

Myanmar Newsletter, February 2015

Delegation of German Industry and Commerce in Myanmar

Dear readers,

First time travelers sometimes tend to be surprised when they arrive at Yangon International Airport and find it quite tiny and old fashioned. But all of them are amazed by the efficiency and amiability of immigration procedures. And if you happen to depend on wheelchair services, don't worry, I can confirm from personal experience (having poured hot coffee over my foot) that assistance is as efficient and friendly as in Bangkok. You are simply and kindly being taken care of! Now please do not ask me to compare with the experience I have made in Germany....

Best regards

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Market information

No surprise for anyone doing research on the spot but important background for all the companies asking us to provide such information: Myanmar is at the very bottom of a ranking by the World Wide Web Foundation on Online Data Accessibility for government information, private sector data aso. I would not agree with all international rankings and where they list Myanmar, but in this case I do. Market research in Myanmar is not a desktop exercise, it is time consuming, requires patience, regular updates in a quickly changing environment, personal contacts and creativity – and yes, it comes at a cost!

Improvement is in sight with an online Trade Portal to be launched end of the year. The project meant to give comprehensive information on all trade related regulations, is supported by USAID and World Bank. On a more general level, the government aims to join the Open Government Partnership.

More Rankings

Myanmar ranks No 161 in the Heritage Foundation's Index of Economic Freedom 2015 out of 179 and is still categorized under repressed systems. Not an exciting position, but the report laudes improvements over the past 5 years. It mentions upgrades in fields like corruption, business, labor, monetary and trade freedom.

On the other hand, Myanmar tops a ranking by risk assessment agency Verisk Maplecroft on labor cost. Taking into account wages, employment regulations, social security contributions and labor productivity, the study lists Myanmar second among 172 countries, just before Bangladesh and Cambodia and far ahead of China (64) and Thailand (93) – (the higher the number the better). The picture is not so rosy when it comes to issues like health and safety, working conditions, child labor and human trafficking, where Myanmar is still listed as a high risk country.

FDI

Decentralization is in the pipeline for investment approvals: according to local media, from April onwards, state and regional governments will be authorized to approve foreign and domestic investments up to a volume of 10 and 5 m USD respectively. Myanmar Investment Commission will still be the gateway for applications. While in principle this is a sound move to ease current capacity restrictions, let us hope that Myanmar can avoid the theething problems other Southeast Asian countries have faced in terms of efficiency and transparency.

Finance

A first government bond auction to involve local private banks has not been a full success with just 25 m USD out of 50 m targeted sold. Still international experts assess the move as an important step towards a modern financial regime.

Domestic banks will have to meet higher and stricter capital requirements according to the new Financial Institutions Law under negotiation. Minimum paid up capital is set at 19.5 m USD. This may lead to an

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overdue consolidation as currently the 10 largest of the overall 26 domestic banks hold 90% of the assets according to local media. Minimum capital for foreign banks is meant to be set at 75 m USD.

PT Bank Negara Indonesia plans to open a representative office in Myanmar, but approval is still pending.

SEZs and Industrial Zones

The Dawei SEZ seems to move ahead – but with no substantial commitment of the Japanese government for financial support yet. Thai **Ital Thai Development** (which had failed to implement the Dawei project earlier) and Thai-Japanese JV **Rojana Industrial Park** have signed contracts for the road link from Dawei to Thailand and an industrial development there. Thailand will support the development with a 119 m USD soft loan, investment volume is said to be 1.7 bn USD.

Oil and Gas

New contracts despite low world market prices: **Royal Dutch Shell** and its 10% minority partner Japanese **Mitsui Oil Exploration Co., Ltd. (MOECO)** have signed an exploration and production sharing contract with Myanmar Oil and Gas Enterprise (MOGE) for three offshore deep-water blocks located in Rakhine State and Tenasserim Division.

Mining

More western projects in the pipeline? **Aurasian Minerals** from the UK has applied for exploration of copper, gold and silver reserves, approval is subject to security clearance.

Power

The National Electrification Project supported by World Bank is meant to launch in September. It aims to achieve nationwide coverage until 2030. Cost for grid connections only is estimated at 5.8 bn USD not including investments in generation and transmission.

The **VPower** 45 MW gas fired power plant at the Kyaukphyu SEZ is meant to start operation in February.

Infrastructure, City development and construction

A timeline has been given for the Hanthawaddy International Airport north of Yangon. Construction is meant to start in 2016 and finished until 2020. Project cost during the first phase is estimated at 1.5 bn USD. According to official information, the airport will be able to accommodate A 380 aircrafts – it seems we are going to see another logistics hub in South East Asia....

At the same time, upgrades of the existing international airports in Yangon (targeted capacity: 6 m passengers) and Mandalay (3 m passengers, meant to be an air cargo logistics hub) are meant to start in 2015/2016 with a budget of 195 m USD and 135 m USD respectively.

Anawmar Art Group has received a MIC permit to transform the legendary Secretariat's Office in Yangon into a museum under a BOT rental agreement. The Minister's Office is by far the best known colonial heritage building of great historic relevance as the place where Bogoyke Aung San, father of independence, had been assassinated. Let us wait and see what the "other Services" mentioned in the MIC information on future utilization of the building may imply. Any commercial use might be highly controversial.

The next candidate for Yangon's tallest building is the Polo Club development in Tarmwe Township with 34 stories. Developer is local **HSL Group**.

