

Dear readers,

an exciting year for Myanmar comes to its end. And as a (well deserved) christmas gift, the Economist praises that the „country [...] has made the world a better place. [...] the country’s transition to something resembling democracy has come faster than anyone dared expect.“ To put it in my words: since 2011, the year which saw the suspension of the Myitstone dam project, Myanmar each year has managed to surprise the world and to out-perform expectations – and to avoid the worst case scenarios of some western gloom mongers. The country has good prospects of continuing to do so in 2016 – but again this will imply huge efforts and hard work.

Wishing all of you nice christmas holidays and a successful year 2016, my heartfelt wishes above all go to Myanmar and its people, hoping that end of 2016 they may be able to look back to another important step ahead in that long and strenuous transition process – and that Myanmar may have become an even better place by then (inviting the rest of the world to follow its example).

Best regards

Monika Staerk

Delegate of German Industry and Commerce in Myanmar

monika.staerk@myanmar.ahk.de

Politics

Hope in sight for an even smoother transition? Following Aung San Suu Kyi’s meeting the President and the Senior General and army leader beginning of December, a meeting with former Senior General Than Shwe on 4 December has sparked hopes that an amendment of the constitution might eventually happen, allowing her to assume the post of President. But at this stage, this is pure speculation.

In the meantime, International Crisis Group in its election analysis has published an assessment of the share of votes of both major parties. According to them, the NLD has won its 80% of seats with 57% of the vote, while the USDP gained 28% of the vote, ending up with just 8% of the seats in the first-past-the-post election system.

US sanctions

The US have given a waiver for trade logistics to pass through ports and airports owned or managed by OFAC listed companies which will be valid for the coming six months as a first step. The decision follows problems caused with transactions via the currently biggest and most efficient port in Yangon, after US authorities came to understand that it belonged to listed Asia World. Local manufacturers last summer all of a sudden found themselves confronted with having to identify new facilities to proceed their exports.

At the same time, the US consider reinstating GSP+ preferences for Myanmar to help exporting businesses – at a time when the outgoing government announced it was on track to get out of the LCD status in a couple of years time....

FDI

According to the Director General of DICA, foreign investment has created about 300,000 jobs during the past four years.

Trade Policies

Kind of a christmas gift for expats: licenses for imports of foreign wine have been awarded and both **Premium Distribution** and **Loi Hein Group** are bringing in supplies for supermarket shelves.



Precision, perfect timing and an eye for what matters.

Legal and Tax Advice | www.luther-lawfirm.com
Corporate Services | www.luther-services.com

Economic Policies

Despite news in some local media that the new Investment Law had already passed parliament, the draft is still under discussion, DICA reconfirms. The new law will merge previously separate legislation for domestic and foreign investors. It is meant to establish a level playing field, but with regards to land ownership and access to trade and distribution, some discrimination is likely to remain in place. The scheme of investment incentives is set to be modified to encourage investment in more remote areas of the countries. Furthermore previous requirements regarding local employment for skilled labor are planned to be abolished and approval procedures are planned to be streamlined: the Myanmar Investment Commission in future will have to deal only with proposals in specific sectors. For a more detailed analysis, expert law firms are prepared to assist. We will inform, once the Investment Law and the new Companies Law have passed parliament.

SEZ and Industrial Zones

A Memorandum of Intent for the Dawei SEZ has been signed between Myanmar, Thailand and Japan mid of December. Japan commits to provide financial and technical support but no timeline for implementation has been given. At the same time, developer **Italian-Thai** has requested its budget for development of initial infrastructure to be expanded according to Thai media.

Diversification seems to gain pace. Local conglomerate **KMA Group** has announced plans to develop an industrial zone in Taungoo, Bago region, 150 miles north of Yangon.

Finance

Surprisingly, the Central Bank has announced mid of December, that more licenses will be granted to foreign banks with a rep office in place in Myanmar or plans to open such. Banks from countries with foreign branches already operating (namely Australia, China, Japan, Malaysia, Thailand and Singapore) are not eligible. The process is meant to start with a call for expressions of interest early 2016. The rumor is, that Indian and Korean banks would be interested – European banks would we welcome, it seems, but the list of aspirants probably will not be too long.

