

# Hawassa Industrial Park

## Impression from a Japanese perspective

Kenichi Ohno (GRIPS)  
Tokyo, February 17, 2017

On Saturday, February 4, 2017, a Japanese delegation consisting of JICA, GRIPS and PPSEZ (a private industrial park developer) with a total of 15 members visited Hawassa Industrial Park (HIP) where construction of basic infrastructure and rental sheds were completed and a number of tenant firms had moved in and started operation. HIP is a flagship industrial park developed and supported by the Ethiopian government specializing in textile and garment production. The delegation was given a briefing on HIP and toured the main management building, two garment factories and one socks factory in operation, a textile mill under preparation, the zero-liquid-emission water treatment plant under a test run and operator apartments. We would like to thank Mr. Fitsum Arega (Commissioner) and Dr. Belachew Mekuria (Deputy Commissioner) of the Ethiopian Investment Commission for guiding us through the entire tour. Our gratitude also goes to the park operators and factory managers who kindly received us.

In this paper I would like to jot down my first impression of HIP. This is my personal view only and should not be construed as an official or consensus Japanese view. No remark based on a short tour of HIP like this can be final or comprehensive. Moreover, the verdict on HIP should be given when the park is fully occupied and in operation for some years, not in its first year. Although I consulted with PPSEZ and JICA people during the tour to check my impression with theirs, only I shall take the full responsibility for what follows below.

I will be honest and straightforward rather than polite and diplomatic because I trust that is what the Ethiopian government expects from my report. All remarks, even when they are critical, are made in the hope of generating ideas for improving HIP and other industrial parks under construction or planning. My impression may stem from fundamental differences between the Japanese (or East Asian) industrial park model and the Ethiopian model. The Hawassa model is an amalgam of Ethiopian aspiration, Chinese practices, requirements of foreign textile and garment firms and selective adaptation of Western models, which is certainly different from the Japanese model, as explained below. The Ethiopian authorities may agree with some of my judgments but not others. I still hope that at least some of my initial findings will be useful in designing and implementing future industrial parks in Ethiopia.

### 1. Dynamism and speed

At first, the Japanese delegation including myself must admit that the dynamism and speed with which the Ethiopian government has developed HIP has been extraordinary and deserves due respect. Although the history of industrial parks as a means to accelerate economic growth is still short in Ethiopia, the authorities have quickly learned the way to build and operate them with strong resolve and through trial-and-error. The fact that HIP was completed and became operational with only short delay and is evolving daily shows

Ethiopia's capability to implement key policies and produce results instead of just talking about them, as in the case of many other developing country governments.

We are particularly impressed with (i) the continuous effort to integrate and reorganize all industrial policy tools under industrial park strategy; (ii) aggressive attraction of foreign manufacturing investors and sincere response to their requests; (iii) introduction of new measures surrounding HIP including labor recruitment, housing and training, quick building of a new airport and a plan to extend a railroad line; (iv) adjustments in industrial park policy based on the perceived mistakes of Bole Lemi 1, the first state-run industrial park of Ethiopia, including the use of a single Chinese contractor to expedite construction; (v) a plan to add many more public and private industrial parks across the country; (vi) innovative policies of one stop service and zero liquid discharge at HIP; (vii) creation and an active use of HIP tenant association and frequent discussion between key policy makers and the association; and (viii) launching of integrated agro parks, and reorganization of horticultural, agricultural and livestock investment promotion into a new authority directly under the Prime Minister.

Despite these achievements, the Hawassa model is not perfect. In what follows, I would like to focus mainly on remaining issues rather than on these positive aspects.

## 2. Philosophy and strategy behind industrial park development and management

In certain aspects the Hawassa industrial park model is more advanced than the standard requirements of Japanese industrial parks such as zero liquid discharge, pervasive sprinkler systems and underground power lines. On other aspects, however, HIP lacks many conditions which are considered basic and necessary by the Japanese standard.

