

## Myanmar Newsletter, January 2015

### Delegation of German Industry and Commerce in Myanmar

Dear readers,

2015 will be an important year for Myanmar and I would like to take the opportunity to wish all Myanmar friends and partners that it will turn out to be successful. While everybody is talking about the forthcoming elections, there may be other issues to keep in mind, which may shape the mid- and long-term development in the country. Location of new hotspots for industrial production is one of them. In a recent article, a Japanese analyst had raised questions regarding the viability of the Dawei Special Economic Zone project, seen its remote location and poor connectivity. When you travel to Mawlamyine (see Insights), his suggestion to develop a SEZ there instead is palpable. While the Thai interest in the Dawei project is obvious, the question will be whether Japan, whose financing is indispensable, will support the concept. It is today that the course for economic development is set and let us hope that domestic interest will prevail. One thing 2015 will surely bring is the forthcoming launch of the German Myanmar Business Chamber, and there is no doubt this initiative will be pursued in a true spirit of partnership.

Best regards

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#### Policy moves

A long awaited revised Companies' Act is in the making. At first sight that looks like promising news, seen that the current version dates from colonial times. But experts on the ground assess that instead of waiting for the updated act, it might be advisable to push through company registrations under the old regime, as some of the new regulations under consideration might be problematic for foreign investors, e.g. an obligation to have at least one director holding Myanmar citizenship. Whether the new Companies' Act actually will imply an opening of trade and distribution to foreigners remains to be seen.

The law on Permanent Residence Schemes has now been published and application forms for foreign applicants are available. PR will be granted for a 5 years term with an option for renewal. Within the 5 years term, annual registration is mandatory. Annual cost for foreigners is 1,000 USD, the application fee is 500 USD.

Anti corruption drive by YCDC: The Yangon City Development Committee says that on a recently launched website [www.ycdc.gov.mm](http://www.ycdc.gov.mm) it gives the possibility to post complaints about not transparent practices of YCDC officials. Apart from that the site gives quite comprehensive information on services, taxes and fees – most sections are available in English language as well.

#### FDI

FDI inflows in the first nine months of the FY have reached 6.6 bn USD, beyond government projections. It seems realistic that at the end of the year there will be a 100% increase compared to some 3.5 bn USD in the FY 2013/2014. Singapore stands for 3.8 bn USD of the total volume far beyond the combined volumes from China (256 m) and Hong Kong (455 m). Other major investing countries are the UK (563 m USD), the Netherlands (302 m), India (208 m) and South Korea (150 m).

11 more international companies have been granted MIC permits for investment in December 2014 with a volume of more than 2 bn USD. Activities are said to be in the sectors: finished wood, garment and shoes, mobile phone assembly and packaging and construction, but oil and gas exploration stands for 1.8 bn USD of the approved projects, according to local media.

#### Trade

The first nine months of the FY 2014/2015 have seen Myanmar's trade deficit widening further to almost 4 bn USD with imports of 12.3 bn and exports of 8.6 bn USD. Exports of timber have been shrinking by 92%

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following a ban on exports of raw timber logs in place since 1 April 2014. Fishery exports are significantly below 2013/2014 levels, while rice exports seem to have recovered.

Tenders for the establishment of a wholesale food fruits and vegetables markets in Yangon are running, set to be managed by public companies in a PPP. The market is going to be located in Insein township and will include cold storage facilities.

### Finance

Planning for the Yangon Stock Exchange is moving forward. Service providers have been invited to apply for licenses, JVs with foreign companies are allowed to participate.

A scheme to provide guarantees for SME loans is being developed by Myanmar Insurance Enterprise and a Japanese bank.

### SEZs and Industrial Zones

Construction of a general cargo port at the Thilawa SEZ will start in February to expand existing port capacities at the site. The project will be financed through Japanese ODA.

An Industrial Zone is under development in Ponnarkyun near Sittwe in Rakhine State, local media report. Sectors targeted are garment, foodstuff, chemicals, wood processing, printing, metal works, automotive parts and plastics, amongst others. The site is said to have 24 hours a day electricity supply.

### Oil and Gas

The decline of the global oil price may affect Myanmar, according to a report of the Irrawaddy. Thai **PTTEP** would consider to cancel its M3 Block project in the Gulf of Martaban, despite promising results of first exploration drills. PTTEP has a 80% share, JV partner is Japanese Mitsui Oil.

