

Delegation of German Industry and Commerce in Myanmar

Dear readers,

Some skeptics doubted it would actually happen so quickly, but now the yearningly awaited new mobile phone networks are launched - while equipment on Yangon rooftops is still about to be installed. Whether they really will be up to the high expectations will need to be proven and the nationwide roll out will surely be a huge challenge, but one thing is for sure: this quick process is a symbol for at least some of the economic developments Myanmar currently undergoes, requiring bold investors, quick moves, close co-operation of regulators and – sometimes breathtaking improvisation. As a result, old monopolies are broken – and the hitherto monopolist decides to rise to the challenge and embrace technological innovation (besides promotional offers, of course). With the licensing process for foreign banks, the next fundamental change is in the pipeline and this time it will be local private banks which will have to tackle new competition. Besides regulatory restrictions for the new entrants, it may exactly be the new telco services which will help them to stay in the game. Mobile banking services will be on offer soon – and at the same time local business people develop text message payment services outside of financial institutions to reach those without a bank account. Our next networking event on 18 September in Yangon will focus on new developments in financial services – and I am sure we will not be short of interesting topics any time soon!

Best regards

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International

US Foreign Secretary John Kerry on August 9 has visited Myanmar on the occasion of ASEAN ministerial meetings. The week before, a delegation of the US ASEAN Business council had come to Myanmar, including companies GE, Caterpillar, ConocoPhillips, ExxonMobil and Chevron. A Myanmar delegation comprising political and business representatives will travel to New York on the occasion of an Investment Forum on 24 September.

News from the US OFAC List

Prospects for Tay Za, purportedly Myanmar's most wealthy individual, to be removed from the US OFAC List any time soon are dire, according to a report in Forbes magazine. New accusations by US authorities claim he has been involved into arms dealings with North Korea. As a consequence, Singaporean bank UOB has closed some of his bank accounts following US pressure, according to his own information. Anybody more interested into this matter and OFAC List issues in general can have an interesting read at <http://www.forbes.com/sites/forbesasia/2014/07/23/burmese-tycoon-tay-za-under-scrutiny/>

Foreign Direct Investment

Approved FDI have reached some 493 mio. USD in the first quarter of the FY 2014/2015 (April to June) according to DICA. Telecommunication stands for 279 mio. USD of the new investments, followed by manufacturing with 141 mio. USD.

Investment Policy

Distribution of petrol and diesel will be open for foreign investment soon. Local media report that state owned Myanmar Petroleum Products Enterprise (MPPE) will invite foreign partners to form a JV within the next months. Up to now, petrol stations are in the hands of local conglomerates, following a privatization move mid of the 2000s. A tender by MPPE for international JV partners in jet fuel distribution is already on its way and local media report that the government plans to invite foreign investors for jet fuel production facilities to ease the relatively high cost and raise quality levels.

Trade and Distribution

According to a Japanese media report, the Myanmar government considers opening up import and distribution as well as retail to foreign companies. See at <http://asia.nikkei.com/Politics-Economy/Economy/Myanmar-to-give-foreign-retailers-importers-an-opening> (thanks to PWPLegal for the information). There is no official confirmation of such discussions yet, but an early liberalization would be an example of bold regulatory leapfrogging. Smartly and thoroughly done, such a move could be beneficial for both foreign and (at least some) domestic parties. Still one may doubt whether the government would risk another probably heated policy debate with elections scheduled for next year.

