TIRE INDUSTRY IN BURMA
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Executive Summary

Due to a blanket ban on car imports during the last decade, the automobile sector is largely underdeveloped in Myanmar. Recent reforms have opened up the import market, and there are nearly 500,000 passenger cars; 200,000 trucks, and four million motor bikes on the streets as of mid-2015.

Our report focuses on the tire industry in Burmese automotive sector. We looked at consumption level, current and future trends, value chain structure, product segmentation and competition intensity. Coupled with growth in automotive sector, tire industry in Burma has recorded significant changes within the last 3 years. The increase in purchasing power and loans sourced from international institutions to modernize infrastructure have positively impacted the industry, and the country’s economic growth led to boom in logistics and commercial vehicles sales, raising the tire consumption.
Country Profile

Burma is the largest country in mainland Southeast Asia comprising a land area of over 676,552km². The country has 51.5 million inhabitants.

Geography

Burma is bordered to the north by Tibet Autonomous Region of China; to the east by China, Laos, and Thailand; to the south by the Andaman Sea and the Bay of Bengal; and to the west by the Bay of Bengal, Bangladesh and India.

As a country, Burma slopes downward in elevation from the north to the south, and is naturally divided into “Upper Burma” and “Lower Burma”. The terrain is made up of central lowlands ringed by steep, rugged highlands; the central lowlands are historically known as “Ministerial Burma”.

In the north, the Hengduan Shan Mountains form the border with China. Mount Hkakabo Razi, located in the Kachin State, is at an elevation of 5,881m and is the highest point in Burma. Three of the mountain ranges, namely the Arakan Yoma, the Pegu Yoma, and the Shan Plateau, all exist within Burma and all of these ranges run south-wards from the Himalayas in the north.

These three mountain chains also divide Burma's three main river systems, which are the Irrawaddy, the Sanlween, and the Sittang rivers (see map). Burma's longest river, the Irrawaddy, is nearly 2,170km long, and it flows through the country and into the Gulf of Martaban. Fertile plains exist in the valleys between the mountain chains.

The Burmese coastline is about 2,280km long, with the continental shelf covering an area of approximately 230,000km². The coastal zones of Burma can be subdivided into three main areas, namely Arakan Coast, Irrawaddy Delta and Tanintharyi Coast.

Meteorology

The country is located in the monsoon region of Asia. However, its climate is greatly modified by its geographic position and its topography. Most of Burma lies between the Tropic of Cancer and the Equator. The Tropic of Cancer divides the country into two regions: the tropical south that covers two-thirds of the country, and the sub-tropical and temperate north, which is the remaining one-third of Burma.

The climate of Burma is divided into three distinct seasons, namely cold and dry season (November to February), the hot and dry season (March to April) and wet season (May to October).
The summer extends from March to mid-May. The highest temperatures during March and April in Ministerial Burma may exceed 43.3°C while in Northern Burma it is about 36.1°C and on the Shan Plateau between 29.4°C and 35°C. The rain falls from mid-May to the end of October. Annual average rainfall is less than 1,016mm in central Burma while the coastal regions of Arakan and Tanintharyi receive about 5,080mm of precipitation. The cold season runs from November to the end of February. Temperatures in hilly areas above 3,000 feet can drop below 0°C. Generally, Burma enjoys a tropical monsoon climate. However, climatic conditions differ widely from place to place due to widely differing topography.

Demographics

Population of Burma increased at the rate of 0.89 percent per annum between 2003 and 2014. The country exhibits one of the lowest population growth rates in the region. Thailand, China, and Vietnam also have population growth rates of less than one percent per annum, and population growth rate of Burma can be compared to that of Vietnam.

The country is divided into 15 States and Regions. Accordingly, the census results show that Rangoon Region has the largest population (7.36 million), followed by Irrawaddy (6.18 million), Mandalay (6.16 million), the Shan states (5.82 million), and Sagaing (5.32 million). These five States and Regions account for almost 60 percent of the total population of the country.

The population density of Burma is 76 persons per square kilometre (km²). The population density is lower than most other Asian countries but comparable to Cambodia and Malaysia. Rangoon region has the highest density (716 per km²). For every 100 persons in Burma, 70 persons live in rural areas and 30 persons live in urban areas.