### 2-1. Balance between quality and cost

Japanese industrial park developers compete fiercely with each other to attract customers. They make great effort to offer high quality that Japanese firms demand with minimum cost. Because investors do not equally appreciate all facilities or services offered by an industrial park, it is important to strike the right balance between cost and benefit when any facility or service is provided. Each industrial park must decide what to offer based on careful customer needs assessment. Normally, park infrastructure is also developed in steps, starting from the first segment of Phase I instead of building the entire park at once, in accordance with the speed of arrival of tenant firms. Japanese tenant firms are also eager to minimize initial investment cost and expand operation in steps as business success is confirmed.

### 2-2. Private versus state-run

All Japanese industrial parks created overseas are privately operated. Some strategic industrial parks may be strongly supported by the host government, Japanese central or local government and public agencies (such as JICA and JETRO) through special incentives, quick administrative response and infrastructure construction. Thilawa SEZ in Myanmar and a number of Japanese industrial parks in India are such cases. However, even in these

government-supported industrial parks, the private sector leads and undertakes design, construction, marketing and operation of the park with government playing second fiddle.

Many of the local industrial parks built and managed in Vietnam, Thailand and Malaysia are also private. In Indonesia, industrial parks are a purely private matter as the government so far has not created any industrial park or supported private industrial parks in any meaningful way. Vietnam allows a mixture of state-owned, ministry-owned, province-owned, FDI-owned and domestic private-owned industrial parks. Taiwan and Malaysia also have public and private industrial parks in parallel. Ethiopia has both state-run and FDI-run industrial parks but the main policy thrust falls on state-run ones. Industrial parks in Ethiopia are expected to play public roles rather than pursuing only commercial goals. Because state-run and private-run industrial parks operate on different principles, the Hawassa model with strong policy orientation is naturally different from the Japanese model which is mainly driven by commercial, profit-seeking motives.

### 2-3. Specialized versus mixed industrial parks

In Asia, a vast majority of industrial parks welcome investors of any sectors as long as they comply with laws and park regulations on environment, labor, transaction, R&D, fee payments, intellectual property rights, and so on, and as long as they have good past operation records in their home countries and elsewhere. If any firm with special requirement, such as heavy use of waste treatment, proposes to come, each industrial park should decide whether to accept it with additional infrastructure investment. Sector indifference is a natural outcome of severe competition among industrial parks to attract as many tenants as possible. If any firm violates a rule, it must be expelled from the park regardless of its sector. Good business environment can be ensured by strong resolve and proper action of the park operator rather than sector selectivity.

Some industrial parks do attract investors of the same kind, such as Taiwan's Hsinchu Science Park (IT), Vietnam's VSIP (electronics) and Thailand's Amata Nakorn Industrial Park (automotive and electronics components). This is a result of market force, and these parks in no way preclude investment by other types of firms. For example, Taiwan's Hsinchu Science Park requires tenant firms to achieve high R&D ratios but welcomes any sectors as long as this condition is met. There are also parks dedicated to software firms only, but this is a very special case because software programming requires relatively small space, highly educated people, urban amenities and good internet connection, while it does not need any heavy equipment or waste treatment. Software parks look like modern office buildings rather than normal industrial parks.

### 2-4. Expected risks of industrial park business

Industrial park development is a real estate business and shares the same features with other property investments. Even when the government runs this business, it cannot avoid its inherent risks. The speed of tenant arrival depends on many factors which are beyond the control of a host country or a developer, such as global economic conditions and interest

rates, policies of the US and EU, domestic business cycles, financial and political crises, spread of terrorism or communicable diseases, as well as the ups and downs of the property market itself. Moreover, not all registered investments actually invest. Japanese industrial park developers will be very happy if a park becomes full in three years (see attachment). In Northern Vietnam, Japanese industrial parks built by Sumitomo and Nomura each took more than a decade to be fully occupied, but they are now considered as successful cases.

In Ethiopia, there is currently a huge excess demand for industrial parks and a long queue of investors because the supply of high-quality industrial land is very limited in comparison with most Asian countries. However, this depends on the balance between demand and supply, and good times may not last forever. The Ethiopian authorities should be prepared for harder times and have a contingency plan if such a situation arises. This is a normal precaution for any operator of property business and investment.