Finance

25 foreign banks have applied for the second stage of the licensing process according to the Central Bank. French **BRED** is the only European bank involved, as surprisingly British **Standard Chartered** has not submitted an application for this second stage, citing commercial reasons for the withdrawal. Rather than to a negative assessment of the business opportunities in Myanmar the move may be due to overall corporate developments – FT has reported on Standard Chartered pulling back in Asia as a consequence of falling profits. Other applicants for the up to ten licenses are Australian **ANZ**; Japanese **Bank of Tokyo-Mitsubishi**, **Mizuho Bank** and **Sumitomo Mitsui Banking Corporation**; Chinese **ICBC**; **DBS**, **OCBC** and **UOB** from Singapore; **Bangkok Bank**, **Kasikorn Bank**, **Krung Thai Bank** and **Siam Bank** from Thailand; Korean **Kookmin**, **Shinhan** and **Industrial Bank of Korea**; **Cathay United Bank**, **E.SUN Commercial Bank** and **First Commercial Bank** from Taiwan; Malaysian **CIMB**, **May Bank** and **RHB Bank**; Vietnamese **BIRD**; **State Bank of India** and **State Bank of Mauritius**.

SEZs

Discussions have been held with Japanese government officials and executives of the Dawei Special Economic Zone on a Japanese investment in the project which is currently stalling after Thai consortium Ital Thai has pulled out due to lack of sufficient finance. According to local media reports, a pilot project is under discussion and consultancy Roland Berger again is involved in preparations and terms of reference.

Energy

Coal fired power plants are meant to play an increasing role in Myanmar's energy mix. The Union Minister for Electric Power, Khin Maung Soe, has informed about new MOUs and ongoing projects in Yangon and Ayeyawady regions and other parts of the country. Altogether seven new projects will have a capacity of 9,400 MW. In a government JV with Huaneng Lancang Htoo, a 270 megawatts coal-fired power plant is planned in Htantabin, Yangon Region. Approved hydro projects include: Laungdin (600 MW), Gaw Lan (120 MW), Htonshin Chaung (340 MW) and Khankan (140 MW) by Chinese YPIC International Energy Cooperation and Development Ltd, together with local IGE. Asia World together with Chinese Hanergy will develop the Upper Thanlwin project (1,400 MW) in a 40 years BOT and together with Chinese CPI has approval for further projects such as Ayeyawady Myintsone, Chee Phwe, Laiza, Woo Zou, Khaung Lanphu, Yen-an and Pheezaw (together up to 6,000 MW) and for the Thaukraykhet (2) hydropower project (120 MW). Shwe Taung has got approval for 10 hydropower projects together with Chinese CDOI.

Infrastructure

Bad news for infrastructure and industrial development: Chinese plans to develop a rail link between Kyaukphyu in Rakhine State and Kunming, in parallel to the existing oil and gas pipeline, have been abandoned at least for the time being. Only recently it had been announced that exploration works were going on. Reasons given were cost and environmental concerns leading to civil opposition – the rail link crosses number of ethnic minority territories.

Good news on the other hand: The new tender process for the Hanthawaddy International Airport makes progress with a consortium led by Incheon Airport International and a second, Singapore-based consortium bringing together Yongnam, CAPE and JGC in the final round. They have been selected by the Myanmar government among altogether four consortiums. Incheon had withdrawn a previous proposal which seems not to have been proven sustainable in financial terms.

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Visitors traveling to Nay Pyi Daw by car will be happy to read that following a number of fatal accidents the Ministry of Construction has decided to upgrade the Yangon – Nay Pyi Daw Highway within the next three years. Besides tarring of the highway, the project will include widening of bridges and installation of cameras to monitor speed. According to the Ministry cited in local media, upgrading cost will be as high as the initial construction cost – 2.5 bn MMK, that is about 2.5 mio USD, per mile.

Good news as well for the more affluent travelers flying in to Yangon: a private jet terminal and business aviation facility is now up and running at Yangon airport. The Myanmar MJets Business Aviation Center (MMBAC) is operated by a JV between Thai MJets and the local aviation firm Wah Wah Group, while state owned Myanma Airways is giving support and eventually looking to partner in the JV.

Oil and Gas

Following a tender for 16 onshore oil blocks end of 2013, some out of ten expected production sharing agreements have been signed. One contract partner of MOGE is Italian **Eni**, thus a new European entrant into the Myanmar oil and gas market. Myanmar Petroleum Exploration and Production (MPEP) will be Eni's local partner. Another agreement has been signed with Thai PTTEP, JV partners have not been disclosed. PTTEP already operates several other fields.

