEAN Industrial Cooperation scheme. Simply because there is this lack of industrial complementarity between companies operating in the region.

Therefore, the objective of the AICO scheme is to enhance that complementarity, so that a company in Myanmar get supplied of it's intermediate goods in the production of the final products somewhere else in the region or vice versa. The objective of the AICO scheme is also to enlarge the ASEAN market through this complementarity. It is also to improve the competitiveness of the companies operating in ASEAN, if there is a combination of a market bigger than own domestic market, then it can reap the advantage of economies of scale and the economies of production. It can also stimulate investment within the ASEAN. So, those are the primary objectives of AICO scheme.

Within this AICO scheme, the first benefit or the most visible is the 0 to 5 percent preferential tariff rate. When AICO scheme was launched in 1996, the CEPT tariff of all ASEAN countries is above 5%. If companies apply for the AICO scheme and if they are approved, then they will get a head-start and will get the 0 to 5% immediately compare to others. This situation, so-called the privilege, the Preferential Tariff Rate, will slowly diminish for companies operating in ASEAN-SIX countries. By 2002 or 2003 the latest, the CEPT tariff rate will have been 0 to 5%. Therefore, the AICO rate that we granted will no longer be special. But this is only applicable to ASEAN Six. For Cambodia, Myanmar, Laos and Vietnam, this 0 to 5% target will only be reached in the year 2006 and 2008, 2010. Therefore, any company that apply for AICO scheme from the CLMV (Cambodia, Laos, Myanmar & Vietnam) countries will have this head-start of 0 to 5%. This is the number one benefit.

Myanmar cooperation with ASEAN as a member attacked India to stimulate for promotion of bilateral trade between the two countries. It also pared away for Myanmar to be member of BIMST.Ec. The Government of union of Myanmar has formed the steering

committee headed by Secretary (1) of the State Peace and Development Council (SPDC), the minister and Deputy Ministry of the Ministry of Commerce is a member in the BIMST Committee. Ministry of commerce has assigned to participate the two categories among the BIMST-EC projects such as BIMST-EC Economic form and Senior official meeting to promote intra-regional cooperation on elimination of non-tariff barriers, on market access issues and preferential trading arrangements among BIMST-EC member states.

To achieve the economic reforms in Myanmar, a serious of economic reform measured were undertaken by the government since 1988. Some of reform measures can be summarized as follows:

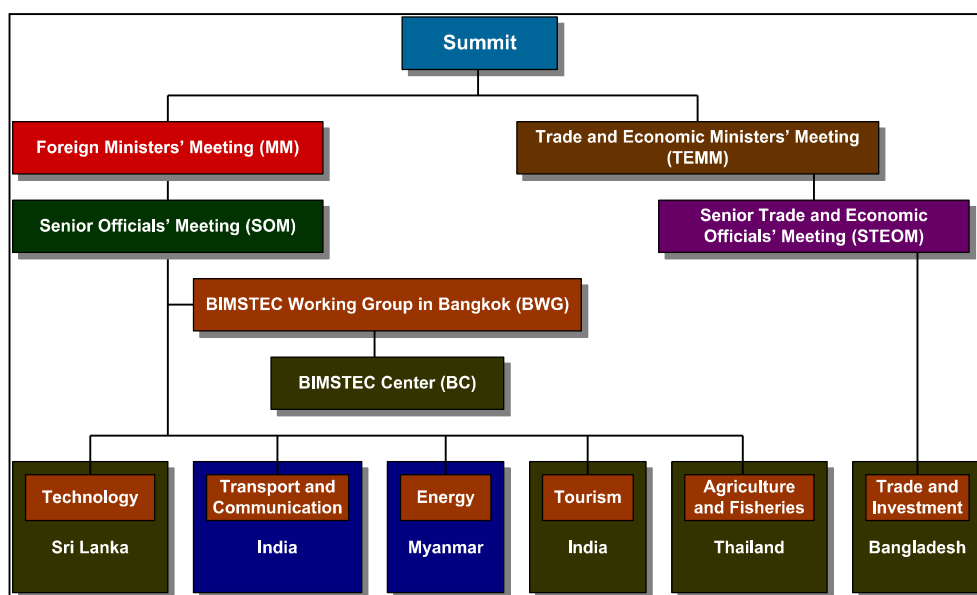
- Introduction of Myanmar Foreign investment law in 1988.
- Revocation of 1965 law that established the Socialist economic system, Introduction of state-owned Economic Enterprise law delineating of the scope of the state sector and Regularization of border trade in 1989.
- Introduction of private Industrial Enterprise law, Introduction of Central Bank of Myanmar law, Introduction of Financial Institutions Myanmar law. Introduction of commercial Tax Law in 1990.
- Initiation of Industrial Zone in Myanmar, Announcement of the Central Bank of Myanmar Rules and Regulations, Introduction of Financial Institutions of Myanmar law.
- Initiation of Industrial Zone in Myanmar, Announcement of the Central Bank of Myanmar Rules and Regulations Introduction of promotion of cottage Industries law and Re-establish of Myanmar chamber of Commerce and Industry in 1991.
- Introduction of Tariff law and Introduction of Saving bank law in 1992.
- Introduction of Myanmar Insurance law in 1993.
- Introduction of Myanmar Citizens law in 1994.
- Announcement of the formation of privatization committee in 1995.
- Permission given to local private banks to conduct foreign exchange in 1996.
- Entry of Regional organization (ASEAN & BIMST-EC) in 1997.

