

Dear readers,

The talk of the town in Yangon these days? For foreign expats for sure it is the new law on foreigners' registration in the pipeline, together with early drafts of a foreign workers' law. While most would agree, that such regulation is overdue and will help a lot to safeguard Myanmar's interest and provide a stable basis for foreigners employed in the country, some details are startling. Above all this is true for a regulation on travels in a country, requiring any holder of a foreigner registration certificate not just to notify ward officers for any trip longer than 24 hours, which would be cumbersome, but to get approval beforehand – which quite honestly seems impossible. Some say, that implementation will offer flexibility – but from our perspective, that is neither helpful nor relevant. Myanmar should have a sensible legal framework with reliable and consistent implementation and comprehensive enforcement. And foreign expats, not to speak of their employers, need to have a basis for staying and working in the country, which allows them to be compliant with local law at any time.

For Myanmar people staying in Yangon, for sure the new bus system is the hot topic for discussion. The Yangon government has developed a systematic map of bus lines and most importantly abolished competition between bus companies, which had caused threats to passengers and pedestrians alike. Another smart move, which was overdue, but has seen some teething problems in implementation, putting burden on commuters. But staying and walking downtown, one witnesses a dramatic change to the better: buses which previously sometimes resembled weapons of mass destruction rather than means of transport have developed into responsible traffic participants. And even the sounds of Yangon have changed: the honking and roaring of buses racing to the next bus stop and the yelling of conductors, calling in passengers - fallen silent.... A smart move to develop Yangon into a more orderly, efficient and livable city. Let us hope that the coming weeks will bring solutions to the challenges in implementation – together with a thought-out solution for an effective and workable foreigners' law.

Best regards

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Economic Policy and economic development

The Myanmar government has lowered its growth expectations for the current FY. GDP is assessed to increase by 5.7% but the government expects growth will pick up again to 7% in 2017/2018.

The new year has seen a stabilization of the MMK exchange rate – but still at historically low levels against the USD. In order to mitigate the MMK depreciation, the government eyes restrictions of luxury imports, a rather worrying move (at the same time pointing out, that an expansion of exports will be the most effective vehicle, achievable only mid-term). Furthermore, the Central Bank again plans to enforce restrictions of domestic cash payments in foreign currency, tying in with a lively and somewhat painful discussion in 2015.

Myanmar has climbed up the ranks in Transparency International's Corruption Perception Index, now listed at place 136, up from 147 – but still at the very low end of the list.

DICA has published a report on Cost of Doing Business in Myanmar, covering a broad range of topics. Support came from JICA and Myanmar Survey Research oversaw implementation. The report is another step to provide a more comprehensive data basis for business activities in the country.

A first but significant step in view of food safety: the first lab of the Food and Drugs Administration (FDA) at international standards has launched operations in Nay Pyi Daw and received accreditation by the US National Accreditation Board.



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Trade and trade policies

According to the Ministry of Commerce, the end of 2016 has seen overall trade shrinking and the trade deficit narrowing year on year. During the first 9 months of the financial year, exports are said to have increased by 509 m USD to 8.2 bn USD, while imports decreased by 840 m USD to 11.5 bn USD – a surprising development, as earlier in 2016, the deficit had been reported to grow.

One may hope that this will ease pressure for policies to reduce imports, such as a draft law to “prevent a rising amount of imports” which foresees special tariffs or import restrictions for products indicated by local companies as threatening their business opportunities. While not doubt the local manufacturing sector is in dire need of support, such measures are not likely to boost its competitiveness.

FDI and investment policies

FDI in the first three quarters of the 2016/2017 FY reached 3.7 bn USD, with transport and communication leading the sector ranks. Despite a backlog of 26% yoy, DICA says that FDI targets of 6 bn USD would be met until the end of the FY, pointing out a strong January, driven by one telco project (see below).

At the same time, implementation rules for the new investment law are under discussion with a first draft published by DICA. Applications can be expected to be worked on early in the new Financial Year.

Power

American **APR** has extended its contract for a 103 MW gas fired power plant in Kyaukse south of Mandalay. The terms of the PPA including the feed in tariff have not been published.

Singaporean **SembCorp** has signed a BOT agreement with the government - another step towards implementation of their 225 MW gas fired power plant in Myingyan. The BOT runs for a period of 22 years and the plant is meant to start operations by mid 2018. Overall investment is assessed at 300 m USD.

Infrastructure

Construction of a new wharf dedicated to bulk cargo at the Thilawa SEZ will start end of 2017. The project is invested by domestic agri-related public corporations, amongst them **MAPCO**, and meant to facilitate exports of agricultural commodities. The wharf is expected to be operational end of 2020.