The tender process for a first privately owned Liquefied Petroleum Gas plant in Nyaungdone, Ayeyawady Region is on its way with 22 foreign and domestic companies having expressed interest in a JV, according to the Ministry of Energy. Production capacity is meant to be 30 t per day. Among the foreign bidders are Japanese **Mitsui**, **JGC**, and **Sojitz**; Thai **PTT**; South Korean **NK**; Singaporean **PUMA Energy**; Chinese **Langfan CNPC Huaya Petrochemical Engineering**, **Shanghai Sino-Myanmar Investment Management**, **GDZR** and **China Huanqui Contracting and Engineering**. Potential JV partners are local Sein Kaung Gem Trading and Parami Energy Services. Up to now three LPG plants operated by state owned Myanmar Petrochemical Enterprise with Asian JV partners are in operation.

The Ministry of Energy is tendering consultancy for the set up of Joint Ventures in oil and gas exploration and the construction and maintenance of pipelines. Among the ten international consultancies which have submitted expressions of interest are two Germany based firms: **Fichtner** and **Roland Berger**. Other bidders are British **Jones Day** and **Berwin Leighton Paisner**, French **Schlumberger**, Singaporean **Rajah and Tann** and Vietnamese **EP Legal**. International consultants will have to form a JV with a local company.

Agriculture and Fisheries

Myanmar Agribusiness Public Corp (MAPCO) is investing in new rice processing plants near Nay Pyi Daw and in the Ayeyawady Region, combining rice milling and rice parboiling plants. Besides ongoing supplies to Russia, Europe and Africa are to be developed as new export destinations for parboiled rice.

Transport

National Air-Carriers expand their fleet: State owned Myanmar Airways has signed a contract for purchase of six ATR 72-600 turboprop aircrafts in July to be delivered until 2017. Air Mandalay has ordered six MRJ90 from Mitsubishi Aircraft to be delivered from 2018 onwards and six Embraer Regional Jets (ERJ).

IT and Telecommunication

Beginning of August, Qatari Ooredoo has started sales of SIM cards for its 3G network. Norwegian Telenor will follow in September. While Myanmaris now can enjoy international standard mobile phone and mobile internet connectivity, they will have to get used to international standards in pricing as well. Both providers plan to charge internet access per MB downloads while hitherto state monopolist MPT charges internet access per minute.

Facing such new competition **MPT** has finally signed a long expected deal with a consortium lead by Japanese **KDDI**, including **Sumitomo** and local Myanmar Information and Communication Technology Development Corporation and A1 Construction Company. KDDI and Sumitomo plan to invest up to 2 bn USD within the next ten years.

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Tourism

Tourism is on the rise with a 43% increase of arrivals yoy up to 1.6 mio during the first half of 2014. 71% of visitors come from Asia.

German projects

Kockskrane is supplying container cranes for the Ahlone Port Terminal in Yangon which is meant to start operations end of 2014 and will operate container handling between feeder ships and trucks. The first container crane supplied by KocksKrane with a capacity of 52 t has been tailored to the requirements of feeder ships. It will be installed in August, project volume is above 4 Mio EUR. Myanmar Economic Cooperation, which operates the new terminal, already has ordered another crane.

International projects

Thai **Siam Cement Group SGC** has disclosed more details on its cement plant project in Myanmar. Investment in the site in southern Mawlamyine will be 400 mio. USD. The plant, which the company claims will be its first "clean and green" project with a waste to energy system in place, is meant to be operational by end of 2016 and will have an annual capacity of 1.8 mio. t with local staff of 400.

Another JV investment has been announced in the garment sector: Chinese **Sumec Textile & Light Co Ltd** will partner with local Lat War to establish a 20 mio. USD Garment factory in Bago. The factory will start operation end of the year, staff is meant to be expanded gradually from currently 200 to up to 15,000.