## 2-5. Large and standardized rental sheds

In Ethiopia, a great number of same-size, large-capacity factories have been supplied. These standardized rental sheds are suitable for large-scale, unskilled labor-intensive and export-oriented light manufacturing such as garment, footwear and food processing, which is typical in the early stage in FDI-led industrialization. However, Japanese firms no longer engage in such manufacturing. Garment, footwear and processed food are supplied to the Japanese market by foreign firms in China or Southeast Asia on a contract basis. High-tech firms, skill-intensive processes, specialized manufacturers and “supporting industries” (component suppliers) need different types of working space which are usually smaller and unique to each type of operation. Japanese industrial parks at home and abroad therefore offer land lots of various size for each investor to build any structure it prefers, or small rental factories for high-tech SMEs or firms wanting to test-produce first and expand later. Design and construction is done by consultants and builders selected by individual tenant firms.

For instance, in Que Vo Industrial Park in Northern Vietnam, operated by a Vietnamese developer and hosting large Canon and Foxconn (Hong Hai) factories, a Vietnamese industrial official suggested to build 18 large ready-made factories of 5,000m<sup>2</sup> to attract more Japanese supporting industry firms. Such sheds were built, and a few Taiwanese and Korean firms were interested, but no Japanese firms came (photo). The local official and developer misjudged the spatial needs of Japanese high-tech firms which would not accept standardized large-capacity rental sheds.

In the future, when Ethiopia shifts from simple sewing, cutting and assembly to more sophisticated manufacturing, it will also need to supply more diversified and custom-made industrial space. Even now, if Japanese manufacturers are to invest in Ethiopia, they need smaller and made-to-order industrial space because they cannot operate in large standardized sheds of 5,500 m<sup>2</sup> or 11,000m<sup>2</sup>.

## 2-6. Future of HIP

After the opening of HIP, its first year looks fine. Basic infrastructure is completed, the park

is fully rented, firms are beginning to operate, and more customers demand quick expansion. But situations may change for any industrial park. The great advantage of HIP is the ample supply of cheap labor despite the relatively long distance to the Port of Djibouti. The Ethiopian government must ensure that this advantage will be fully realized and maintained. It must be prepared to deal with any unfavorable circumstances such as slow reduction of transport time and cost, unexpectedly low attraction of regional workers, their unwillingness to learn skills quickly and effectively, and a high rate of job hopping in pursuit of very small differences in remuneration. These incidents are commonly observed in many Asian countries. Even if the government launches many positive policies, labor quality and discipline is fundamentally decided by the workers themselves and not by policies alone. The government should be aware of such risks and be ready to cope with any unexpected developments.

### 3. One stop service

#### 3-1. A hotline and on-site service instead of a row of desks

One stop service, in my view, is more important *functionally* in efficiently connecting to necessary offices and services than *physically* in installing many desks staffed with officials. Moreover, one stop service for incoming investors, integrated support for operating investors and quick emergency response are three separate things that should not be confused. The existence of a telephone hotline for any problem faced by any tenant firm—an accident, fire, theft, labor trouble, power problem, water disruption, etc.—will be greatly appreciated by all investors. They can pick up a phone to report any emergency which is immediately coped with, 24 hours/365 days, and also reported to the top management of the industrial park. A problem of less urgency must also be solved relatively soon, if not immediately, within the next day or next few days. In Hanam Province of Vietnam, there is a hotline in Japanese language to the assistant of the Party Secretary (highest provincial leader) who is very happy to look into any problems reported by Japanese investors at any time of the day.

At EIC and industrial parks, authority to grant licenses and permissions must be delegated to officials on the ground (EIC officials or staff dispatched from various organizations) to avoid delays that come from having to refer to the headquarters and waiting for its decision. I believe Ethiopia is already moving in this direction.