Accordingly, the market-oriented system was adopted in March 1989. The private sector was allowed to participate both in domestic and the external trade with some restrictions. Foreign and domestic enterprise were allowed to invest in the country.

When BIST-EC was established in June 1997, Myanmar was approached by India through diplomatic channel to join the group as a founding member. However, it was the time for Myanmar preparing to join the regional groupings such as ASEAN and BIST-EC so that she attended the first meeting as an observer. Consequently, Myanmar decided to join the group, and was unanimously accepted as a full member at a special Ministerial Meeting held in Bangkok on 22nd December 1997. The name of the group was renamed as BIMST-

EC. Myanmar is now serving as a leading country in Energy sector for three consecutive terms since the inception of BIMST-EC.

Figure 1: BIMST-EC



In the sector, the ASEAN member countries are Myanmar's largest trading partners. This fact also covers the danger of China's influence in Myanmar's economy and one of the counter balance activities to take out Myanmar from China's orbit. For ASEAN, although ASEAN members such as Singapore and Thailand, are the main investors in Myanmar, they can not give aids and loans like China. Nowadays, China's massive investment in oil and gas sector can change the position of China in Myanmar's investment list.

Now, Myanmar leaders realize that China is not a negative factor for them. But they always notice China's influence and they try to reduce and balance China's dominance to Myanmar. In doing so, Myanmar became a member of ASEAN and other regional organizations. "Constructive engagement" policy moved Myanmar to co-operate more closely with other countries in the world. To reduce Myanmar's over-reliance in China, Myanmar needs the countries and but also from other industrialized countries of the world.

On the other hand, to overcome the prediction of some scholars, Myanmar need to establish good relations with, ASEAN, India and other industrialized countries such as Japan, United States, United Kingdom, Germany by holding of strategic neutralist policy between China and other counties of world.

The ASEAN vision 2020 had adopted the energy sector. The special Meeting of the ASEAN seminar officials meeting on energy on 26 Novembers 1998 at Hanoi, Vietnam, Hanoi plan of Action 1998 had ASEAN plan of action for energy co-operation 1998-2004.

1. ASEAN power Grid.

2. Trans- ASEAN Gas pip-line.
3. Energy Efficiency and conservation
4. New and Renewable sources of Energy
5. Coal
6. Regional Energy outlook, Energy Policy Land Environment Analysis.

