

## Myanmar Newsletter, December 2014

### Delegation of German Industry and Commerce in Myanmar

Dear readers,

Myanmar has been a topic during the Asia Pacific Conference of German Business from 20 to 22 November in Ho Chi Minh City. Not just the participants at a Myanmar breakfast briefing had the opportunity to gain some fresh insights, but the 700+ business representatives attending the plenary session. And they may have heard surprising assessments: During a panel on political security in the Asia Pacific region, US academic Amitav Acharya from the American University in Washington stated that: Democracy in Myanmar was real, the country was no security threat in ASEAN and that every day more people were dying in ethnic conflict in neighbouring South Asia than in Myanmar (and yes, population in South Asia is much bigger than in Myanmar but conflicts there mostly are unheard-of in the western public). And it was Daw Khine Khine Nwe speaking as the voice of Asian business alongside the APA Chairman Dr. Hubert Lienhard in a plenary on Asia in 2030 – leaving a deep impression on a number of participants (see Insights). A step forward in rebranding Myanmar.... to be continued in 2015! And we promise to be realistic: painting a bright picture will not help to tackle the challenges ahead.

Best regards

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#### Politics

It seems that any constitutional change will be voted and implemented only after the parliamentary elections late next year while a referendum is meant to take place in May next year already.

#### International

The world (excluding Europe and Africa) was a guest in Myanmar mid of November on the occasion of the ASEAN summit meetings. Among the crowd of high ranking visitors, US President Obama gained most attention in the country as he met with opposition leader Aung San Suu Kyi, civil society groups and young leaders during a visit to Yangon. Chinese Prime Minister Li Keqiang extended his visit on a more formal note with political meetings in the capital and a number of deals with his Myanmar counterparts. Volume is said to be 7.8 bn USD in sectors as energy, agriculture, telecommunications, infrastructure and finance. Japanese Prime Minister Abe confirmed commitment to co-operate in Special Economic Zone projects, infrastructure development and power projects but as well soft infrastructure such as health, education and SME promotion.

The EU Delegation in Yangon has officially awarded a grant to set up a EU Chamber in Myanmar to a consortium led by the French Myanmar Chamber of Commerce and Industry during a launch ceremony on 12 December.

#### Policy moves

A permanent residence scheme amongst other for foreign professionals is meant to be implemented. Applications will be accepted as early as end of December.

The final draft of the Standardization Law will be discussed in parliament, covering among others sectors like construction and agricultural products. The Myanmar Scientific and Technological Research Department has announced that by-laws and regulations should be implemented with the help of expert organizations – any German volunteers?

#### FDI

The Myanmar Investment Commission plans to act against foreign investors pursuing business under a registration via Myanmar citizens, as this had been widespread practice under the old investment framework. Most of the companies targeted by this measure are active in the garment sector – one can

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only hope that the procedures for re-registration as a 100% foreign owned company will be streamlined. Smaller businesses active in import and distribution may be affected as well, as these sectors are still closed for any company with foreign shareholders.

### Trade

Myanmar's trade deficit is increasing further. During the first 8 month of the Financial Year it reached 3 bn USD with exports of 7.3 bn USD and imports of 10.8 bn USD.

### Finance

A first move for opening up the insurance sector: foreign companies will be allowed to offer insurance services in Special Economic Zones from January 2015 onwards. Capital requirements will be higher than for local providers and the number of companies allowed to operate will be limited. No news have been given on a possible tender for insurance licenses to operate in the domestic market.

Sri Lankan **Commercial Bank** will open a representative office in Myanmar.

### SEZs and Industrial Zones

Power supply in the Thilawa SEZ will be secured with a 40 MW gas fired power plant and additional 20 MW from the grid during the initial phase starting in 2015, according to the SEZ Management. Indian **Egis Consulting** has been chosen for the design of the residential and commercial area, with a tender for construction to follow.

A new industrial park is in the planning in Bago north of Yangon. Singaporean **Surbana** develops the master plan.

Following a move by the Yangon Region government to enforce utilization of industrial land and warehouses until February 2015, land prices in some industrial zones have dropped significantly according to local media.

### Power

Korea 's Export Import Bank will provide a 100 mio USD loan (at a 0.01 % interest rate) to fund a 188 km long 500 KV transmission line in Bago region (500 KV seem to be overdone for that stretch....). According to local media, Myanmar Electrical Power Enterprise under the Ministry of Electrical Power has announced that Korean equipment and technology should be used for implementation. The Ministry announced plans to extend the transmission grid in Chin and Mon States following the completion of lines in Rakhine State.