Certainly, some desks are necessary and some staff must be on duty. But efficient investor services can be realized without having so many desks and so many people. This is more a matter of a soft mechanism than physical arrangement. Engineers must be on duty 24 hours against any technical problem. Customs, banks and logistic services should be available on site at least on all week days, if not 24 hours/365 days. But there is no need to man a large number of officials in a row of desks who may or may not receive customers on any day. Most organizations are short of hand, and staff so assigned may become unproductive and dispirited. There should be an efficient way to provide immediate service of any kind without mobilizing a large number of people.

#### 3-2. Unnecessary space?

We fear that generous “buyers’ space” and “rental offices” at the main management building at HIP may not be fully utilized. Most tenant firms can conduct meetings and business negotiations at their own factories, and the need for more or larger space will arise only occasionally. Such demand can be fully satisfied if HIP provides one or a few common meeting rooms for such purposes. The main administrative building of HIP has four floors. Industrial park management offices I have seen in Southeast Asia usually have one, two or at most three floors (photos).

#### 4. Quality of hardware construction

From external inspection alone, it is impossible to evaluate the quality and workmanship of internal structure of buildings, physical composition of materials used or underground works. Below I will comment only on the visible aspects of HIP. It must be said, however, that such external features are not very reassuring by the Japanese standard, and it raises suspicion that the quality of invisible works may also be similar.

##### 4-1. Seiri and seiton

5S—or at least 2S, seiri and seiton—must be applied to park roads and structures. That is, all unnecessary things must be removed and remaining things must be set in order. If any machines, materials or parts must be kept temporarily, they must be put in places which are safe and easily located. Soil, metal and concrete debris must be taken away immediately from park roads, sidewalks and factory premises. The fact that an industrial park is not fully operational is no excuse for scattering things in disarray. In HIP as well as in some locally-operated industrial parks in Vietnam, many unnecessary things are spotted and some park roads are even blocked with a mountain of debris (photos). Japanese manufacturers avoid industrial parks with such an appearance as it reveals the low quality and lack of attention of the park management as well as fellow investors. For HIP, I suggest that the park management hire a local cleaning company, train its staff well and keep the park continuously clean and orderly. The cleaning crew need not work on the entire park daily; regular checking and cleaning should be sufficient to attain this purpose.

##### 4-2. Dangerous work practices

Some ongoing works at HIP seemed quite dangerous by our standard. Workers were installing metal pipes to a high position on the interior of a shed but their scaffolding seemed too simple and precarious. It had ground rollers but no one was bracing it. A Chinese engineer was welding metals close to where cars were passing and we were walking. A large steel pipe was placed on top of the waste water treatment pool—I don’t know for what purpose—blocking our way. Such practices are not permitted in Japan or Japanese industrial parks.

##### 4-3. Sheds may be too high

Some Japanese experts remarked that the ceiling of rental sheds at HIP was too high for garment production. Cutting and sewing does not require large vertical clearance. It may be better to have lower sheds or convert sheds into two floors so more space will be available at lower cost. For heavy industrial operations, a high ceiling and powerful cranes may be required but that will come with a higher price tag.

#### 4-4. Fire prevention

Sheds at HIP are equipped with sprinkler systems, and we hear that it is the European standard. But in Southeast Asia, we rarely see sprinklers in factories. A more common way to prevent fire consists of a fire station with fire engines, well-trained fire fighters on 24-hour duty, fire extinguishers at every factory, placement of water hydrants or ponds throughout the park to service all premises, and annual park-wide fire drills and regular inspection of fire fighting equipment. I was intrigued to see blue protection sheets on the front of fire engines (photo). Have they been not operated since they were delivered to HIP?

#### 4-5. Housing for expatriates

The apartments for foreign engineers and operators may meet minimum standards for space and equipment, but they may not be very comfortable for Japanese people. We are more choosy than Chinese. We could not see what furniture and bedding were available as doors were locked. Short-term foreign visitors may also stay there, but it is uncertain how many of them want to stay in park apartments when different types of commercial accommodations and restaurants are available outside. My impression is that these apartments are too many and may not be fully used. Another point is that Japanese residents will not accept glass entrance doors for reasons of personal security and privacy.

