

Dear readers,

Myanmar still is waiting for the line-up of the new government. And the country is preparing for a hot El Nino summer. The countryside will be affected most badly – in some areas, there already is significant drought and shortage of drinking water supplies. Water levels at Inle Lake have fallen to worrying levels – and we are just at the beginning of summer. The government is discussing about reserves for drinking water and rice – let us hope that emergency planning will be in place to protect the most vulnerable. All of us will suffer from temperatures of up to 45 degrees which local weather forecasts predict. And we will have a life experience whether current power generation capacity will be able to cater air conditioning demands in a country where Hydro power stands for about 70% of generation. Once the monsoon season will bring relief, the new government might at least have gathered good arguments for policy measures supporting water management, energy efficiency technologies and renewable energies. German companies are prepared to give good advice and supply sound construction material, water meters, renewable energy solutions and so on – but first we need to survive the (hopefully not so long) hot summer and a new government needs time to develop policy frameworks.

Best regards

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### Politics

The line-up of the NLD led government is still in the making. Candidates for Presidency and Vice Presidents will be announced on 17 March only. In the meantime decisions have been made for the posts of Speakers and Deputy Speakers for both houses of Parliament. Speaker of the Lower house (and successor of Thura Shwe Mann) is U Win Myint, a long time associate of the NLD party leader. His deputy U T Khun Myat comes from the ranks of the USDP. Posts for the Upper House have been awarded to representatives of ethnic minorities, with Mahn Win Kaing Than, an ethnic Kayin and NLD member, as speaker and U Aye Thar Aung, ethnic Rakhine and member of buddhist driven Arakan League for Democracy, as his deputy.


### Economic policies and legal developments

Tax rates for real estate transactions have been increased again for the coming Financial Year as the very low rates for the current year had failed to give a boost to the rather chilly market. The top rate of 30% will be applicable for transactions higher than 100 m MMK already, instead of for 1.5 bn for the current year. The lowest rate will be set at 15% up from currently 3%.

The outgoing government has set the date for enactment of the new competition law at February 2017. A Competition Commission under the Ministry of Commerce will be set up to oversee mergers and acquisitions. Foreign law firms recommend to scrutinize the draft as some regulations might be more far reaching than in other legislations.

### Trade

Export earnings are below last year's level shortly before the end of the financial year. End of January, export volumes stood at 8.8 bn USD compared to 9.6 bn the year before, while imports stood at 13.7 bn USD – driving the trade deficit to almost 5 bn USD. Exports of seafood have been declining by about 10% – but a number of European and German development projects should help the sector to regain strenght.



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### FDI

DICA has announced approval of 15 foreign investment projects and 9 foreign local Joint Ventures in January. Garment continues to be the focus of both foreign and domestic investment, at least in terms of projects.

### Energy

The outgoing government has published the final version of its Energy Master Plan. Until 2030, it foresees a significantly increased contribution of coal to the energy mix with a share of 20% (from currently 2%). The share of hydro is meant to increase from currently 5 to 11% (note that we speak about energy supply, not electricity generation), and other renewable energies (solar and wind) stand at meagre 1%. The plan is somehow in contradiction with other masterplans and projections – but anyway it remains to be seen, what will be the visions and strategies of the new government. Experts say it will have to cope with decreasing gas supplies, forcing to consider coal as an alternative despite wide spread public opposition.

Electricity supply to industrial customers has improved a lot during the past two years. These days a number of manufacturing enterprises tell us they hardly need to switch on the Diesel generator. It remains to be seen whether generation and distribution capacities will stand the test of a hot summer to come, where according to the Ministry of Electrical Power electricity demand in Yangon may increase by as much as 40%.

Among renewables biomass seems to get some momentum in the Ayeyarwaddy Delta. Local news agencies report that the **Myanmar Rice Federation (MRF)** together with local **Shwe Hin Thar Company** and Japanese **Fujita** and **Mitsubishi** plans to build a 2.2 MW rice husk power plant in Myaungma to supply local rice mills and manufacturing industries. Implementation is meant to be finished by 2017. Furthermore **Myanmar Agribusiness Public Corp. (Mapco)** is building a 1.8 MW plant at Kyaiklatt to be operational by end of 2016.

### Finance

Among the 13 applicants for new foreign bank licenses are eight Taiwanese banks: **Cathay United Bank**, **E.SUN Commercial Bank**, **First Commercial Bank**, **CTBC**, **Mega International Commercial Bank**, **Taiwan Business Bank**, **Taiwan Cooperative Bank** and **Taiwan Shin Kong Commercial Bank**. Other applicants are **State Bank of India**, **State Bank of Mauritius**, Korean **Kookmin Bank** and **Shinhan Bank** and Vietnamese **BIDV**. A decision is expected to be taken as early as end of March 2016.

The Chinese driven development bank **Asia Infrastructure Investment Bank (AIIB)** has opened office in Yangon end of January.

### Infrastructure, urban development and construction

Highway to China: the Mandalay – Muse Highway, part of the Asian Highway No. 14, will see an upgrade to a four lane road. Local **Oriental Highway**, a former subsidiary of **Asia World**, has been awarded a 30 years BOT contract. The entity has been sold recently, no news about the current owners have been disclosed. Investment is assessed at 300 m USD and construction meant to start in 2016 and be finalized in 2020.

Local newspapers report that the NLD may put some infrastructure projects in Yangon on hold to assess their viability. That may mean less flyovers than planned for the moment – we will keep you posted. In the meantime, the second tender for the Central Station development in Yangon makes progress. Among the 15 shortlisted developers are well known local players like **YOMA/FMI**, **Capital Diamond** and **Shwe Taung** but as well consortia involving foreign partners. Besides bidders from China, Korea, the Philippines and Singapore, western companies are on the shortlist from Italy, France, UK and the US.



