

Dear readers,

Following the successful elections, a new government will take over only beginning of April – so Myanmar finds itself in another exciting period of wait and see, with a lot of guessing and speculations on people and positions – and hardly any leaks. We will keep you posted. For the Delegation of German Industry and Commerce as well, it is time for a change: but we will just move office! From Monday 1 February onwards, you will find us on 6th floor of the Uniteam building in Sanchaung Township. We look forward to working for you in our new office, but are making a sorrowful farewell from the UMFCCI. We would like to take the opportunity to thank the UMFCCI and all people working there for housing us and making us feel at home in their premises. Our move of course is a good occasion to thank as well for the excellent and trustful co-operation – but we hope to continue it unabatedly in the years to come. Please note our new contact details below – we will circulate our new office phone number within the next week. Our current land line connection will not be operational any more, but our email IDs and mobile phone contacts of course are.

Best regards

Monika Staerk

Delegate of German Industry and Commerce in Myanmar

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**Delegation of German Industry and Commerce in Myanmar
new address from 1 February on:
Uniteam Building, 6 floor, 84 Pan Hlaing Street, Sanchaung Township,
11111 Yangon, The Republic of the Union of Myanmar**

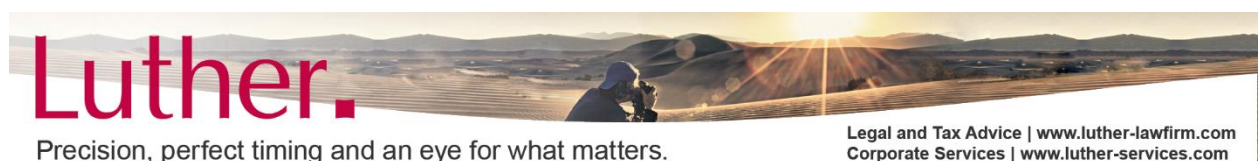
Economic policies and legal developments

A new arbitration law has passed parliament which should implement the New York Arbitration Convention signed by Myanmar in 2013. A topic of relevance is enforcement of dispute settlements achieved abroad.

During its last days in office, parliament as well has passed the long awaited condominium law, allowing foreigners to buy property for the first time. This will be restricted to up to 40 percent of apartments in one condominium which need to be situated at sixth floor or higher. Investors hope this will give a boost to the currently rather sluggish real estate market.

Tax levels for the FY 2016/2017 have been set, lifting the threshold for income tax exemptions from currently 2 m MMK to 4.8 m MMK in a move to support low-income earners.

New regulations for visa are in place which will affect both visitors from abroad and foreigners staying in the country. Multiple entry visa for business visitors will not be available any more. Application as before can be done at the Embassies abroad, via e visa or visa on arrival. We recommend that you check the current status ahead of your next visit. For foreigners working in Myanmar, a new employment visa will be of relevance, in a move to formalize their status. Anybody staying with a business visa should inquire about new processes and get advice from knowledgeable consultants for questions related to documentation of tax payments.



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With the help of ADB, Environmental Impact Assessment procedures have been updated to increase transparency and efficiency of procedures.

FDI

During the first nine months of the current Financial Year, FDI inflows have reached 4.9 bn USD, below last year's level of 6.9 bn – obviously due to investors' wait and see approach ahead of the November elections.

SEZ and Industrial Zones

A consortium led by Chinese **CITIC** has won the tender for development of the Kyaukphyu SEZ – both the deep water port and the industrial site. Other companies involved are Thai **CP Group** and Chinese **China Harbor Engineering, China Merchants Holding, TEDA Investment Holding** and **Yunnan Construction Engineering**.

Korea intends to copy Japan's blueprint for the Thilawa SEZ. State owned **Korea Land & Housing Corporation** says it is in discussion with the government for an Industrial Zone project in Hmawbi township north of Yangon. The project aims to house Korean investors mainly, focusing on supplies to the domestic market (logically as differently to Thilawa there is not port connection). Investment is set at 120 m USD – and despite the early planning stage, KLHC says construction might start in 2017 and the zone be finalized by 2020.

Not an industrial zone but an interesting venture to formalize exports to China: local **New Star Light** develops a business zone in northern Muse, close to the Chinese border. Currently, transactions (a number of them illegal exports) mostly take place at the Chinese side of the border in Ruili. A later stage of the project is meant to feature a hotel managed by French Accor and residential developments.