Birth rates started to decline approximately 10 years ago. On the other hand, the size of the young working age population has been steadily increasing. This is evidence of an accelerated demographic transition and provides opportunities for a "demographic dividend" through reduced dependency ratios. The total and child dependency ratios are falling in Burma, while the aged dependency ratio and the ageing index are increasing.
Economics

Burma is undergoing political and economic transitions. Its first general elections in 25 years are scheduled on November 8, 2015, and they are expected to be followed by the country’s first democratic handover of power since 1960. Negotiations continue with armed ethnic groups to reach a final ceasefire agreement before the elections.

Trade and financial liberalization has moved forward rapidly with the dismantling of trade barriers and the deregulation of previously state-controlled sectors. 2015 marks the entry of nine foreign banks and the operation of the Thilawa Special Economic Zone (SEZ), which should provide an initial platform for Burma’s export-oriented growth.

Burma remains the poorest country in Southeast Asia and its development indicators rank well below its peers in the region. The country’s GDP growth has accelerated since the beginning of market reforms, and in last three years, averaged around 7% to 8%. Growth is driven by manufacturing, construction, tourism, and natural gas sector, while agriculture and fisheries have slowed down.

Inflation reached 8 percent by May, and continued strengthening of US dollar in global market will cause Burmese currency kyat to further depreciate and inflation to further accelerate. Inflation is expected to rise to around 13 percent by 2016.
Industry Introduction

To support economic and population growth, Burma has been extending its road in last decade. However, most roads in Burma, especially in the border areas, remains unpaved roads. Of all roads in Myanmar, only around 20% are paved.

Transportation makes up 12% of Burmese GDP and there are about 25,000 km of arterial highways – the length of highways have increased by 3,000 km between 2010 and 2015.

In 2016-17, Burma plans to finalize complete ASEAN and Asian highway projects, significantly expanding its road network. There are circa 4,000 km of roads in Yangon, 2,500 km in Naypyitaw, and 1,000 km in Mandalay as of 2012.

Regulatory reforms have allowed each Burmese citizen to import one passenger car since 2012. Before then, imported cars were only available for government authorities, NGOs, and foreign embassies in Burma, and the country imported fewer than 500 units a year.

The Old Car Substitution Program allowed application of permits for importing cars to replace older cars (which were 20-40 years old) for newer models that were manufactured after 1995. Any Burmese citizen aged 18 years and over could import a passenger car, and the government later allowed individuals and companies to import light trucks less than 3 tons, lifting limits on imports of commercial vehicles.
Tire Industry

Rubber Production

The government announced recently that natural rubber has been selected as a product to be promoted under its new National Export Strategy 2015-2019. As part of this strategy, the government has envisioned plans to establish a centralized rubber market in the town of Moulmein in the Mon State.

Burma has 600,000 hectares of rubber plantations, and over 160,000 acres in the Mon State alone. Further rubber markets are expected to be launched in Ayeyawaddy, Karen, Bago, and Tannintharyi regions, which are also major rubber producers. Among other things, these markets (which are to be run by Myanmar Rubber Planters and Producers Association) hope to standardize Burmese rubber products, raise rubber quality, and promote an incipient local rubber industry.

Burmese Rubber Exports, 2010-14

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>6%</td>
</tr>
<tr>
<td>South Korea</td>
<td>5%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>36%</td>
</tr>
<tr>
<td>China</td>
<td>52%</td>
</tr>
<tr>
<td>Others</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Government of Burma

Burmese rubber producers have struggled in recent years. In 2014-2015, the country exported 76,000 metric tons of rubber (around half of its total production), earning US$ 113 million. Thus, price of Burmese rubber is on average around $1,480 per ton, slightly below average international rubber prices of $1,650 per ton.

This discount is due to the fact that Burmese rubber is of poor quality and of inferior seeds, another reason plaguing the rubber industry: at around 760 kilograms of rubber per hectare annually, rubber productivity in Myanmar is half the global
standard. (In Malaysia, rubber yields 1,500 kg per hectare; in neighbouring India, rubber yields are 1,750 kg per hectare).