Urban development and construction

Shortly after JICA had submitted an updated version of its Yangon 2040 development plan, including time lines for prioritized projects until 2020, 2025 and 2035 respectively, the Yangon Region government has decided to go for its own development master plan instead. While the JICA masterplan has a focus on upgrading the existing urban infrastructure, the government plan puts emphasis on expansion projects, namely to the southwest. According to local media, the government assesses that JICA's prognoses for population growth of 200,000 p.a. are far too conservative.

Yoma's Landmark projects in downtown Yangon just opposite Sule Shangri la has received MIC approval. The hotel and mixed us development has been in the headlines with several delays during the past years and now seems to kick start implementation.

Water

Local Aqua Pura Co Ltd, a sister company of **Chin Corp Myanmar**, has been granted MIC approval for a water treatment plant in Monywa, Sagaing Region, under a BOT scheme.

France is expanding its support for water and sanitation projects in Mandalay. Besides an 8 m EUR grant for construction of a pipeline system connecting a number of townships to the water supply system, the French government has committed for a 42 m USD loan for rehabilitation of the pipeline system, drilling of artesian wells and expanding a river water pumping system.



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Telecommunications

The fourth mobile telecommunications license holder **Myanmar National Tele & Communications (MNTC)** license has received MIC approval in January – giving a boost to FDI figures with an initial investment of 1.5 bn USD, to be added on to 2 bn according to the investors. The consortium by Vietnamese **Viettel** and several local partners will need to step it up a notch, seen the strong position of the competitors in the market.

Finance

2017 will see a first foreign project in insurance, a sector up to now closed for foreign companies. Swiss **Stonestep** will launch microinsurance services thanks to a funding of 4 m USD by the American venture fund **XL Innovate**. The company says it will partner with the biggest microfinance lender active in the country. A broader liberalization of the insurance sector can be expected to be a next reform step by the government – likely to be less controversial than the liberalization of the banking sector, as critical local stakes do not exist. Foreign insurance operations might be a driver to boost standards at all levels as well.

First Private Bank is the fourth company to be listed on the Yangon Stock Exchange, following **Myanmar Citizens Bank**. The IPO is meant to go alongside with and potentially finance an expansion of the branch network. FPB currently is one of the smaller banks in Myanmar's both overbanked (regarding the number of competitors in the market) and underbanked (regarding the number of customers and nationwide coverage) financial sector.

Agriculture and Livestock

A dedicated industrial zone for agri processing and related products is in the pipeline in the Ayeyarwady region. The project in Myaungmya Township 150 km west of Yangon is driven by **MAPCO** and claims to be small-scale with an investment of 12 m USD but innovative – a smart approach in a country, where mega projects abound (in the skies). The park is expected to be operational by end of 2018. Sectors targeted include rice milling, animal feed, oil milling and further value adding activities.

MAPCO gets active to support local farmers as well with 20 dedicated agribusiness centers to be set up across the country. Besides supplies of inputs, the centers will provide services with regards to mechanization and contract farming systems.

At the same time, the Yangon Region government plans to support agricultural development with a focus on mechanization and irrigation with a 2017/2018 budget of about 6 m USD. The Union government will support mechanization of agriculture with a new installment system for agricultural equipment. Farmers can purchase equipment of selected companies with an installment of just 10%.

The Chinese local JV Myanmar **New Hope Agrotechnique Company** Limited has received MIC approval for chicken breeding farms in Bago.

Automotive

A first CKD assembly of Nissan Sunny models by Malaysian invested **Tan Chong Motor (Myanmar)** has launched operations in Yangon, with an initial output of 10 units per month. Tan Chong at the same time will invest 50 m USD in a new workshop in Bago, with a capacity of 10,000 units, to be operational by 2019.

A local consortium of companies, **Myanmar Motor Corporation**, has received MIC approval for a project in assembly of buses and coaches. The plant in Yangon's Mingalardon Industrial Zone will have an investment of 10 m USD. Besides the domestic market, where demand and an urgent need for upgrade of the outdated bus fleet is tangible, the investors plan to target Asian export markets as well, according to news reports. But with an initial capacity of 100 units per year, Myanmar is likely to absorb a lion share for the years to come.

Steel and Metal processing

Another steel structure manufacturer has launched production: local invested **Mindama Steel Structure Co. Ltd.** has started operations in a new factory with a capacity of up to 60,000 t per year, giving a boost to local production of currently about 100,000 t, mostly in smaller scale factories. To supply to construction and infrastructure projects, the sector will need an upgrade with regards to quality will as well.

Another encouraging move in development of domestic supply chains: **CMI Engineering**, a Singaporean local JV, has received MIC approval for a metal processing workshop to manufacture switchboards, control panels and sheet metal parts in Yangon – with the projects in the power sector, the market demand is obvious.