Finance

The outgoing parliament end of January has passed the financial institutions law. It sets minimum capital requirements at 20 bn. MMK and reserve requirements at 5% of deposits to be held in cash with the Central Bank.

The Myanmar Central Bank has introduced a real time settlement system to help improve efficiency of the financial system. Clearing and settling of payments between banks in the country will be done electronically with the help of the JICA funded system. Previous manual reconfirmation of check transactions between different banks with the Central Bank should be a thing of the past. But at the same time it seems that foreign currency transfers between different banks are going to face additional challenges with an accompanying letter requested to be sent with each invoice. The requirement by the MICB under the Ministry of Finance does not match very well the Central Bank's ambition to reduce cash payments and encourage non cash transactions.

While experts expect a further consolidation of the domestic banking sector, another local bank has launched operations: **Shwe Rural and Development Bank** has opened a head office and plans to launch 25 branches during the coming five years.

Help for more efficient trade finance: Indian agri logistics group **Sohan Lal Commodity Management** is co-operating with four domestic banks to provide collateral finance for local traders, farmers and processors. Furthermore **SLCM** will offer quality certification and fumigation in its warehouses. Interest rates for the loans will be standard 13%.



Infrastructure

Japanese **Toyo Construction** and **JFE Engineering** will build a new container terminal at Thilawa port near Yangon with an annual capacity of 187,000 TEU. Completion is scheduled for autumn 2018. Funding for the 118 m USD project will come via a JICA loan.

Connectivity in Myanmar is poor and outside the sea ports logistics centres are inexistent. That is set to change: the government has announced to develop eight dry ports. Concessions to operate the first two of them in Yangon and Mandalay have been awarded to Hong Kong based **Kerry Logistics**' subsidiary **KLN Singapore** together with local **Resources Group Logistics**. The projects are expected to be operational by end of 2017. Total investment will be about 80 m USD. More dry ports are planned in Bago, Mawlamyine, Monywa, Muse, Pyay and Tamu. In Muse, **First Golden Dragon Company** is working on land acquisition for a dry port development.

Agriculture

Myanmar Agribusiness Public Corporation (MAPCO) plans to launch warehousing and port facilities at the Thilawa SEZ to professionalize and expand exports of rice and other grains. Investment is said to be up to 70 m USD.

Fisheries

In addition to programs by the EU and German GIZ, Italy has committed to support the fisheries sector. A special focus will be aquaculture and processing. The installation of laboratories, which are badly needed in the country, is part of the package.

Urban development and construction

Another attempt for the western Yangon city expansion project: a new tender process has been finalized, with three local companies emerging as winners of the bid, namely **Yangon South West Development Public Company**, **Business Capital City Development Ltd** and **Shwe Popa International Construction Company**.

Logistics

Japanese **Senko Co Ltd.** has entered a 50:50 Joint Venture with **Singapore Myanmar Investco Ltd.** to provide logistics and warehousing services. At the same time, **Nippon Express**, Japan's biggest logistics provider, has announced it will launch its second operation for logistics and warehousing in Myanmar, located in the Thilawa SEZ, by 2017.

Twice a week direct flights will link Yangon to Dhaka, through a service by Bangladesh **Novoair**.

Retail

City Mart, the largest retail chain in Myanmar with 150 outlets, will expand its operations with the help of an 25 m USD IFC loan. It plans to develop 20 new markets within the next three years and says it wants to enlarge its network of domestic suppliers to support job creation. The company seems to consider as well setting up cold storage facilities and distribution centers outside Yangon, but no official information has been given yet.



Tourism

The Ministry of Tourism expects the number of tourists to reach 5 m until the end of the Financial Year. Critics claim that a number of business visitors or one day trip guests are included in the statistics. Besides the international airports, sea ports may emerge as a more relevant entry point with an increasing number of interational cruise liners expected to call Myanmar ports.

While luxury hotels sprout in Yangon, Mandalay gets another mid range hotel with **Best Western's** launch in December.