### Oil and Gas

First production sharing agreements for offshore blocks have been signed by MOGE following the awarding of 20 exploration licenses earlier this year. Front runner is british Ophir together with local partner **Parami Energy Development Ltd.** Indian **Mercator Petroleum**, with **Oil India Ltd**, **OilMax Energy Pvt. Ltd** and local **Oil Star Management Service Co. Ltd** has signed an agreement following a 2013 tender. Industry experts assess that it could take until the next decade before production in one of the new blocks actually begins while decreasing world market prices for oil put in question the viability of the more complex projects.

According to local media, a Chinese refinery project might be in the pipeline. **Guangdong Zhenrong** says it plans to invest in a crude oil refinery factory with a capacity of 5 mio t per year to supply the local market. The refinery will process crude oil from the international markets. Feasibility studies have been completed, MIC approval is still pending. No information has been given on the location of the refinery.

### Infrastructure, City development and construction

With ADB funding, rural infrastructure in the Ayeyarwaddy delta is going to be improved in a project to upgrade a 54 km road link between Pyapon and Maubin near Yangon.

**MC-Jalux Airport Services Co**, a JV of Japanese **Mitsubishi Corporation** and **Jalux Inc.** together with local minority partner **SPA** has signed a 30 years concession agreement with the government on upgrading and

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operation of Mandalay International Airport. Plans include developing air cargo facilities. Japanese **Sumitomo Corp** will be the main contractor for safety equipment at six airports in Myanmar – thanks to a grant by Japanese development agency JICA.

4.5 bn USD is the price tag at the Yangon 2040 Master Plan, developed by the Yangon City Development Committee and Japanese JICA with 80 projects on the list. Among them is a Bus Rapid Transportation system, to be implemented from 2015 onwards according to the Yangon Region Minister of Transport. A pilot test project will be launched in 2014 by local contractor **OMNI Focus Co.**

More space! Less cost? Research agency Frontier Myanmar expects available high end residential space to quadruple until end of 2017 with a more dynamic development from 2016 onwards. They expect prices to stabilize – no mention of a decrease most expats would long for. The same is true for high end office space. The agency expects available Grade A office space to increase twelvefold until 2017.

### Construction material

While Thai **SCG** is starting construction of its new cement plant near Mawlamyine, Chinese **Anhui Conch Cement** and local **Myint Investment Group** have concluded a BOT deal with the Ministry of Industry to upgrade and operate the previously state owned Kyaukse cement factory. The plan is to increase production from currently 400 to 5,000 t per day. More foreign investments are in the pipeline from Italy, Korea, China and the US.

### Automotive

In an interview with Irrawaddy magazine, a local representative of the automotive dealers industry estimated, that out of 300,000 to 400,000 cars imported since the opening of the market only 1,000 had been brand new models with South Korean KIA on top of the ranking in this segment. Statistics of the Ministry of Commerce say 728 brand new cars have been sold during the current fiscal year, out of 1,276 imported among 1,882 permits.

The Myanmar Automobile Manufacturers and Distributors Association MAMDA is about to set up a public company, **Myanmar Automobile Development Public Co.** They plan to develop a distribution facility and an automobile center north of Yangon with show rooms, repair service stations and – a racing track (to divert sportive drivers from their midnight races downtown, hopefully....)

### Transport and Logistics

Improvement in sight for traffic in Yangon? Despite more cars on the road, installation of new computerized traffic lights might ease congestion on the roads – anybody who has been waiting five minutes before a red light may hope so. The project is run with support of JICA. Official media report that Yangon stands for about 80% of the vehicles in the country, the number is said to be about 400,000.

State owned domestic airline Myanma Airways has changed name to **Myanmar National Airlines (MNA)** and plans upgrades on fleet, technical standards and services as well as resuming international flight services.

### Tourism

The Ministry of Tourism expects the sector to generate 900 mio USD in 2014 with 3 mio travelers after 2 mio the year before.

### German Projects

The German private sector gets involved in professional training: Mid of November, **Festo** together with its local partner **Sea Lion** has launched an Industrial Automation Training Centre. The training centre will offer short term courses in pneumatics systems, PLC programming and mechatronics to help alleviate a shortage of skilled technicians in industrial automation sector. Successfully completed trainees will be conferred with Festo's certificates.