#### 4-6. Food and restaurants

We observed that a restaurant was built in the residential quarters (we did not have time to go in). I wonder if the menu and food are appropriate for foreigners. And foreigners from different nations have different tastes. Each apartment is equipped with a kitchen so there must be shops or supermarkets where food for cooking is available. In the future when HIP is fully operational, there must be sufficient demand for vegetables, fruits, rice, fish, meat, drinks, etc. that justify commercial operation. Private operators will surely emerge to serve daily needs of park workers, but government at first may guide and expedite them. In Dong Van Industrial Park in Hanam, Vietnam, the provincial government does exactly that. Shops and restaurants for domestic and foreign residents may be the same or separate.

#### 4-7. Toilets

I was a bit surprised to see that all urinals were non-operational at the men's room on the

second floor of the main administrative building, and remaining toilets were a squat type and did not flush. Modern and cleaner toilets are appreciated.

## 5. A guided tour of HIP

We would like to thank greatly the hospitality and passion of the leaders of EIC for guiding and explaining to us throughout the HIP tour. I believe we saw all the things needed to be seen in HIP. At the same time, I am sure there will be more and more groups coming to inspect HIP in the future, and we would like to suggest several points to be heeded to improve the level of satisfaction and comfort for all visitors.

### 5-1. A tour program

It is important for all guests to be informed about what to see, how much time to spend at the park and at what o'clock the tour ends for the next appointment. The park management should respond to prior requests of the visitors as much as possible, and emails and phone calls should be used in advance for this purpose. If this is difficult, for example because the tour was suddenly arranged, the program should at least be announced verbally at the outset of the tour.

### 5-2. Visitor's health and comfort

It is crucial that the host should take great care of the health and physical comfort of all visitors. This is particularly important when the weather is hot, when the group includes aged or disabled persons, when the group just arrived from abroad, or when their travel schedule is very tight. Provision of helmets and yellow safety jackets is very welcome. But when they are offered, the host should propose taking off jackets and leaving all bags and heavy things in the meeting room which shall be locked during the tour. It will be even better and more polite if cold drinking water and hot wet towels are provided at the end of the tour.

Some tenant firms allow photo and video taking while others do not permit it. Inform visitors of such company policies in advance.

### 5-3. Initial briefing

It is customary for the management company to give a brief introductory slide or video of the industrial park and take a few questions before the tour starts. This was done by Mr. Fitsum for us, and we appreciated his explanation. Normally we expect the following things in initial briefing.

- A large table at the center of the meeting room around which everyone sits, together with PC, projector and screen. Make sure the equipment is in good order, and proper and most updated slides are installed.
- A brochure or document explaining the basic profile of the industrial park.
- A portable map of the park showing all lots and facilities and the names of existing tenant



firms (this can be part of the brochure or document above, or separate).

- (Optional) a 3D model, an aerial photo or a large map of entire industrial park at the entrance hall of the main building which shows existing and planned phases (photos).

#### 5-4. Overlooking the park

We were given more than one opportunity to go to the top or a high floor of a building to look over the entire industrial park from different angles, hear explanations and take photos. This was very useful and helpful. However, it would have been even better if an elevator is provided for buildings having four, five or more floors.

#### 5-5. Park-operated buses

Many tour groups will surely arrive at HIP in the future. A bus and/or minibus owned and operated by the industrial park will be handy to serve them. In our case several rented sedan cars were used to take us to places, but some got lost and parking was sometimes difficult. If the whole group travels in one bus, the host can explain facilities and factories and take questions while moving along. Moreover, this saves parking space and reduces the risk of being lost or some cars arriving late because drivers don't know the way.

#### 5-6. Photo session

In many cases the host and/or visitors want to take group photos in front of the main building with a display of the industrial park name and logo. This is often used in websites, newsletters and other communication materials, especially when the visitor is a VIP. The visiting group may also use such photos for similar purposes. At any rate, it is a good practice to keep records of all visitors with their contacts and photos.