### Mining

Surveys are under way in Chin State but are controversial with the local population. Chin State, the poorest state in Myanmar, is said to have deposits of nickel, chromite, iron, copper, aluminum and limestone.

### Oil and Gas

The 2,400 km long oil pipeline connecting Kyaukphyu with Yunnan is meant to start operation by end of January, international media report. It has a capacity of 440,000 bpd soll. The gas pipeline running in parallel operates since end of 2013.

### Infrastructure, City development and construction

**Yangon Aerodrome Co**, sister company of **Asia World**, has been officially awarded the contract to upgrade Yangon International Airport following a tender process. The project is meant to expand capacity to 12 m passengers a year and to be completed within four years, that means after the scheduled opening of the new Hanthawaddy International Airport in Bago in 2017.

The Yangon Mandalay Expressway will be upgraded under a BOT model, with both local and foreign investors invited to submit expressions of interest. The project includes expansion from four to eight lanes, paving with asphalt concrete and installation of CCTV.

Three new flyovers are in the pipeline in Yangon at 8 mile, Kokkine and Tamwe with tenders to be published in March. Hopefully this will ease traffic congestion – but for sure it will not embellish the urban landscape.

**Mandalay Investment and Development Group** has been awarded a contract for development of a Convention Centre and Commercial Complex in Mandalay. The commercial complex will include hotels, a supermarket, office and residential space.

A 34 storey condominium northeast of the Inya Lake has been granted permission – that would be the highest building in Yangon, bringing skyscrapers from downtown to the peripheral areas, a development that will dramatically change Yangon's urban landscape.

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Good news with regards to conservation of architectural heritage: The Ministry of Culture plans to transfer Chin Tong Palace in Kaba Aye Pagoda Road into a cultural center.

MIC has granted an investment permit for the construction of a cable car up to Kyaikthiyo Pagoda, the famous pilgrimage site in Mon State known as Golden Rock. Not a bad idea it may seem to anybody who has been in one of the trucks transporting pilgrims uphill on narrow, steep and winding roads. Local partner of Korean **Sky International Co Ltd** is Asia International Fisheries (maybe specializing in flying fish?).

### Water and utilities

Recent articles in the Myanmar Times give an update on water supply in Yangon and the countryside. UNICEF statistics say only 3% of the population have access to running water and even in Yangon, a third of the population don't have access to the grid, according to official information by the Yangon City Development Committee. A new water supply station is under development but will not be operational before 2018. Treatment of river water is another option to increase supply. While increasing supply, fighting leakages is of utmost importance as about 50% of the water supply are lost in the system.

Garbage collection in Yangon will be privatised with seven local private companies and local/foreign JVs having submitted bids for a YCDC tender. The bidders are **TYTC Waste Equipment Pty, Kyaw Htet Kyaw Co, Jsk Invecs Co, Aozorainternational, Zeya and Associates, Future Unodex Co** and **Advance Technology Co**, according to local media.

### Telecommunication

Mobile phones users on the rise: mobile phone penetration is said to have reached 25% by the end of 2014, with 13.4 m MPT users, 1.6 m for Ooredoo and 2 m for Telenor. The government plans to increase coverage to 50% in March 2015 and 80% in March 2018. Naypyidaw is leading penetration with 32.2% of the population, followed by Yangon with 25.3% and Mandalay with 11.7%. Fixed landline connections are increasing as well, up to 11.6 mio in September 2014. The number of internet users has reached 3.5 mio, most of them online on mobile devices.

### Fisheries

While exports of fisheries are shrinking further due to deficits in infrastructure and a lack of feeds for aquaculture, the Ministry of Livestock and Fisheries announced plans to develop soft shell crab breeding for export. The EU is said to resume inspections of potential suppliers in 2015, hopefully paving the way for more local producers to qualify. With regards to fish feeds, foreign invested projects under construction from South Korea and Taiwan and a Japanese project in the pipeline are expected to increase supply.

### Transport and Logistics

While **Myanmar National Airlines** has announced a leasing deal with Boeing for altogether ten 737-800 and 737-8 MAX aircrafts, domestic airline **Air Mandalay** has suspended flights until at least end of January due to a lack of aircrafts, causing rumors regarding the financial viability of its operation. Earlier the company had announced a leasing agreement with Boeing and orders of Mitsubishi MRJ90 aircrafts.