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**Siemens** has held its first Technology Day in Myanmar on 22 November to share its expertise and insights on areas that the company can contribute to Myanmar – energy efficiency, industrial productivity, next-generation healthcare and intelligent infrastructure.

The **BMW** showroom and service facility has been opened officially mid November. Local partner is **Prestige Automobiles**, a sister company of Shwe Taung Group.

Law firm **Roedl & Partner** has opened office in Yangon.

**Messe Frankfurt** has launched its official representation in Yangon on 11 December.

### International projects

High tech is coming to Myanmar: Taiwanese **Asia Tech Image**, a manufacturer of contact image sensor modules for optical flatbed scanners, plans to start production in a new factory in Yangon beginning of 2015 with an initial annual capacity of 3 mio modules. Production will supply exports markets, mainly Thailand.

Japanese **Asahi Group** together with the local JV partner **Loi Hein** has started production of the Loi Hein soft drink brand Blue Mountain. The JV plans to launch Asahi's soft drink brands at the latest in 2016. Asahi's sales target in Myanmar for 2018 is 84 mio USD.

After French cement company **Lafarge's** previous plans to set up a production base did not materialize, the company has launched a repackaging facility for imported cement in the Thilawa SEZ in a 60/20/20 JV with local partners **Aung Myin Thu** and **My Associates**. Investment is said to be 10 to 20 mio USD and Lafarge plans to invest some more 400 -500 mio USD in the future according to local media. Storage capacity is 20,000 t of cement. Imports from Asian Lafarge plants will be supplied to Thilawa SEZ projects and other domestic customers. (Another example of a foreign local JV allowed to do distribution in the local market).

Korean **Taekwang and Huchems** has announced plans for investments in production of chemicals both for supplies to the local market and for exports in the Thilawa SEZ. Investment is 600 mio USD with initial 500 jobs created. Construction is planned to start in 2015 and finish in 2016. Expansion into segments as fertilizers, water pipes and power have been announced. Furthermore the company says it invests 100 mio USD into a shoe factory in Bago north of Yangon. Construction has started and manufacturing of sport shoes for international brands is planned to begin in 2017.

**Japan Consortium LLC** (JV of **TSS Tokyo Water** and **Toyo Engineering**) will implement a Non revenue water project in Mayangone Township under a contract with YCDC. The project is meant to be completed until March 2015 and covers replacement and installation of water meters, pumps and provision against leakages. German supplies are said to be involved!

**Boeing** has signed a deal with local carrier **Air Mandalay** for expansion and upgrading of their fleet through leasing agreements for 737 aircrafts.

**Chevrolet** has officially opened its showroom in Yangon with JV partners **Alpine Group** from Singapore and local **Pacific-AA Motor**.

During a visit to Myanmar, **General Electric's** CEO Jeffrey Immelt has proposed an upgrading of gas turbines in the country meant to increase power generation capacity by 30 MW. Austrian **Andritz Hydro** has signed a MOU with the Ministry of Electrical Power on a JV hydro project with 66 MW capacity.

**Mitsubishi Electric** has signed an agreement with Yangon Technical University allowing students in electronics and electrical equipment to attend 3 months internship programs in Japan.

### GTAI reports (in German language)

Merkblatt ueber gewerbliche Wareneinfuehren

<http://www.gtai.de/GTAI/Navigation/DE/Trade/Recht-Zoll/zoll,did=1123034.html?view=renderPdf>

Wirtschaftsdaten Myanmar

<http://www.gtai.de/GTAI/Navigation/DE/Trade/maerkte,did=379180.html?view=renderPdf>

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### Exhibitions (updates to the November newsletter in bold)

Livestock Myanmar, 1st Feed, Livestock and Meat Industry Show, 29 – 31 Jan 2015, [www.livestockmyanmar.com](http://www.livestockmyanmar.com)

International Medical, Hospital and Pharmaceutical Exhibition, 14 -16 May 2015, <http://www.myanmar.medipharmexpo.com/eng/>

Food and Hotel Myanmar 2015, 3 – 5 June 2015, [www.foodandhotelmyanmar.com](http://www.foodandhotelmyanmar.com)