Progress in trade finance. Following the agreement with ADB on a 12 m USD credit line guaranteed by ADB, **CB Bank** has launched services for Myanmar exporters providing them credit for working capital cost and accepting LCs and outstanding payments as collateral. CB Bank will assess customers via their internal credit rating committee.

It probably will be years until we will publish an YSX index – but the Yangon Stock Exchange has launched on 9 December despite some teething problems. Six companies will be listed from March 2016 onwards: local conglomerate **First Myanmar Investment Group**, **First Private Bank**, **Myanmar Citizens Bank**, **Myanmar Thilawa SEZ Holdings**, **Myanmar Agribusiness Corporation** and Muse based construction company **Great Hor Kham**. Once the new Companies Law is in place, local-foreign Joint Ventures will be eligible for a listing as well. The YSX itself, a JV between state owned **Myanma Economic Bank**, **Japan Stock Exchange** and **Daiwa Securities** risks to fall under US sanctions, as majority partner MEB is on the OFAC list.

Power

The Upper Paunglaung hydropower plant in Nay Pyi Taw township with a capacity of 140 MW has started production and is expected to supply 450 m kWh annually to the national grid.

French **Electricité de France** has signed a MOU with the Ministry of Electrical Power on the 1,050 MW Shweli-3 hydropower project in Moe Meik in Northern Shan State. EDF's investment is said to stand at 1.4 bn USD and if implemented, this will be the first European PPP investment in hydropower in Myanmar.

Final deals have been signed for the biggest gas fired power plant in the country, Singaporean **Sembcorp's** 300 m USD project at Myingyan in Mandalay Region, which will run under a 22 years PPA. The plant will have a capacity of 225 MW once fully completed in 2018 and the first phase is expected to

be operational as early as April 2016. Gas will be supplied from blocks in the Gulf of Bengal via the pipeline to China. Sembcorp's local partner is **Mandalay Myotha Industrial Development (MMID) Utilities**.

VPower Group from Hong Kong has announced further gas fired power projects at the Kyuakphyu SEZ under development, doubling its current capacity of 45 MW and again at Myingyan. The 133 MW plant there is meant to supply to the state owned steel mill. Both projects are expected to be operational as early as March 2016.

Infrastructure

Differently to previous announcements, electric trains are set to be introduced on the Yangon – Mandalay route from 2016 onwards. Before, scarce electrical power supply had been cited as an obstacle. Furthermore the Ministry for Transport and Rail Transportation has announced it eyes privatisation of currently loss-making train connections.

Telecommunication

The call for expressions of interest for the foreign JV partner of the fourth telco operator to be granted a license has started. It is unclear, which foreign companies would be eager to team up with the Myanmar consortium of 11 companies. One can guess that once operational, the venture will lead to even increased price competition in a market where Telenor is quickly catching up with previously state owned monopolist MPT, claiming it has 11.8 m subscribers end of September, compared to 16 m MPT users. Qatari Ooredoo had 4.8 m customers. What is already clear is the name of the new provider: **Myanmar National Telecom Holding**.

Another Tower Company gets active in Myanmar to help implementing the quick roll out of the nation wide net. Telenor has signed an agreement with Malaysian **OCK Group** and the Myanmar partner **King Royal Technologies** on construction of 920 towers in 2016. OCK's investment is 75 m USD. During the next five years, OCK plans to erect 3,000 towers. Telenor announced that in order to achieve 90 % coverage until 2020, besides the existing 3,700 9,000 more towers would need to be built.

At the same time, local **YOMA Strategic Holdings** has announced it will for the time being keep its minority stake in Myanmar Tower Company, following the take over of the majority share by Malaysian **Axiata / Edotco Group**.

Mining

According to local media, the new mining law, which has been stuck in parliament for months, may be passed by the outgoing parliament shortly. The new law is expected to ease market access for foreign investors, especially in mid sized projects, but to what extent remains to be seen.

Myanmar will submit the first report to the Extracting Industries Transparency Initiative (EITI) within the next weeks, disclosing information on relevant companies in oil and gas, mining and gems. Jade, in the limelight following the Global Witness report in October, will not be covered.