Norwegian shipping company **Wallenius Wilhelmsen Logistics** will form a JV with local Carrier King Logistics to facilitate car imports from Japan.

American information security company **RSA** has been selected to provide fraud protection for the online banking services of KBZ bank to be launched soon according to company information. RSA currently is working with local partner Myanmar Millenium Group but considers opening office at a later stage.

Another high end hotel is in the pipeline, this time under a BOT scheme by Korean **Daewoo International** and local IGE. Korean **POSCO** has been hired for construction work of the 220 mio USD project. The Daewoo Amara Lotte hotel is located in Hlaing Township and meant to open in late 2016.

Exhibitions (updates to the July newsletter in bold)

ProPak Myanmar 2014, Plastics and Rubber Myanmar, 4 - 6 Sep 2014, www.propakmyanmar.com

Myanauto 2014, Auto Parts, Accessories, Service and Repair Exhibition, 4 – 6 Sep 2014,
www.myanauto.com

Manufacturing Myanmar 2014, 2 – 4 Oct 2014, www.manufacturingmyanmar.com

Ildex Myanmar 2014 (Animal Production and Processing) , 6 - 7 Oct 2014,
www.imexmanagement.com/show/130/ildex-myanmar-2014/

Aqua Fisheries Myanmar, 7 - 8 Oct 2014, Email: van.ptb@veas.com.vn

Medical Myanmar, 9 – 11 Oct 2014, www.medical-myanmar.com

Oil & Gas Myanmar 2014, 15 – 17 Oct. 2014, www.ogmyanmar.com

Myanmar Water, 22 – 24 Oct 2014, www.myanwater.com

Intermach Myanmar, Subcon Myanmar, Industrial Manufacturing and Subcontracting Exhibition, 29 -31. Oct 2014, www.intermachmyanmar.com

2nd Building and Construction 2014, 30. Oct – 1 Nov 2014, www.buildingmyanmar.com

2nd Electric Power & Renewable Energy Myanmar 2014, 30. Oct – 1 Nov 2014,
www.electricmyanmar.com

2nd Mining Myanmar 2014, 30. Oct – 1 Nov 2014, www.miningmyanmar.com

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Power & Electronics, Machine Tool & Automation, 13 – 16 Nov 2014, <http://mt.emmafair.com/>

Agro Myanmar 2014, 18 – 20 Nov, Naypyidaw, 21 Nov Mandalay, www.agromyanmar.com

CommuniCast Myanmar 2014, 19 - 21 Nov 2014, www.communicastmyanmar.com

2014 Myanmar Int'l Textile & Garment Industry Exhibition, 20 – 23 Nov 2014

www.myanmar-expo.com/MTG/

3rd Myanmar International Plastics, Rubber, Packaging, Printing & Foodtech Industry Exhibition, 27 – 30. Nov 2014, www.myanmar-expo.com/MyanmarPlas/myanmarplas.asp

Agrilivestock Myanmar, 9 -11 Dec 2014, www.agrilivestock.net/AGRILIVESTOCKMYANMAR14/index.html

Livestock Myanmar, 1st Feed, Livestock and Meet Industry Show, 29 – 31 Jan 2015, www.livestockmyanmar.com

Insights

Ooredoo and Telenor not only significantly upgrade mobile communications – they affect the bricks and mortar world as well. For their branded sales outlets in downtown Yangon, nice but rotten smaller colonial time buildings have been refurbished and stand in sharp contrast to mouldy green walls next door. One can hope that local owners will follow this example – and that the renovation will be able to resist the fierce monsoon downpours at least until the next rainy season.



Paint it white and red: Ooredoo outlet in Lanmadaw township. Telenor will follow in September and in view of fair competition, we will feature their currently still covered light blue decorated outlet nearby in the next newsletter.