The implementing or the organization or the energy subsector organization are:

1. HAPUA - Heads of Power Utilities and Authorities
2. ASCOPE - ASEAN Council on Petroleum
3. EEC - SSN - Energy Efficiency and Conservation Subsector Network
4. NRSE-SSN- New and Renewable sources of Energy Sub-Sector Network
5. AFOC - ASEAN Form of Coal
6. ACE - ASEAN Centre for Energy

Myanmar is effectively participating in ASEAN plan of Action of Energy cooperation. The Deputy Ministry of Energy's is a chairman in Myanmar committee. The Director General from Section Ministry of Foreign Affairs, Electrical power Department, Mining Department, Ministry of Science and Technology, and Forest Department are the member of Myanmar committee in ASEAN. The Director General form Energy Management Department is a secretary in Myanmar Committee.

Myanmar Signed the agreement chatters, and projects for ASEAN energy sector

- (A) Agreement on the Establishment of the ASEAN center for Energy.

Myanmar Foreign Affair Ministry signed the agreement on the Establishment of the ASEAN Center for Energy at Manila, Philippine on 22 May 1998. This agreement is to manage the energy sector in ASEAN countries, and ASEAN Region for economic development, to support the regional energy activities, and funding the development program.

- (B). ASEAN Memorandum of understanding on the Trends

ASEAN Gas Pipeline project. This MOU was signed in Ministerial Meeting of ASEAN at Bali, Indonesia on 5 July 2002.

- (C) ASEAN forum on Coal Chatter

Myanmar signed coal charter on 16 October 2000. Myanmar participation in ASEAN Energy Cooperation program.

(D) By Energy Efficacy and Conservation program, the ASEAN Auditing group have arrived Myanmar on 2001 and 2003. This group visited Man Then Payakan Factory of petroleum and pan sea Hotel, FMI building. This group studied the energy efficacy and - conservation dates, and they gave the data, and suggestions to Myanmar petroleum and Chemical Product Department.

(E) The Kanbawza Banking Building, Pyay Road, Myanmar was a ward the Appropriate Technology form 2002, ASEAN, Energy Efficiency can serration Building competition.

(F) Myanmar received the Energy Planning Model (Market) form ASEAN - Castration Economic Co-operation program (AAECP).

Myanmar technician, and engineer scholars are attending the scholarship grants from Indonesia. This program was sponsored by Initiative on ASEAN Integration. This program is to prevent the different advantages between original ASEAN six member countries and newly four member countries.



Above mentioned, ASEAN energy co-operation program is to sponsor the meetings, conferences, and workshops are held in available sectors. The responsible persons attend, and concert the energy affairs. So Regional ASEAN meeting other ASEAN plus 3 countries participate and ASEAN members learn about. ASEAN plus 3 are China, South Korea and Japan. Oil and Natural Gas production in early member of ASEAN (Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.)

Myanmar is a rich country of mineral resources, because of geographical background and weather condition. Estimation of Myanmar energy resources in April 2003 is as follows. Future Recoverable Resources as at (1.4.2003).

(a)	Oil	3208.438 million barrel
(b)	Natural gas	87.085 trillion cubic
(c)	Hydro-electronic power	3.9720 Mega watt
(d)	Coal	7 10.773 million ton

Myanmar is an under developing country. Myanmar's energy demand is more less than other developing countries, but energy demand is yearly progressing.

No. Description 1999-2000, 2000-2001, 2002-2003

- (a) Gas and oil products
- (b) Natural gas
- (c) Coal
- (d) Hydro electronic power
- (e) Biomass

After 1988, Myanmar invited the International Oil Companies for especially production of oil and natural gas. Myanmar shared with the foreign companies for production of oil and Natural Gas. Myanmar signed the contract of cooperation and sharing production.