Yield improvements are crucial as global rubber prices slumped: in 2011, rubber peaked at around $5,600 per ton. Since then, oversupply and slowdown in China has caused rubber prices to come down to around $1,190 per ton in September 2015. (Prices would have slumped even more had Thai government propped up the industry with a $1 billion subsidy earlier this year).

In the short-run, Burmese rubber industry will be in dire financial straits. However, the industry should use current slump in prices as an opportunity to improve its yields and seeds. Around two-thirds of Myanmar rubber plantations were planted in last five years. (It takes about six years before you can harvest the sap). Industry should replace some of these saplings with those from higher-quality seeds.

Malaysian agribusiness firm Felda Global Ventures and Burmese firm Pho La Min Trading entered into a joint-venture agreement to build a US$10 million rubber processing plant in Myeik, Tanintharyi Region. When finished, it will be able to produce a total 24,000 metric tonnes of rubber annually, and two companies also plan to construct another plant in Mon State.
Tire Factories

Burma has three tire factories, all of which are operated by the government-linked entities. While three have the combined capacity of 1.6 million tires annually, they are not operating at full capacity.

In mid-2013, Myanmar Economic Corp., a state-owned enterprise linked to Burmese military, began production at a modern plant, under the name Myanmar Economic Corp. Tire Factory—known locally as Ywama Tire Factory. A joint venture with Chinese tire manufacturer Qingdao Mesnac, the plant in Yangon will produce radial passenger and truck/bus tires, under Mesnac’s Tristar brand.

It will produce 200,000 TBB Tires (Truck & Bus Bias Tire), 250,000 TBR Tires (Truck & Bus radial Tire), 400,000 PCR Tires (Passenger Car Radial Tire), 5000 Special Tires, totalling 855,000 tires annually.

Oldest tire factory in Burma is the Tire and Rubber Factory at Thaton, operated under the Myanma Tire & Rubber Industries. This plant was established in 1979 with the machinery and equipment from the former Czechoslovakia, and has the capacity of 480,000 tires annually.

No (2) Tire and Rubber Factory at Bilin, Mon State has production capacity of 300,000 tires annually. However, neither Thaton nor Bilin plant is running at full capacity due to lack of raw materials and up-to-date machinery. China National Construction & Agricultural Machinery Import & Export Corporation (CAMC) has entered into a JV to improve the Bilin plant.
**Tire Imports**

Despite having four tire factories, Myanmar largely imports tires from abroad. In last five years, Myanmar imported around $70-80 million worth of tires from China, and $40-$50 million worth of tires from Thailand annually.

In 2014, Burma imported 2.6 million motorbike tires, worth US$18 million. In the same year, Burma imported 1.35 million car and truck tires, worth $127 million.

![Burmese Tire Imports, 2010-14](image)

Most of the tire imports are from China and Thailand, with small amount stemming from India and Singapore. Thailand dominates the motorbike tire segment, whereas Chinese-made
tires are primarily used for buses and trucks. Passenger Car market is more competitive.

**Burmese Tire Imports by Trading Partner, 2010-14**

- **Bus/Truck Tires**
  - Thailand
  - Singapore
  - Indonesia
  - China
  - India
  - Vietnam
  - Others

- **Passanger Cars**
  - Thailand
  - Singapore
  - Indonesia
  - China
  - India
  - Vietnam
  - Others

- **Bike Tires**

*Source: First Rangoon Research*
Disclaimers

While this study is conducted via quantitative and qualitative assessment of the industry, the industry players, fishing villages, and fishermen, we cannot guarantee that information gathered is representative of the general industry patterns. Various data gaps remain:

Fishing patterns cannot be extrapolated to give an exact description and quantitative indication of fishing activity. Data on fishing activity has been collected through qualitative approaches and in some cases information collected from one source was not corroborated by the data gathered in another;

Not all the information provided by community members could be verified and may be inaccurate (such as the depth or distance from shore); and there is a lack of consistent data around income derived from fishing and food security, and how these are affected by seasonal changes. While indications of income were provided by some of those consulted there was a reluctance to discuss income and it has not been possible to derive adequately robust estimates to provide a general picture of the income levels of those engaged in fishing.