



Dear readers,

Working in Myanmar to promote business opportunities for German companies regularly rewards you with unexpected discoveries. One of the promising insights we have gained recently – promising both for the future of Myanmar and potentials for German supplies – is the Energy Efficiency and Conservation Division at the Ministry of Industry. We did not expect to see energy efficiency on the agenda of the Myanmar government yet and have been most happy to be disabused! The division works since 2014 and has a cross sector responsibility, covering residential, commercial, transportation and industrial energy consumption. A roadmap with a five years policy strategy is in the making with the support of ADB, to be published in September. We will keep you posted on these developments. The division is headed by an energetic young lady who holds a Master in Electronics from Southern Westphalia University of Applied Sciences – a brilliant advertisement for women in MINT – and for German scholarship programs.

Best regards

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Politics

The date of the parliamentary election has been set: Myanmar people will be asked to elect their new parliament on Sunday 8 November 2015. The NLD has announced to participate in the elections. Ahead of the elections there has been a no to constitutional change: end of June the Parliament has voted against suggested amendments to the 2008 constitution, which amongst other had aimed at removing the military's vetoing power and restrictions for eligibility for the position of President.

International

During the Japan-Mekong summit beginning of July, Japan has pledged more than 6 bn USD for infrastructure development in the Mekong five region. On the occasion of his visit to Japan, President U Thein Sein has visited a coal fired power plant in Hekinan. Coal is on top of the government's agenda to increase power generation capacities in Myanmar.

News from the OFAC list

Beginning of July has seen another removal, but „just“ the (some say divorced) wife of still listed Tay Za (Htoo Group), Thidar Zaw.

Economic Development

Following its mission in the second half of June, the IMF has voiced concerns regarding monetary and fiscal policies and has urged to enforce an official exchange rate reflecting the market situation. IMF's growth prognosis is still upbeat: the experts expect a GDP growth of 8.5% for the 2015/2015 FY. But external factors like global gas prices and a further strengthening USD might hamper the economic outlook.

Mid of July has seen the Central Bank reacting on IMF's urging to implement more market driven official exchange rates - the German-Myanmar Business Chamber together with the British and French Chamber as well had voiced concerns regarding currency policies in a letter to the Myanmar government. The official USD:MMK exchange rate has been raised to a level of about 1:1200, more in line with the market rate developments. The Central Bank plans to tighten monetary policy as well and implement measures to control credit growth. A huge challenge remains to reign in speculation.

Myanmar moves up the ranks in the World Bank's income classification: together with Bangladesh, it has been upgraded to the group of lower middle income countries (from 1.046 to 4.125 USD). Among the Asia Pacific economies, only Cambodia, Nepal and North Korea still are classified as low income economies.

Beginning of July and following months of discussions the minimum wage has been set at 3,600 MMK per 8 hours working day, exclusive of overtime and allowances – giving employers and trade unions a two

weeks term to file remonstrations. Differently to previous suggestions, the minimum wage will apply to all sectors countrywide. The minimum wage is still controversial with both trade unions and local companies opposing. Businesses mainly from the garment sector are asking for a lower rate with gradual increases as they fear to further hamper their competitiveness. Some Asian invested garment manufacturers are said to have threatened closing down their operations.

Immigration

Business visitors can apply online for single entry visa, valid for 70 days since beginning of July. The business e-visa is available for visitors from 51 countries including Germany, processing time will be three days. An invitation letter needs to be submitted with the application. Payment of the visa fee can be made by credit card, at a cost of 70 USD, while business visa on arrival come at 50 USD.

SEZ

During the Japan-Mekong summit beginning of July, Japan has signed a long awaited MOI for the development of the Dawei SEZ in the southern part of Myanmar, 300 km west of Bangkok. No details on the financial contribution and no timeline have been given yet. The zone, once operational, will be most attractive for relocation of Thai businesses and Japanese investors in Thailand aiming to supply to customers in Europe and the Near and Middle East. On the other hand the zone probably is too remote and too badly connected to serve as a production base for supplies to the Myanmar domestic market. Another power project to supply electricity to the zone has been announced by Thai **Andaman Power**, which plans to build a 150-200 MW gas fired power plant. Its mother company **United Power** already operates a 20 MW gas fired power plant near the forthcoming zone.

Human Resources Development at the Thilawa SEZ near Yangon: Japanese **Fuji Work Company** plans to establish a website with job offerings at the zone. The company in a joint project with the Zone operators already offers professional trainings free of charge for residents of nearby agglomerations. Topics range from machinery operations to IT, accounting and both English and Japanese language. And hard infrastructure will improve as well: In 2017, a new wharf at the Thilawa SEZ is meant to be operational.