#### 5-7. Invitation to lunch or dinner

For important guests, it is advisable to invite them to a nearby hotel, restaurant or reception facility for lunch or dinner following the tour. This of course depends on the time constraint and next appointment of the visiting group, as well as the time and budget constraints on the host side. In China and Southeast Asia, a food and drink treat is almost a must. But cultural difference must be considered when entertaining international groups.

#### 5-8. An additional remark

Some of us stayed overnight in Hawassa after the tour instead of returning to Addis immediately. We lodged at Haile Resort Hotel. But we were disappointed at the inefficiency and low capacity of the hotel reception. Furthermore, the quality of service offered by a local airport check-in counter and a rental car company was also substandard. Here, we are more concerned about the mindset and skill of human staff than the quality of hardware facilities

or vehicles. Although this problem is not directly related to the HIP management, it must be admitted that such weaknesses are pervasive not only in Hawassa but all over the country. We would very much like to see hospitality industries such as hotels, restaurants, shops, airports and transport services introduce kaizen, standard procedures and proper staff training. This will indirectly but greatly improve the image of not only Hawassa but entire Ethiopia.

[END]

**Photos from Hawassa**



One stop service desks on the first floor of the main building



Fire station and fire engines covered with blue sheets



Sidewalk tiles are laid without firm foundation and already need repair



Debris left on the road



Rocks and paint-stained window panes



Blue protection sheets must be removed completely



Pipe installation work inside a shed



Welding outside a shed

**Photos from Southeast Asia**



IP management office (Phnom Penh SEZ, Cambodia)



IP management office (Hochiminh City, Vietnam)



Explaining IP plan (Hochiminh City, Vietnam)



Explaining with a projected map (Hanam, Vietnam)



Explaining IP's locational advantage (Dongnai, Vietnam)



Displaying a big map on site (Baria-Vungtau, Vietnam)



3D model of Science Park (Hsinchu, Taiwan)



Model of existing IP and planned expansion (Tay Ninh, Vietnam)



Reception and a large aerial photo of IP (Amata, Thailand)



Tree-lined IP road (Hanam, Vietnam)



Tree-lined IP road (Phnom Penh SEZ, Cambodia)



Water hydrant (Phnom Penh SEZ, Cambodia)



5,000m<sup>2</sup> ready-made sheds are unpopular with Japanese firms and remain empty (Bac Ninh, Vietnam)



Official lunch at the end of the visit (Hanam, Vietnam)



Japanese investors don't like to see this (local IP, Tay Ninh, Vietnam)

## **A Rapidly Growing Myanmar “Base”—Thilawa Industrial Park Attracting 100 Billion yen of FDI – yet infrastructure is a problem**

Nikkei Shimbun (Japan Economic Newspaper), November 30, 2016

Three years have passed since the start of construction of Thilawa Industrial Park [officially, Thilawa Special Economic Zone] in Myanmar. The Japanese government and businesses participated in development of this Park. The initial phase is expected to be sold out by the end of this fiscal year [March 2017] attracting 100 billion yen [\$870 million] of FDI. It has emerged as the key industrial base of Myanmar accounting for 20% of manufacturing activity in that country. But arrival of major manufacturers such as car makers is yet to happen. Problems also exist in infrastructure. It will take some more time before the industrial park becomes a significant export base as hoped by the Myanmar government.

The rainy season is just over at Thilawa Industrial Park and many steel structures under construction are spotted. Here, on November 16, Ball Corporation celebrated the completion of its canning factory. Under its huge silver roof, a large amount of soft drink cans are piled up waiting for shipment.

Ball was the first firm to invest in Thilawa in June 2014. It will supply 500 million cans annually to Coca Cola Myanmar, and other buyers. Mr. Gihan Atapattu, CEO of Ball Asia Pacific Ltd., is happy. “I never thought we could come to Myanmar so soon. At first we were not able to find any suitable land for a factory, and business in Myanmar seemed a remote future.”