Agriculture

Two foreign driven vineyards exist in the country, of them the Aythaya vineyard with German-Austrian background. And while a number of expats are yearning for more foreign wines and spirits being allowed in for distribution, a local newspaper report claims, a winery was about to be developed near Mandalay to produce for export! We promise to organize a site visit!

Garment

Mandalay seems to develop further as a location for garment manufacturing. Six foreign invested factories are meant to be set up in Mandalay Region near the Mandalay Myingyan highway.

IT

According to a report in Nikkei Asian Review, Myanmar might emerge as the next location for outsourced IT development. Japanese **Hitachi** and **NTT Data** were working on skills development programs with local universities. NTT Data within the next three years plans to employ 600 IT experts, developing software for the Japanese market and according to the article sees Myanmar in some years time as its second largest development base after China. Vietnamese **FTP** and Chinese **Huawei** are said to follow suit.

German Projects

During its first Annual General Meeting on 19 November, the **German Myanmar Business Chamber** has elected its Executive Committee, taking over office from the Founding Executive Committee. After votes in the EC internally, Jens Knoke (Henkel) has been confirmed as the President, with Philipp Hoffmann (JJPun) and Christoph Steinwehe (Loi Hein) acting as Vice Presidents. New on board as EC members are Andreas Schantz (Uniteam) - Treasurer and Marita Schimpl (Myanmar Survey Research) - Secretary General). Among the founding Executive Committee members, Andre de Jong (Robert Bosch) had decided not to stand for election again but is committed to further support and develop GMBC activities.

DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH, provides a long-term loan to the amount of 19.8 m USD to **Irrawaddy Green Towers Ltd. (IGT)** for installing and operating mobile telecommunication towers in Myanmar. The total investment, arranged by the Dutch development finance institution FMO, amounts to 122 m USD. IGT will build a mobile telecommunication tower network consisting of 2,000 towers, providing coverage to approximately 14 m people. The financing for IGT is the first commitment of DEG in Myanmar.

International Projects

American **TPG Capital** has bought a 50% stake in **Myanmar Distillery Company (MDC)**, a local producer of spirits, with its leading whisky brand Grand Royal. TPG is already active in Myanmar as a stakeholder in **Apollo Towers**.

Vietnamese firm **FECON Foundation Engineering and Underground Construction JSC** has been granted a MIC license for the expansion of the Myanmar International Terminals Thilawa, the port located near the Thilawa Special Economic Zone. For this purpose, it plans to enter a 75:25 JV with local **Super Rainbow Construction**. The company says it is involved in construction of a number of thermal power plants in Myanmar as well.

Korean **CJ Group** is the partner of the Road Transport Department for a JV providing road transportation services in Myanmar. **CJ Korea Express RT Myanmar Co Ltd.** will start with a fleet of 60 trucks and will offer compensation for damaged cargo as well as a tracking system.

Japanese **Hitachi** will implement a project for electronic data interchange between Myanmar ports until early 2017 under a contract with JICA and the Myanmar government.

Japanese **Mitsubishi** will join the ranks of international car brands with a distribution Joint Venture. Local partner will be **Yoma Nominee Ltd**, a branch of Serge Pun & Associates.

French testing, inspection and certification company **Bureau Veritas** plans to expand its Myanmar operations and to develop new business in sectors like infrastructure and oil & gas.

Chinese **Alibaba** has launched its Myanmar platform mid of December

GTAI reports (in German language)

[Myanmar baut seine Infrastruktur aus](#)

Insights

Myanmar has seen the first German Pavilion during the Mining Construction and Renewable Energies Exhibition from 26 to 28 November. The pavilion organized by Hannover Fairs International and supported by VDMA Mining, the special sector for mining equipment within the VDMA (German



UMFCCI President U Win Aung at the Pavilion



Exhibitors' group photo at the German Pavilion

Engineering Federation) showcased products and services of 12 German companies in the fields of mining, power generation and electric components. Klaus Stoeckmann, Deputy Managing Director VDMA Mining, says: „Most exhibitors came to have a look what's going on in Myanmar. Against this background lots of them had been very satisfied with the talks and the contacts during the exhibition.“

Events



Save the date
Asia Pacific Conference of German Business
3 to 5 November 2016 in Hong Kong

Where German and Asian business interests meet!

More info at www.asiapacificconference.com