Finance

Singaporean **OCBC** and **UOB** have announced deals and agreements during the opening events of their respective branches on 2 July. While OCBC has signed MOUs with domestic banks for projects in capacity building, UOB has signed loan agreements with **Cycle& Carriage Automobile Myanmar** and **Summit Parkview Hotel**.

KBZ Bank has launched the first local credit card mid of June. At a first stage, cards will be available to KBZ customers only. Credit lines range from 300 to 5,000 USD depending on collateral available – this reflects the problems of local banks to assess their clients' credit worthiness and credit history. The move is meant to give a boost to btoc e-commerce, which is just about to develop.

Two new entrants on the list of foreign bank's representative offices: Sri Lankan **Commercial Bank of Ceylon** has opened office in Yangon, Korean **Busan Bank** has registered with DICA for a rep office with no launch date given up to now.

Infrastructure and urban development

A sound decision with regards to urban development – but a blow to investors' confidence? On 6 July the Myanmar government has stopped five controversial real estate development projects in Yangon, near the Shwedagon Pagoda. Opponents had criticized their negative impact in the vicinity of the national landmark. All five projects had received MIC approval beforehand, following a government tender for developments on a previously military owned site, and development and sales had already started. The most prominent of them, the Dagon 1 project (see newsletter November 2014), has foreign investors on board. The parties involved say they are in negotiations on recompensation or relocation of the projects.

Yangon in 2040: a city development plan has been disclosed which has been developed with support of Japanese JICA. It foresees an expansion to accommodate 10 m residents, double the current figure. The

project is planned to launch in the North East of the city at an initial cost of 442 m USD. Overall project cost is set at 7.4 bn USD.

Another office tower in Yangon: Malaysian **Naim Indah City Development** plans to develop a 32 storey tower in Pyay Road together with local **United Pacific Development**.

Public transport in Yangon is to be improved via a public company. A Bus Rapid Transportation scheme in the pipeline for some time will be implemented via a PPP with a 10 m investment by the government and local companies, among them **Diamond Star** and **Shwe Taung**, contributing another 2 m USD. More capital is planned to be raised by selling shares to the public.

Another real estate project in Mandalay: Local **Asia Bright Land Development** has announced construction of the Khayae Residence project to be completed in October 2016. Partners from Singapore will be in charge of architecture and engineering.

Part of a 27 m USD development co-operation funding package of the German government is dedicated to upgrade rural infrastructure in Shan State. 5 m USD will be spent on construction of road and bridges. Another 3 m USD is available for financing of local SMEs. Already ongoing projects, amongst others in vocational professional training, will receive additional funding.

French businesses are eyeing infrastructure development in Mandalay, supported by a 1.3 m USD grant of the French government to upgrade urban infrastructure with a focus on water supply, garbage disposal and public transport. MCDC and JICA will implement a water supply project in Mandalay residential areas including installation of water meters. Thai **Hydrotek Supreme Mandalay Co Ltd.** has been contracted by the MCDC for construction of a central water treatment plant.

Power

Coal is meant to stand for 33% of the overall generation capacity in 2030, but a first prominent project has been cancelled, local media report. A 279 MW plant near Yangon by Chinese **Huaneng Lancang** and by local **Htoo Group** will not move ahead. Two other projects near Yangon by local **Virtue Land**, a subsidiary of Asia World, and a JV project by Indian **Orange Powergen**, Singaporean **Global Advisor** and local **Diamond Palace Services** are still in the pipeline with MOUs signed. Earlier this year, two more MOUs had been signed for a 660 MW project in Shan State to be developed by Thai **Lumpoondum** and for a 1,280 MW project in Mon State, to be developed by **Toyo-Thai**.

Hydro projects are controversial as well. The 1,400 MW Kunlong project, driven by Chinese **Hanergy** and **Gold Water Resources** and local **Asia World**, is delayed because of concerns regarding security in an ethnic minority area.

Renewable Energy is meant to supply 9% of overall capacity in 2030 and some see wind energy as a driver – despite concerns regarding transportation of big scale equipment to remote areas. While assessments of the viability of projects are at an early stage, Danish **Vestas** has announced a partnership with local **Zeya & Associates** to develop wind projects, starting with a 32MW project in Mon State. No details have been given on whether Vestas' role will be other than that of a supplier.

