

## **AJC promotes New Forms of Trade between Japan and ASEAN in Myanmar**



In FY 2017, the ASEAN Japan Centre (AJC) introduced a new project, entitled “Promoting New Forms of Trade between Japan and ASEAN”.

Equity-holding is not the only means of exerting control over the international production chain. Companies also enter into a contractual relationship with other independent firms. This form of trade known as non-equity mode (NEM) is gaining importance as the system of global production is more integrated and forming good value chains. This is the area in which significant research gaps exist in ASEAN. There is also an emerging need to develop overall analytical framework to assess development impacts of NEM in order to identify policy framework to engage in this kind of transactions. The fundamental difference to regular trade is that non-equity forms of operations relate to a contractual partnership between private parties. By understanding better this phenomenon including the scale and scope of NEM, and filling in a policy analysis gap, AJC aims to provide ASEAN governments with policy recommendations to fully benefit from these new forms of trade and investment.

### **1. Outline of Program**

Seminar Title	Seminar on Non-Equity Mode (NEM) in Myanmar -Promoting New Forms of Trade between Japan and ASEAN-
Organizer	ASEAN-Japan Centre
Co-organizer	Myanmar Trade Promotion Organization, Ministry of Commerce
Date	March 6, 2018
Venue	Conference room, Royal Naypyitaw Hotel, Naypyitaw, Myanmar
Participants	About 50 people (Myanmar government officials, industry association members, and company owners and managers)
Resource Person	Professor Rajah Rasiah, University of Malaya (Malaysia)

## 2. Highlights of the activity

At the beginning of the seminar, Ms. Naw Mutakapaw, Deputy Director General of Myantrade, presented opening remarks. In her remarks, Ms. Mutakapaw expressed her appreciation to AJC's initiative in developing the study of NEM and stated that it should be carefully considered for the further economic development and trade promotion in Myanmar. Then, Mr. Masataka Fujita, Secretary General of AJC, presented introductory remarks on the non-equity mode of International Trade. Mr. Fujita explained the characteristics of cross-border NEM activity worldwide, introducing NEM related data and opportunities and risks of NEM and stressed the importance of embedding NEMs in development strategies.



Opening remarks by Ms. Naw Mutakapaw, Deputy Director General of Myantrade.



Introductory remarks on NEM of international trade by Mr. Masataka Fujita, Secretary General of AJC.

Dr. Rajah Rasiah, Professor of the Department of Development Studies, the University of Malaya, presented draft final report of NEM in Myanmar. Dr. Rajah stated that NEM is one of the entry modes by transnational corporations (TNCs) and a number of TNCs in both manufacturing and service sectors show a considerable NEM exports in Myanmar. Particularly in the garment industry, the volume of NEM export is estimated as \$1 billion, accounting for more than 70% of the garment export from Myanmar. Myanmar faces considerable challenges as TNCs can easily terminate their contracts as long-term contracts are rare, particularly when the quality of services or goods supplied does not meet their standards or when more competitive suppliers emerge from other countries. Therefore, Dr. Rajah stressed that the government should develop the basic infrastructure for science, technology and innovation and promote coordination between local firms to increase their competitiveness in the global value chains (GVCs) and increase their value addition.



Presentation by Professor. Rajah Rasiah of the University of Malaya on draft NEM Myanmar paper



Following Dr. Rajah's presentation, Mr. Lwin Oo, advisor of the Myanmar Rice Federation delivered his presentation on current situation of NEMs in Myanmar. He explained that there are various types of NEMs in Myanmar, such as contract farming in agriculture, subcontracting in garment, contract manufacturing of automobile small parts, electrical items, rubber products and paper products, and food processing. There are also many cases of international franchising in fast food and retail stores, and management contracts in international hotel chains and infrastructure projects. He argued that it is not only necessary to attract foreign direct investment (FDI), but both government and private sector have to initiate activities to increase manufacturing and export promotion under NEM arrangement, which can get quick wins and contribute to human resource development, job creation, environment protection, rural development and poverty reduction and thus contributing to the economic growth and development of the country.



Presentation by Mr. Lwin Oo, advisor of the Myanmar Rice Federation.

At the end of the seminar, interactive dialogue was conducted. Ms. Naw Mutakapaw, Mr. Lwin Oo, Dr. Rajah Rasiah, and Dr. Aung Moe Chai, Director of Trade and Investment Division of AJC participated in the dialogue session as commentators. Mr. Fujita moderated the session. Mr. Lwin Oo stressed that NEMs in Myanmar have been driven by both demand and supply sides. Myanmar needs to prepare for the both demand and supply in order to achieve further economic development. Dr. Aung Moe Chai supported the comments of Mr. Lwin Oo. Furthermore, Ms. Naw Mutakapaw stated that the government needs to prepare some policy framework on NEM. Dr. Rajah stressed the importance of the relationship between TNCs and local companies and the government could provide them to have closer cooperation. Mr. Fujita summarised the dialogue and suggested that Myanmar needs to maximise the opportunities of NEM and minimise the risk from NEM by preparing appropriate policy framework.



Interactive dialogue:  
(from left) Dr, Aung Moe Chai, Professor. Rajah Rasiah, Mr. Masataka Fujita, Ms. Naw Mutakapaw, and Mr. Lwin Oo.

-end- yi