

Dear readers,

The recent presentation has left some disappointed both among the international and the local business communities. Some say it has been more a question of managing expectations. And there are some interesting comments from the private sector. A local entrepreneur with a quite successful and very promising project in operation, asked what he would expect with regards to government policy support, just said it was of course most welcome to have support by new regulations and policies but that he would pursue and expand his projects anyway, just because he was convinced of the business case and the benefits for the broader community. With more such examples, the private sector might pave the way and help to identify sectors of relevance and promising approaches. Based on such practical foundations, it will be much easier for any government, to develop policy frameworks and economic strategies. Let us hope that policy making in Myanmar will involve a lot of smart public private partnership to bring in practical knowledge and develop smart concepts.

Best regards

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### Politics

#### International

State Counselor and Foreign Minister Daw Aung San Suu Kyi will visit China during the second half of September – an indication of either foreign policy priorities or most urgent issues on the table.

#### Economic policies

An economic policy framework has been presented by the government on 29 July – disappointing many because of a lack of tangible measures and long term strategies. In rather general terms, the program addresses key issues such as transparency and sustainability in natural resource extraction, reform of SOEs and privatization, the promotion of agriculture and skills development. The government has committed itself to a market-oriented system – implementation of course remains to be seen. Increasing transparency and fighting monopolist structures are on the agenda as well. A more comprehensive infrastructure strategy and an investment policy are in the pipeline.

According to the Minister of Labor, for the time being there will be no increase to the minimum wage, set at 450 MMK per hour for a standard 8 hrs working day (with double payment for overtime) in September 2015. High inflation levels had led to speculation, whether an increase would be necessary, but end of July the Minister referred to the need to attract FDI as a priority.

Privatization drive: end of July the Ministry of Industry announced that it plans to transform its SOE cement factories into JVs with private partners. Seen the market demand for cement, there might be a viable business case – and need for refurbishment of the old plants.

Progress in public private dialogue: A working group on International Trade Supply Chains has been launched with the support of the ADB, bringing together government officials, UMFCFI members and further private sector representatives. The UMFCFI is meant to steer the initiative once it has firmly established.

#### Trade and trade policies

According to Ministry of Commerce statistics, the overall trade volume has been shrinking during the first 4 months of the year. Exports reached more than 3 bn USD and imports stood at 4.8 bn USD.



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### FDI

The **UNCTAD** is bullish on Myanmar: in its current World Investment report on most promising FDI locations for the coming three years, Myanmar ranks 14<sup>th</sup> – behind its South East Asian peers Indonesia, Malaysia and the Philippines, but ahead of Vietnam which comes 15<sup>th</sup>.

### SEZ and Industrial Zones

More foreign driven projects: according to Indian media, India plans to develop a SEZ in Sittwe, near the Indian built port there – obviously to compete with the Chinese driven Kyaukphyu SEZ nearby. It remains to be seen whether the Myanmar government endorses this concept.

### Energy

Korean **POSCO Daewoo** has announced it has been awarded a MOGE contract to build a gas fired power plant in Shwetaung west of Yangon. No information on the capacity, investment volume and a timeline have been published so far. The project seems to be under a 20 years contract – and the big question may be on how to ensure reliable gas supply.

A new attempt for the Mawlamyine-Dawei grid extension project which had been on hold as a loan by Chinese Exim Bank at 2 % interest rate proved not to be sustainable. The Minister of Electrical Power and Energy announced to be in discussions with ADB for the funding of the 100 m USD project.

Not yet a break through for renewables but a pilot for grid connected PV installations: **Sunlabob** has announced it was awarded to install a 117 kWp rooftop system on Shwe Taung's Junction City project downtown. The system is meant to power car park lighting and the retail space of the development.

### Finance

**United Amara Bank** is another bank to join the ADB's Trade Finance Program – following CB Bank in 2015. Under the agreement, UAB will be able to provide loans of up to 4 m USD annually covered by ADB guarantees – a coverage which is essential for LC export finance.

### Agriculture and livestock

End of July, **Sompo Japan Nippon Koa Insurance** has signed an agreement with the Myanmar Rice Federation for the first crop insurance system to be launched in upper Myanmar.

On a larger scale Indian **Mahindra Group** has announced to expand its Myanmar business in sectors such as supply of agricultural equipment and seeds (taking advantage of the liberalized access to import and distribution for foreign companies in this sector) as well as – badly needed – agricultural finance. The company currently sources pulses and beans in Myanmar.

The **Myanmar Livestock Federation** in partnership with **City Mart Holdings** plans to develop a modern slaughterhouse – products are meant for sale in the City Mart retail outlets.

### Mining

Jade and gems mining licenses will not be extended ahead of new regulation being in place. While some licenses are due to expire within the next months, others are valid until 2021 and production will go ahead at these sites. Furthermore the Ministry of Natural Resources plans to enforce rehabilitation of mining sites and reparation of environmental damage.

### Infrastructure, urban development and construction

ADB has published a sector assessment on the Myanmar infrastructure. The report states a lot of shortcomings – starting with infrastructure investment at only 1 to 1.5% of GDP compared to 3 to 4 % in other countries at similar stages of development. Urgent need for upgrade and expansion exists

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everywhere, but there are some bright spots as well. The study highlights the unique inland water transportation potential in Myanmar and says it can be taken advantage of with little investment. Still, the study sees road transport as dominating for the years to come, even if water and rail transport might take back a lot of lost shares.

And yes, water works: in a new approach to easing Yangon traffic woes, the regional government plans to publish a tender for a BOT express river transport system for commuters and cargo. A look at the map show that this is a sound concept – and properly done, it might develop into a good business case, attracting tourists as well. All those who ever have used the Hamburg public ferries on river Elbe just for leisure trips will know what it is about. State owned Inland Water Transportation is being eyed for privatization, in order to implement such projects more efficiently.