Table 2: Gas Supply to Thailand from Myanmar

Gas Supply to Thailand from Myanmar		
FROM	AMOUNT (MMCFD)	PERIOD
Yadana Field	525	30 Years (July 1998)
Yetagun Field	200-400	20 Years (April 2000)

Table 3: Hydroelectric Power Projects for Export

Hydroelectric Power Projects for Export		
Export To	MW	Projects
Thailand	11110 MW	Tasang / Ywathit / Hutgyi / Tanintharyi
India	2350 MW	Tamanthi / Mawlaik / Shwezaye / Homelin
Total	13460 MW	

In 1998, Yadana offshore Natural Gas project at Mataban offshore, and in 2000, Yetagun offshore Natural Gas Project at Taninthayi produced the natural gas and sold it to neighboring Thailand with pipeline. Now, that projects production is 1000 mill cubic facts for Thailand. This daily production of Natural gas is 30%. Fulfillment to Thailand's energy demand. Myanmar continued to produce the natural gas form Yetagun offshore project.

Other projects from Mataban and Taninthayi offshore are signing the production sharing contract with PTT Petronas and other companies. That offshore natural gas project has many expectations for economic progress. The offshore Natural project was starting in A-I site at Rakihine offshore. In January 2004, we were finding huge natural gas in A-I site. Daily, production of A-I site is 32 million cubic feet. The recoverable gas reserves are 4.2 to 5.8 trillion cubic feet. Estimation of A-1 site have 14 trillion cubic feet.

Beside the A-1 site of A-3 have not only the natural gas also finding the oil. The production of natural gas site A-1 shall change the gas to LNG. This LNG shall be sold to Asia and ASEAN countries to Myanmar location and geographical background are supposed to plenty of hydro electronic power. The estimation of World Bank is 108000 megawatt of hydro-electronic power in Myanmar. Myanmar Electronic Ministry estimates the Myanmar Electronic energy production electricity.

Myanmar and neighboring countries agreed the cooperation of hydroelectricity. Those projects are following:

	Country	Electricity
1.	Thailand	11,110 (Tasan, Yorathit, Uutkyi, Thantlayi projects)
2.	India	2250 (Tamanthi, Mawlyke, Shwesuryay, Homalin project)
	Total	13,460

Present Myanmar coal resources is 710,773 million tons. Myanmar sold the coal to India and China, and also used in local.

Above mentioned facts were local energy production and division of energy supply. Myanmar has many projects for electricity projects, natural gas projects and oil production projects. Developing countries of ASEAN will be return to import the energy in coming decades. In Myanmar energy sector, Myanmar has many natural and mineral resources. So Myanmar may be important in ASEAN sphere in coming decade.

4. Conclusion

As the government of the Union of Myanmar has made significant progress towards the market oriented economy, the government has been striving hard to promote all-around development of national economy to upgrade the living standards of its people, results that have been achieved. This is the most opportune time for foreign investors to do business in Myanmar, and to make the best use of its abundant resources for mutual benefits. Close cooperation between the Union of Myanmar chamber of commerce and industry. Myanmar chamber of commerce and industry of Myanmar Industries Association and ASEAN organization is most desirable at the present moment to obtain the successful development atmosphere that will ultimately lead to the propriety of the South East Asia Country. As Myanmar is rich in oil and natural gas resources, the government is trying to extend the exploration of on shore and off shore oil fields to meet the domestic consumption and to develop the national economy Energy sector of Myanmar has developed year by year. by making the effective use of energy resources of the country and systematically implementing plants on the Energy sector. The development of energy sector of Myanmar can contribute to the uplift of social life of the country ASEAN leaders adopted the “constructive engagement” policy on Myanmar. This policy intends to encourage Myanmar to move gradually towards democracy and a market economy and to contribute to outcome the ASEAN community in 2015. In the age of knowledge within the process of “globalization, education is the key for improving all kinds of development. It has played an important role in the development a highly knowledgeable and skilled labor force, which is crucial for sustaining development in youth cooperation has focused on enhancing quality education

among ASEAN youth, increasing employment opportunities for youth and creating an atmosphere of frank and friendly discussion.

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