**Marga Landmark** has been awarded a new site for its Dagon I project in Yangon, which was previously meant to be located in the vicinity of the Shwedagon Pagoda but had been suspended by President U Thein Sein despite previous approval by the Myanmar Investment Commission. The new location is near Inya Lake and new neighbours will be the HAGL development and Sedona (it seems we will see emerge a new hotel cluster in Yankin....)

A new mall is in the making, with construction to start during the first months of 2016. The names of the investors of the St John Shopping Centre have not been disclosed, but Singaporean **Soilbuild Construction** has announced it had been awarded a contract for design and construction works.

### Mining

Myanmar has published its first report for the Extractive Industries Transparency Initiative to support its candidacy. The report tries to elucidate ownership structures in the partly obscure sector – critics say, information on most critical jade mining is not comprehensive. The NLD has announced plans to try and put an end to uncompliant practices and exploitation in the industry within the coming five years.

Following the passing of the new mining law, a first new foreign investment has been announced. Australian **PanAust Group** (actually a subsidiary of Chinese **SOE Guangdong Rising Assets**) has been granted a license for exploration and production at three sites in Sagaing Region via its local subsidiary **Wuntho Resources**, a 80:20 JV with local **Myanmar Energy Resources Group International**. According to the Ministry of Mines, currently only 5 foreign licenses are operational, 10 more under exploration and overall FDI in the sector amount to just 2.9 bn USD.

At the same time, the controversial Letpadaung Copper Mine near Monywa will restart production in May. The project owned by Chinese **Wanbao** had been suspended due to protests by local residents.

### Oil and gas

Korean **Daewoo** and Australian **Woodside** have confirmed successful exploration in their joint block in the Gulf of Bengal. In January already, Woodside had announced discoveries of gas in another block it explores in a JV with French **Total** and local **Myanmar Petroleum Resources**. For both blocks, commercial potential has not yet been assessed. According to BP statistics, end of 2014 proven reserves in Myanmar stood at 300 bn cbm and production was 16.8 bn cbm in 2014.

### Telecommunication

Qatari **Ooredoo** has secured a 300 m USD loan from IFC and ADB for the further roll out of its network. According to October figures, Ooredoo with 4.8 m users lagged behind its competitor **Telenor** (11.8 m – and 14 m by the end of 2015) and former state owned **MPT** with 18 m. Telenor says it covers already 90 % of townships - in fact when you travel these days it is amazing to find 3G connectivity in remote areas of the country. A success most experts had not expected two years back, when licenses had just been awarded.

Official confirmation is pending, but the names of the seven foreign companies interested in joint venturing with the local consortium for the 4th mobile phone license have been disclosed, namely French **Free**, Chinese **China Telecom** and **Beijing Xinwei**, **iCOM** from Hong Kong, Singaporean **Singtel**, Vietnamese **Viettel** and South African **MTN**.



### Electrical

Local **ASIA General Electric** has announced its first exports of locally manufactured switchgear panels and transformers to Japan in the framework of a license agreement with Mitsubishi.

### German Projects

**Yoma German Motors Ltd**, a subsidiary of **Yoma Strategic**, will be **Volkswagen's** official importer and distributor under an agreement signed on 29 February. The co-operation expands upon the existing activities in after-sales, services and spare parts distribution since 2013.

### International Projects

Swiss **SIKA** has opened its factory in Yangon, producing concrete admixtures for the domestic market.

Korean **Yojin Construction and Engineering** has announced plans to build a clinker grinding mill in the Thilawa SEZ with an annual capacity of 1 m t of cement output. Investment will be 80 m USD.

More investment in packaging: Malaysian **Box-Pak Bhd.** plans to set up a factory for corrugated carton boxes in the Thilawa SEZ. In 2015, Japanese **Oji** had launched operations.

Japanese **Nissan** will launch assembly of its Sunny model in 2016. The company announced it plans to launch in a Yangon based factory together with its Malaysian partner **Tan Chong Motor Group** and will later on move production to Bago north of Yangon. Annual capacity will start at 1,000 unites and is meant to reach 10,000 units per year.

French **Alcatel-Lucent** will build an undersea data connection cable for Singaporean investor **Campana**. Once the cable starts operations in April 2017, it would quadruple current bandwidth with additional capacity of 300 GBps, according to the investor.

### Insights – Bright minds back in Myanmar

Myo Thwin has joined the ranks of repats, heading back to Myanmar after long years spent abroad. But compared to many of his colleagues, who are eyeing for the well paid jobs at foreign invested companies and yes of course enjoying to be back home, he has a more sophisticated agenda. After completing studies in mechanical engineering at Yangon Technological University, he had left for Singapore in 2004 to study for a Master program at Nanyang Technological University and started his professional career in the petrochemical industry – working for German Specialty Chemical Company “Lanxess” for three years, amongst others. Since 2014 he is back in Yangon after ten years abroad and he wants to bring to bear his international experience – not just in his position as General Manager of MaxPower Tharketa, a Japanese-Indonesian JV in the power sector. Myo Thwin is keen to support the overall economic development of his country and to work on strategies for industrialization of his mother land – considering a blend of best practices and proven concepts adapted to requirements in Myanmar.

With regards to Germany, he is eager to get insights into the Mittelstands-concept. “Copy and paste will not be the appropriate approach”, he says, but smart strategies based on global experience. A dedicated institution to develop policies and programs would be a requirement according to him. And if Myanmar one day sees something similar to Singapore’s Economic Development Board, bright minds like Myo Thwin can be the drivers to develop its agenda.



Myo Thwin – working to empower his home country

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