Myanmar corporate sector

Local conglomerate **Asia World** has announced a revision of its portfolio. The US OFAC listed company says it has sold its stakes in a number of sectors, among them toll road operations, coal fired power plants, petrol distribution and jade mining (controversial following a Global Witness report – see November newsletter - and ongoing safety issues at mining sites. The company has terminated its contract for management of the Nay Pyi Taw airport mid of January but will continue other projects, most prominently the expansion of the Yangon International Airport. Infrastructure, energy (mostly hydro power) and real estate projects will be focus areas of the new streamlined portfolio.

German Projects

German **KfW Development Bank** conducted a project appraisal for the Ywataung Railway Workshop near Mandalay. The project includes the overhaul of selected locomotives originally financed by KfW over 30 years ago as well as selected workshop equipment. The German Government committed 5 m EUR for the project and the financial agreement is envisaged to be signed in summer 2016.

As one of the first donors the German Government committed 10 m EUR grant funds for the Financial Cooperation after the election was internationally considered as free and fair in December 2015. The funds will be implemented via **KfW Development Bank** for long-term rehabilitation of selected bridges and roads in Kalay District, Sagaing Region, which were destroyed by the heavy floods in summer 2015. The work of the implementation consultant is scheduled to start in autumn 2016.

International Projects

Japanese **IHI Corp** will set up a concrete factory in a 60:40 Joint Venture with the Myanmar Ministry of Construction to serve the local market. Investment cost for the plant with a capacity of 77,000 t high-strength precast concrete will be 15 m USD, production is meant to start in autumn 2016.

Japanese **Marubeni** plans to set up fertilizer plants in the Thilawa SEZ. The first, focusing on soil enhancers, is expected to be operational by April 2017, the second, processing nitrogen and phosphoric acid based fertilizers, by autumn 2018. Investment volume stands at 16.8 m USD. Another fertilizer plant will be built in a JV by German **Behn Meyer**, Japanese **Mitsui** and local **MAPCO, Behn Meyer Myanmar Co Ltd**. Investment is said to be 10 m USD.

A JV led by **Parkway Pantai**, a Singaporean sister company of Malaysian **IHH Healthcare**, plans to develop and operate hospitals in Yangon together with its local partners **AMK Medicare** and **Global Star** and Singaporean **Macondray Holdings**. The first project in downtown Yangon is planned to open in 2020 and to run under a 70 years BOT scheme.

Korean Register is the fifth international ship classification company to get active in Myanmar with a permission of the Department for Marine Administration for maintenance and inspection of local cargo vessels. Checks are be mandatory once a year – other service providers are Lloyds, BV, NK and APS.

GTAI reports (in German language)

[Myanmars Außenhandel stark von China bestimmt](#)

Insights

Hnin Hnin Khine is one of the so called Repats, having come back to Myanmar after long years of studies and working abroad. But her case is specific. And this is not just because she has been out of the country for a long time since 1995, working for 14 years at Boehringer Ingelheim USA after studies in Biochemistry. After some years in the Research Department (Drug Discovery) there, she worked in brand management, having completed a MBA at New York University in the meantime. And today she brings these experiences to bear in her home country with her own chain of pharmacy outlets, supported by a local co-investor, under the Care Plus brand – with today nine outlets in Yangon.

Hnin Hnin Khine sees huge challenges in the medical system not just because of chronic undersupply with medical services and technologies as well as insufficient medical insurance coverage. Lack of medical knowledge, she says, is a major factor that leads to serious health problems. This is why in her pharmacies she wants to provide sound counseling on treatments being the only retail outlet with walk-in clinic and diagnostics services and preventative care. The value through knowledge is a service on top. Abuse of improper medication is a huge problem in Myanmar – and can lead to standard ailments becoming incurable.

Prevention is on top of her agenda as well – she offers vaccinations and services like free blood sugar testing. For such activities she co-operates with NGOs but support of international brands for joint educational programs is most welcome. One of the challenges she faces in her daily business is the inadequate supply chain. Local production is by far not able to cater demand, both in terms of quantity and quality. And availability of foreign products is not stable, due to immature distribution channels, underdeveloped infrastructure and sometimes problems with counterfeit parallel products. This is a brilliant example of entrepreneurial spirit combined with sound knowledge, tackling problems from a grass root level. And good news not just for locals: foreigners visiting Myanmar and suffering from health problems are well advised to watch out for pharmacies with the Care Plus logo.



Hnin Hnin Khine (left) with employees in her Lanmadaw outlet

Events

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