A joint venture of three Japanese trading companies—Sumitomo, Mitsubishi and Marubeni—and nine Myanmar firms began ground works of the first 400 ha of Thilawa Industrial Park in November 30, 2013. Difficulties were initially expected along the way, but reality was that as many as 78 firms from 16 countries and areas have decided to come to the Park, occupying 94% of the land for sale. Just this month, five more companies including CJ Group (Korea) and Millcon Steel (Thailand) completed their factories. By next spring, about 30 factories should be operating.

“Land is snapped up at a speed rarely seen in Southeast Asia,” stresses Mr. Takashi Yanai, President of Myanmar Japan Thilawa Development (MJTD), a joint venture company that develops Thilawa Industrial Park. He comes from Sumitomo Corporation and previously worked on Thang Long Industrial Park in Vietnam. Industrial parks he knows took about 10-15 years to fill the space.

Good infrastructure inside the Park and incentives provided by the Myanmar government accelerated the investment inflow. Japanese ODA was mobilized to build a gas-fired thermal power plant, industrial water supply and a waste treatment plant. The Myanmar government gave an SEZ status to the Park which comes with exemption and reduction of corporate income tax and import duties.

Up to now, \$850 million (about 90 billion yen) of FDI has been registered in Thilawa. This will be equivalent to 20% of Myanmar’s manufacturing output in FY2014-2015. The Park still has 2,000 ha of unused land, and this October the developer decided to expand the park by 100 ha. According to one of the developer firms participating in the joint venture, “We may develop additional 200-300 ha in the next five years and total FDI will reach around \$1.8 billion.”

But infrastructure remains a problem. Outside the Park, the road is poor and it takes one hour of trucking to reach Yangon Port. Minister of Finance Kyaw Win wants to develop Thilawa into an

export base. For this purpose, the government plans to expand the road eastward to Myawaddy, near Thai border, and build a new container terminal next to Thilawa.

Mr. Yoshiyuki Morita, the CEO of RK Corporation (Osaka), started to operate a steel processing plant at Thilawa this month. He notes that Thilawa is an ideal location for exporting to neighboring nations such as China, India and Southeast Asia. He is studying export possibilities to Bangladesh. But such export plans are not many so far in the Park.

70% of investors at Thilawa target Myanmar's domestic markets and will produce such products as construction materials and processed food. Due to the lack of supply chains in Myanmar, exporters including Foster Electric (car-mounted speakers) and Koyorad (radiators) have to import all components from abroad.

The Myanmar government plans to increase the export volume of Thilawa to \$350 million in a few years. This is equivalent to 3% of Myanmar's export in FY2015. Thilawa is a model industrial park in Myanmar, but its success as an export base will hinge on the development of domestic industries including local component suppliers.

[Motoichi Matsui/Yangon; translated by K. Ohno]

A Selected List of Companies Investing in Thilawa Industrial Park (incl. plan stage)

	Investor	Product
In operation	Ball Asia Pacific (USA)	Cans for soft drink
	Millcon Steel (Thailand)	Steel products
	CJ Group (Korea)	Edible oil
	RK (Japan)	Steel products
	Wacoal (Japan)	Ladies' underwear
	Foster Electric (Japan)	Automotive components
Under construction	PEB Steel (Vietnam)	Steel products
	Meranti (Singapore)	Steel products
	Oji (Japan)	Packaging materials
	Yakult (Japan)	Fermented drink
	Acecook (Japan)	Instant noodles

Official website:

<http://www.myanmarthilawa.gov.mm/>

Ohno's additional comments:

1. Thilawa SEZ is Japan's national project and highest priority for the Ministry of Economy, Trade and Industry (METI). No other industrial park projects in Asia or elsewhere are given such generous support in policy attention and ODA.

2. It is very rare that three Japanese trading firms jointly develop an industrial park. Usually only one trading firm will link up with one or a few other companies to build an industrial park. This special case was made because of METI's enthusiasm and pressure.

3. Japanese developers regard full occupancy after three years as a great success for an industrial park, as Mr. Yanai remarks above.

3. As the table shows, Japanese industrial parks welcome investors of any size or sector. Sector-specific industrial parks are rarely considered.