**Myanmar International Textile and Garment Industry Exhibition, 26 – 29 June 2015,** [www.myanmar-expo.com/MTG](http://www.myanmar-expo.com/MTG)

**Auto Expo Myanmar 2015, 22 – 25 July 2015,** <http://auto.emmafair.com>

**Myanmar International Electrical, Electronics and Electric Power Equipment, 22 – 25 July 2015,** <http://mt.emmafair.com>

**Myanmar International Machine Tool and Automation Exhibition, 22- 25 July 2015,** <http://mt.emmafair.com>

**Myanmar International Plastics, Rubber, Packaging, Printing and Foodtech Industry Fair, 14 – 17 Aug 2015,** [www.myanmar-expo.com/Myanmarplas](http://www.myanmar-expo.com/Myanmarplas)

**Myanmar International Agriculture Techniques and Equipment Exhibition, 14-17 Aug 2015,** [www.myanmar-expo.com/Myanmaragrotech](http://www.myanmar-expo.com/Myanmaragrotech)

Propak Myanmar 2015 and Plastics & Rubber Myanmar 2015, 17 - 19 Sept 2015, [www.propakmyanmar.com](http://www.propakmyanmar.com)

**Myanauto 2015, MyanTRE 2015, Myan Heavy Duty Vehicle Parts and Accessories Exhibition, 8 – 10 Oct**

Manufacturing Myanmar 2015, 14 – 16 Oct 2015, [www.manufacturingmyanmar.com](http://www.manufacturingmyanmar.com)

Oil & Gas Myanmar 2015, 14 – 16 Oct 2015, [www.ogmyanmar.com](http://www.ogmyanmar.com)

Building & Construction Myanmar 2015, 29 – 31 Oct 2015, [www.buildingmyanmar.com](http://www.buildingmyanmar.com)

Electric, Power & Renewable Energy Myanmar 2015, 29 – 31 Oct 2015, [www.electricmyanmar.com](http://www.electricmyanmar.com)

Mining Myanmar 2015, 29 – 31 Oct 2015, [www.miningmyanmar.com](http://www.miningmyanmar.com)

Communicast Myanmar 2015, 17 – 19 Nov 2015, [www.communicastmyanmar.com](http://www.communicastmyanmar.com)

MyanFood, MyanHotel, Myan Foodtech International 2015, 26 – 28 Nov 2015, [www.myanhotel.com](http://www.myanhotel.com)

**MyanBuild, MyanEnergy, MyanWater 2015, 3 – 5 Dec 2015**

**Agri Livestock Myanmar, 10 -12 Dec 2015**

**Myanmar International Building Material, Hardware and Tool Exhibition, 11 – 14 Dec 2015,** [www.myanmarexpo.com/buildhardware](http://www.myanmarexpo.com/buildhardware)

**Myanmar International Lighting Exhibition, 11- 14 Dec 2015,** [www.myanmarexpo.com/Myanmarlighting](http://www.myanmarexpo.com/Myanmarlighting)

**International Wood Processing Machines, Cutting Tools & Hadn Tools Fair, 11 – 114 Dec 2015,** [www.myanmarexpo.com/MyanmarWood](http://www.myanmarexpo.com/MyanmarWood)

### Insights

A good working spirit has prevailed during the lively 3rd AHK networking on 8 December. Topic of the day was Human Resources with a presentation by Marita Schimpl (below), Head of Marketing Research at Myanmar Survey Research, on the most recent Salary Survey and a discussion with Win Myint Aung (right), Head of Human Resources at British American Tobacco Myanmar,



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on his experiences in HR in pre and post reform periods – not to forget the participants sharing their assessment with a number of questions and comments.



### APK 2014

Countries, corporations and societies balancing profits and benefits – this is the vision Daw Khine Khine Nwe, Secretary general of the Myanmar Garment Manufacturers Association and Member of the Myanmar Investment Commission presented during the Asia 2030 panel of the Asia Pacific Conference of German Business in Ho Chi Minh City. She touched upon challenges on the way ahead – among them education and integration of women into business. For sure, a female entrepreneur from Myanmar speaking on behalf of the Asian business community has left a deep impression on a number of participants. And she suggested that some time before 2030, the APK should be held in Myanmar. Let's work on it!



APA Chairman Dr. Hubert Lienhard, Daw Khine Khine Nwe and representatives of the Young Leaders Forum