Telecommunication and IT

Thank you Japan! JICA has announced it will support further telco development with an 89 m USD loan. Projects include (badly needed) high speed cable installations in Yangon. Unfortunately no time line has been published yet....

According to local media, the government discusses to introduce biometric passports.

Garment

The last weeks have seen further foreign investments in the garment sector, one of them will be located in Mandalay, a region up to now not in the focus for garment activities.

Timber

A timber legality verification system in Myanmar is badly needed to ease exports to western markets – but news in Chinese media that it is with China such a system is planned to be implemented, are rather surprising. It remains to be seen, whether this will match requirements of the EU and the US. It seems that China eyes joint wood processing activities in Myanmar.

At the same time statistics show that deforestation is proceeding at 0.9% p.a. climbing up to 1.23 % in 2015 which reduces coverage to 46.9% of the total land area.

Transport and Logistics

Shipments from and to China will be possible without transshipment in Singapore in the future – but for sure saving time will come at a cost. Chinese media report, that both **MCC**, sister company of **Maersk** and **China Shipping** will launch direct services. CSGL with four 1000 TEU vessels starting in Shanghai and calling Ningbo, Ho Chin Minh City and Singapore on their way to Yangon. MCC will have eight 1,100 TEU vessels connecting Yangon from Shanghai via Singapore and Port Klang.

Expansion instead of consolidation in the domestic airline segment: a new carrier, **Apex Airlines**, has announced it will launch operations in March, with Nay Pyi Daw (rather surprisingly) as a basis. It joins the nine existing domestic airlines - one of them, **Air Mandalay**, seems to not yet have resumed its flights.

Tourism

More hotels are in the making with MIC permits for Nay Pyi Taw (**Max Myanmar**), Hpa An (**Snow Diamond**) and Ngapali Beach (**Eden Group**). **Aureum Group** is in discussion for a 12 m USD beach resort in Ye township, Mon State, located south of Mawlamyine. Beach infrastructure at the Andaman Sea for the moment is rather poor.

A new hotel zone will be set up in Tada-U township near Mandalay, close to touristic hotspots as Amarapura and Sagaing. The developer is **Myanmar Tourism Development Co.**

German projects

TUEV Rheinland Group has launched a presence in Yangon.

German pavilions at Myanmar Exhibitions: both **Food and Hotel Myanmar** in June and **Mining Myanmar 2015** in November will see German branded joint exhibition spaces sponsored by the German Federal Ministry of Economics and Energy. A good opportunity not just for companies exploring the market but as well for branding of German quality and technology! For more details check the exhibition list below.

International projects

Thai **Indorama Ventures** plans to invest in Myanmar and set up a packaging business via its Singaporean sister company **IVL Singapore**. More information on the scope of business and locations has not been disclosed yet.

State owned **Myanma Shipyards** will enter a 51:49% JV with Vietnamese **Dong A Shipbuilding Industry** to upgrade its operations and expand international business.

Thai **Thonburi Hospital Group** plans to build private hospitals in Myanmar in a 40:60 minority JV with local partner **Ga Mone Pwint**. Initial investment for two hospitals is said to be 100 m USD.

American **Honeywell** and **Hughes Aerospace** have been granted contracts to develop satellite based navigation technologies for the Yangon and Mandalay airports.

British PR firm **Bell Pottinger** and Singaporean **Rice Communications** have launched operations in Myanmar.

GTAI reports (in German language)

Myanmar wächst mit dem ausländischen Engagement

<http://www.gtai.de/GTAI/Navigation/DE/Trade/maerkte,did=1169474.html?view=renderPdf>

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Exhibitions (updates to the January newsletter in bold)

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

Myanmar FoodBev, 12 – 14 March 2015, www.myanmarfoodbev.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

With a German pavilion organized by Hamburg Messe and Congress GmbH – for details please contact vincent.spitzmann@hamburg-messe.de

Myanmar International Textile and Garment Industry Exhibition, 26 – 29 June 2015,
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

Myanmar International Agriculture Techniques and Equipment Exhibition, 14-17 Aug 2015,
www.myanmar-expo.com/Myanmaragrotech

Propak Myanmar 2015 and Plastics & Rubber Myanmar 2015, 17 - 19 Sept 2015,
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

Oil & Gas Myanmar 2015, 14 – 16 Oct 2015, www.ogmyanmar.com

Building & Construction Myanmar 2015, 29 – 31 Oct 2015, www.buildingmyanmar.com

Electric, Power & Renewable Energy Myanmar 2015, 29 – 31 Oct 2015, www.electricmyanmar.com

Communicast Myanmar 2015, 17 – 19 Nov 2015, www.communicastmyanmar.com

MyanFood, MyanHotel, Myan Foodtech International 2015, 26 – 28 Nov 2015, www.myanhotel.com

Mining Myanmar 2015, 26 – 28 Nov 2015, www.miningmyanmar.com

With a German pavilion organized by Hannover Fairs International. For details please contact Tobias.Zwingmann@messe.de

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

Myanmar International Lighting Exhibition, 11- 14 Dec 2015, www.myanmarexpo.com/Myanmarlighting

International Wood Processing Machines, Cutting Tools & Hand Tools Fair, 11 – 14 Dec 2015,
www.myanmarexpo.com/MyanmarWood