In a more short term perspective, the Inland Water Transport Authority will introduce barges to transport containers between Yangon's downtown port terminals and Shwe Pyithar Industrial Zone. At a later stage, the service is meant to be extended to serve the Semeikhon port in Mandalay. Barges have been built in a Yangon dock.

Yangon may not have something comparable to the Bangkok Sky Train any time soon, but according to local media reports, the Yangon Transport Authority plans to uplift parts of the Yangon circular rail line some 18 meters above ground – an important step to ease congestion on Yangon's streets. Implementation literally seems to be a bit in the skies for the moment, but is said to take place within the current government's term.

With regards to the halt of highrise projects in Yangon, the project assessment is still going on. Still there are signs that the authorities may be more flexible with regards to modifications required for projects at an advanced stage. With the Sule Square Office Towers one of the premium projects in downtown Yangon seems to be under scrutiny and according to media reports is in breach of approved construction plans.

New guidelines are badly needed and the long awaited zoning plan for Yangon, which is expected to define the maximum height of buildings for different regions of the town, is said to be published during 2016 – a very helpful measure to establish planning security for investors in construction and to mitigate uncontrolled growth. At the same time, new YCDC rules for building permits can be expected to be implemented before long, hopefully helping to ensure transparency and predictability for investors and developers.

### Construction equipment

Chinese **Zoomlion** together with its Chinese partner **Shanghai Weide Engineering Equipment** has set up a maintenance center in Myanmar. According to a company announcement, besides maintenance the center will sell equipment and spare parts as well – items not covered yet by the recent opening up of distribution of construction material for foreign local JV companies. As neither Zoomlion nor Weide have a DICA registration as of now, the center most likely is run by the local distributor Pacific Prime Machinery.

### Retail

A boost for badly needed competition in modern retail: Japanese **Aeon** has entered a JV with local **Creation Myanmar Group**. The JV will operate the currently 14 **CMG** orange supermarket outlets – but seen the restrictions for foreign activities in trade may do so via the local entity only. There is no indication for a relaxation of trade and distribution rules to allow in at least local foreign JV companies. Anyway, the move means a challenge to the semi monopolist City Mart Holdings, the more as further expansion around the country has been planned.



### International Projects

According to local media, Korean **Daewoo** plans to launch manufacturing of buses in Myanmar via local Myanmar Coach Centre Co Ltd. No details have been given so far and it remains to be seen, whether this will cover more than CKD assembly.

The **Japan-Myanmar Vocational Training Institute** has announced plans to open a training center for car mechanics in Yangon’s Insein township by the end of the year with Japanese funding and technical assistance.



### Insights

In Myanmar, for most people agriculture means just rice or pulses and beans. But had it not been under sanctions, the country might already have emerged as a global supplier of – gherkins! The dry zone offers perfect conditions for this product. Harvesting is labor intensive, the product can be exported semi processed in barrels (and in future hopefully fully processed, canned and labeled in Myanmar!).

This is what you learn when you escape the Yangon monsoon season steam bath for a long weekend at Inle Lake. Just next to the Heho airport, you will pass by a pioneering venture – a plantation by **Prime Agri**, a sister company of a Singaporean (but Myanmar owned) company, spearheading the way into modern agriculture. The field offers a different sight to traditional Myanmar farms: you see agricultural machinery for deep soil tilling, greenhouses under construction and if you have the privilege to visit: the piping for drip irrigation. Furthermore, Prime has set up a cold storage for seeds and harvested products. The company has just started growing potatoes, to be followed by onion, garlic, jalapenos, gherkins and strawberries for



The Prime commercial operations near Heho airport.



Rice? Potatoes!

export and the domestic market. Plantations are located in Heho, Taunggyi and three other places in Shan and Central Myanmar. Besides its commercial farm operations, its subsidiary **Smallholder Prosperity Enterprises Ltd (SPE)** closely works there with local smallholder farmers who receive training and can supply at guaranteed prices. Processing is under preparation with solar dryers to be

installed and at some stage a frozen factory to be set up. Prime aims high: the company wants to supply to international customers at Global GAP standards. To achieve this, you need patience, stamina – and a vision to implement new technologies. Prime has started to collect data of its supplying farmers via iPads and with a sophisticated database system which at a later stage is meant to allow to track and trace individual products – this actually is leapfrogging far beyond regional standards and a quantum leap in Myanmar, where the lack of reliable data is the biggest obstacle for any kind of economic policy planning. Sustainability is a focus for Prime as well: Another of their visionary ventures is the installation of one of the first drip irrigation systems in the country – it helps to reduce diversion of the water by approximately 40% and allows farmers to move beyond the currently customary one crop system to up to three crops. Myanmar farmers are said to be hardheaded and conservative - but a group of farmers near Taunggyi already has committed to sharing part of the cost for such systems, once general infrastructure would be provided. There still is a tough job ahead for Prime, but it is no doubt that this is the way forward to develop agriculture and create jobs and income in the countryside.

### **GTAI reports (in German language)**

[Myanmar setzt auf Investitionen aus dem Ausland](#)

### **Events**

#### **Business Mission 9 – 14 October: Explore Business Opportunities in Myanmar's construction and Infrastructure sector!**

Sponsored by the Federal Ministry of Economic Affairs and Energy – organized by the Delegation of German Industry and Commerce in Myanmar, with its partners VDMA, VBI and Puchala IME. Fore updates on the program please check [here](#) and contact us for more details!

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