Garment and Leather

The end of 2016 and early 2017 have seen more investments into garment CMP manufacturing approved. Among the wholly foreign owned projects is one European Investor: Irish **Myport Limited** for a CMP factory to be located in Bago. This will be the location as well of Hong Kong invested **Skyway Apparel Limited**, another CMP production. Other CMP factories will be located in Yangon: Cambodian **An & Brothers Manufacturing** and **Mar-Tex Company, Joint- Profit (Myanmar) Garment** from Belize, Chinese **Zhejiang Lanshan Myanmar Clothing** and **Twinkle Light Fashion**, Korean **SMK Mingaladon**, **Jerry Textile** and **Dong Yuan Richland Fashion** from Hong Kong and Taiwanese **Topline Global**. Chinese **GMT Garment** gets active in a JV project. Yangon will be the base as well for a domestic investment by **Meik Ta Aung Company**. A specialty investment approved is Canadian **Filand Company** with a Yangon-based CMP production of Fur Dressed Garment (somehow sudatory only to think of). At the same time, the supply chain continues to develop with a MIC permit for a Chinese-local JV, **Jia Long Plastic Products** for manufacturing of polybags and elastic bands in Yangon.

Four new industrial zones for garment production are in the pipeline according to the local industry association MGMA. The zones are to be built with Japanese investment – and interestingly planned to be set up near Pyay, a region off the FDI map for the moment.

Shoes and Bags

Other light industrial export industries gain momentum with new projects approved for a bag CMP manufacturing project by Korean **Pungkook Myanmar** in Bago, and CMP shoe manufacturing projects by Japanese **Green Wings** and Korean **Dongwon M House** in Yangon as well as Samoan invested **Shyang Peng Cheng** in Bago.

Tourism

Rules and procedures for hotels to receive alcohol licenses have been tightened end of 2016. Out of the 1,380 hotels in Myanmar, only some 160 held such a license mid of 2016, according to the Myanmar Hoteliers Association. A move which may be conducive to public health – but whether the same is true for tourism development, remains to be seen.

Tourism is said to expand into remote Chin State, the poorest of Myanmar's states said to host impressive landscapes. Out of 39 proposals, 11 projects by domestic investors have been chosen and will be implemented in several townships. An upgrade of the currently inoperative airport in Falam and quick implementation of the airport construction project in the capital Hakha will be of essence, as connectivity is extremely poor for the moment. Thus a new hidden treasure to explore for visitors – be it with possibly limited access to alcoholic beverages (see above).

At the same time, a committee for development of sustainable tourism in Tanintharyi has been launched, chaired by Serge Pun.

Is this sustainable tourism? Myanmar will see its first cable car at Zwekabin Mountain near Hpa An in Kayin State, invested by local **Zwekabin Myay Development Company** and **Chit Lin Myaing Toyota Company**. Construction will start in February and investment is said to stand at 12 m USD.

International Projects

Another investor is taking advantage of the opportunities for trade and distribution in the Thilawa SEZ: Japanese **Aktio Corp.** has announced it will invest 7 m USD into a rental service for construction equipment.

GTAI information (in German language)

[Myanmar legt neuen Entwicklungspan fuer Yangon vor](#)

[Myanmars Telekommunikationssektor bleibt dynamisch](#)

Insights

Traveling up country, one may discover magic places in Myanmar. Yenangyaung is one of them – a low-key town in Magwe Region, a two hours drive south of Bagan, not thrilling at first sight. It had been the centre of Myanmar's onshore oil production in earlier decades, but the deposits have run dry years ago, leaving the place impoverished.

No exceptional place, you would say - until you discover Eric Trutwein's Lei Thar Gone guesthouse (www.leithargone-guesthouse.com) and enjoy the fresh breeze up a hill, as the name promises, and the view on the banks of an arm of the



A vision of calm and serenity – view on the Ayeyarwady from Lei Thar Gone.

Ayeyarwady. A place to calm down and relax – and to explore the wealth of Myanmar, which is its people. Eric Trutwein is an outstanding example. A retired employee of an international oil company, he had



Eric Trutwein, in front of his school building.

returned to his native town and developed a school project to support orphans and impoverished kids with ambitious standards regarding curricula and didactics. His concept is that convincing and implementation that straightforward, that he gets quite some support from European foundations. He has launched the guesthouse to secure sustainable operations and provide support to the families of his students or support their further education. He thinks the success of his project and the support he gets are linked to karma – I would rather say they are an effect of his impressive personality.

Exhibitions in Myanmar

Check an up to date list at <http://myanmar.ahk.de/exhibitions/>