Myanmar trains will continue to run on diesel for the time being as financial resources lack to set up an electrical train system which had been in use some 10 years ago.

### Tourism

31 internationally invested hotel projects have been granted investment permits. Besides Yangon and Mandalay, the projects will be located at Bagan, Kawthaung, Tachileik and Myeik. The number of visitors has increased by 51% in 2014 up to 3.1 m but local media assess the number is inflated as it includes a number of day trippers from neighboring countries. According to official statistics, tourism accounts for 4.2% of GDP and 6.5% of employment.

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### International projects

Japanese **Mitsui** gets active in power generation acquiring a 44% stake in Myanmar Power Ltd, owned by Singaporean MAXPower, which runs a 35 MW gas fired power plant in Yangon's eastern Thaketa Township.

Vietnamese **Viettel** has announced it will invest about 800 m USD in a telecommunication project in Myanmar together with other foreign partners. Local partners will join in to set up Viettel Myanmar as the local arm.

Singaporean **Puma Energy** will be Myanmar Petroleum Products Enterprise's new partner for jet fuel distribution following a tender process. The JV will import and supply to currently 11 airports in the country.

**Ford** will open a showroom in Mandalay via its local partner Capital Automotive.

International Industry reports say, Thai **Siam Cement Group** is planning to open construction materials retail stores in a JV with Siam Global House – that would be another example of a more flexible trade regime for foreign companies.

### GTAI reports (in German language)

Wirtschaftstrends Myanmar kompakt, Jahreswechsel 2014/2015

[http://www.gtai.de/GTAI/Content/DE/Trade/Fachdaten/PUB/2014/12/pub201412188011\\_19599.pdf](http://www.gtai.de/GTAI/Content/DE/Trade/Fachdaten/PUB/2014/12/pub201412188011_19599.pdf)

Bekleidungsbranche in Myanmar expandiert

<http://www.gtai.de/GTAI/Navigation/DE/Trade/maerkte,did=1150612.html?view=renderPdf>

Myanmar investiert verstaerkt in die Infrastruktur

<http://www.gtai.de/GTAI/Navigation/DE/Trade/maerkte,did=1155840.html?view=renderPdf>

### Events

**7 May 2015, Frankfurt: Seminar on the Myanmar Construction Sector**, sponsored by the German Federal Ministry of Economics and Energy – in German language. For more details please contact [monika.staerk@myanmar.ahk.de](mailto:monika.staerk@myanmar.ahk.de)

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

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

**Myanmar FoodBev, 12 – 14 March 2015, [www.myanmarfoodbev.com](http://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](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)

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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 & Hand Tools Fair, 11 – 14 Dec 2015, [www.myanmarexpo.com/MyanmarWood](http://www.myanmarexpo.com/MyanmarWood)

### Insights

A Christmas break offers a good opportunity for both instructive and enjoyable traveling. If you head to the south you may discover interesting developments and prospects. Hpa An, the idyllic capital of Kayin State, seems to enjoy some upsurge following a hopefully not just intermittent end of conflict. The region with its scenic landscape offers significant potential for tourism, targeting the ones who prefer one day hiking tours to hanging around on the beach. And more comfort is in sight with a cable car project up to Mount Zwegabin, sparing visitors the three hours way up and down to the hill top pagoda. A Malaysian investor is said to be implementing the project – as monks collect donations the blessing from above should be for granted.



Just a ninety minutes drive to the south, developments in Mawlamyine, the capital of Mon State and



Myanmar's fourth biggest city, are even more striking. The place looks dreamy – sleepy, some might say -, but undergoes tremendous development



with telco towers mushrooming to compete in numbers

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with golden stupas. Electricity supply is said to be good already and a new 230 MW gas fired plant should provide ample supply for industrial development with markets in good reach. Apart of the Mawlamyine port, currently handling only bulk cargo, the road to Yangon is decent and a new road link will shorten transfer times to the Thai border from six to two hours. Scenic OGRE Island at the mouth of the Thanlwin River will be connected via a new bridge – and local residents will hopefully continue to veto a Thai casino project there. And finally modern retail will come to Mawlamyine with an Ocean Supercenter under construction.

Mawlamyine's Strand Road has a potential to develop into an elegant seaside promenade and the Pagoda hill stretching from north to south at the eastern flank of the city offers a good chance that while developing Mawlamyine will be able to preserve its unique urban landscape and atmosphere.