Oil and gas

BMI Research in a recent report gives a not so rosy outlook for gas production. While they estimate production to increase to 23.5 bn cubicmeters in 2017 from today's 19.0 bn – mostly thanks to the expansion of Total's Yadana project, which stands for 44% of the overall production – BMI expects the production levels to decline from 2018 onwards to 20.6 bn cubicmeters in 2020.

Mining and Mineral resources

Myanmar makes first steps to establish value chains in the mineral resources sector. A tender is under process for upgrading and operations of a currently state owned tin refinery. The winner of the tender will work in a JV with the No 2 Mining Enterprise. Currently most of the Myanmar tin is exported unprocessed, mostly to China.

IT and Telecommunication

Vietnamese **FPT** says it has received a licence for fixed telecommunication and internet services in Myanmar as the first 100% foreign owned company in that sector. More and effective internet services will be most welcome, but one may wonder whether landline services will be a lucrative business in a country which is – yes in this case – leapfrogging into mobile communication. According to the 2014 census, only 4.8 % of households had a landline connection., but 33% had mobile phones. FPT say that under its 15 years license it may offer as well online games, e-commerce and other web based services.

Fisheries

Industry experts expect another decline in export earnings this year following last year's already meagre 420 m USD, despite the weakening Kyat.

Garment

More MIC approvals for investments in garment production have been made public, by **Musung Garment Company Ltd**, **Myanmar Knitting Factory Ltd.**, **Smooth World International (Myanmar) Ltd**, and **Myanmar High Choice Company Ltd**. The projects will be located at Yangon, Bago and Ayeyawady regions (the latter most likely in Patheingyi, where the industrial zone seems to gain momentum).

Wood and processing

More activities in wood processing seem to develop with a local investment in wood finishing by **Saung Hnin Cherry Company Ltd** and **Mother Trading Company Ltd** and a foreign-local JV investment in timber processing by **Myanmar Brightex Veneer Company Ltd**.

International Projects

More information on investors in the Thilawa SEZ has been disclosed: Japanese **Acecook** will establish a factory to produce instant noodles for the domestic market. Production is meant to start in 2017. Malaysian **YTL** in October will start construction of a cement plant with a capacity of 1 m t per year to supply the local market.

Japanese **Hitachi Industrial Equipment Systems** has announced a 51/49 JV with local **Soe Electric and Machinery (SEM)** to manufacture transformers in the country. Up to now, only assembly is being assumed by local companies. The investment is said to be 45 m USD with 400 workers employed. Approval of the MIC for the new **Hitachi SEM JV** is still pending. The production is meant to supply the domestic and export markets in Laos, Cambodia and Vietnam.

More beer: Heineken has opened its brewery plant in a 57/43 JV with local **Alliance Brewery Company** mid of July. It follows its rival Carlsberg, to compete with market leader **Myanmar Breweries** in a small but quickly growing market. Heineken's investment in the plant near Yangon is said to be 60 m USD. Initial annual production capacity is 330,000 hectoliter.

LNG plant in the pipeline: Thai **PTT** and **Ratchaburi Electricity Generating** plan to develop a storage and regasification unit. Storage capacity is said to be 3 m t and investment volume 400 m USD.

Japanese **Mitsubishi** has launched a partnership between its lift and elevator division and local **Serge Pun & Associates**.

GTAI reports (in German language)

Wirtschaftstrends zur Jahresmitte

<https://www.gtai.de/GTAI/Navigation/DE/Trade/Maerkte/Wirtschaftsklima/wirtschaftstrends,t=wirtschaftstrends-jahresmitte-2015--myanmar,did=1269322.html?view=renderPdf>

Myanmars Telekommunikation wächst dynamisch

<http://www.gtai.de/GTAI/Navigation/DE/Trade/Maerkte/suche,t=myanmars-telekommunikation-waechst-dynamisch,did=1271774.html?view=renderPdf>

Insights

The Thilawa Special Economic Zone is gaining momentum and if Monsoon will not be too heavy during the coming weeks, the first production sites should be able to start operations in autumn – on schedule. Where a year ago you could see just the construction billboard in the middle of nowhere (see newsletter May 2014), these days some workshops are more or less finalized and road



connections set. Up to now, official information on investments in the zone is scarce with announcements trickling in by and by, but the number of companies which have reserved plots is considerable and the A zone of the current first phase actually may be fully booked. That is why plots in zone B are already on offer ahead of time. Once operational, the Thilawa SEZ will be the first Industrial Zone in Myanmar up to international standards with a central zone

management, a standardized price structure and facilities for water supply and waste water treatment, staff accommodation etc. In almost all current Industrial Zones, tenants have to negotiate with individual land owners and have to arrange their own water supply.