

Dear readers,

In case you consider to organize an Asian business conference and want to reach out to participants in Myanmar – we recommend that you run thorough checks with regards to your service provider's country of origin and do some blacklisting. If not you may end up like my colleagues from AHK Hong Kong, currently organizing the 15<sup>th</sup> Asia Pacific Conference of German Business from 3 to 5 November. They are fighting with a US headquartered tech company managing their online registration system – which stubbornly refuses to accept registrations from Myanmar due to their misreading of American sanctions. Being a US company, one may understand that they hesitate to process credit card payment (still we had offered to do the OFAC checks...) – but much worse, they refuse access to the APK apps to any Myanmar based IP address and even do not include Myanmar into the pull down menu of countries of residence. So while one had been thinking to live and work in a country which is spearheading political development in the Asia Pacific – thanks to a bunch of unhelpful American techies you come to understand that you are actually based in a rogue state! After six months of useless discussion – and our thanks go to the German and the American Embassies as well as to Amcham Myanmar for their support – we have given up. The good news is that Germans (surprise surprise) can be flexible and that good old fashioned registrations forms still exist. So in case you are interested in joining the conference, let me know and we will proceed. It is worth the effort – apart of the “usual APK suspects” of German CEOs, you will meet a number of high ranking business leaders from China, Japan, India... – for a true German-Asian business dialogue. You can see the speakers' list at [www.asiapacificconference.com/speaker.php](http://www.asiapacificconference.com/speaker.php) (these guys did not manage yet to block Myanmar residents' access to the conference website....)

Best regards

Monika Staerk

Delegate of German Industry and Commerce in Myanmar

[monika.staerk@myanmar.ahk.de](mailto:monika.staerk@myanmar.ahk.de)

### Politics

On 19 July Myanmar celebrated its first Martyrs' day commemorating the assassination of General Aung San in the new political era. Local media pointed out, that the military leader Sen General Min Aung Hlaing had attended the ceremony. Another subtle hint on political change: the army has for the first time admitted killings of civilians in ethnic conflict areas and promised to hold responsible the perpetrators.

End of July, results of the 2014 census on religious groups have finally been published. Despite all concerns, the share of the muslim population has increased only slightly to 4.3 % compared to the 1983 census – taking the wind out of radical buddhists' sails.

### International

While China deploys what local media call a charme offensive to improve its image in Myanmar, the US has committed additional 21 m USD for measures to improve economic governance in Myanmar – money badly needed (if spent smartly) to help develop economic strategies. The US announced they would enhance military co-operation and Aung San Suu Kyi has accepted an invitation by President Obama – the date of the visit has not been set yet but is expected to take place before the US elections.

### Economic policies

The Ministry of Industry has published an industrial law to modernize existing legislation. The goal is to increase competitiveness of domestic industries with a focus on labor intensive and some tech based manufacturing. An interministerial Industrial Support Committee is meant to supervise and co-ordinate activities. No timeline for implementation has been given so far.

The advertisement for Luther. features a background image of a person in a desert landscape at sunset. The text 'Luther.' is in large red font. Below it, the tagline 'Precision, perfect timing and an eye for what matters.' is written in black. At the bottom right, contact information is provided: 'Legal and Tax Advice | www.luther-lawfirm.com' and 'Corporate Services | www.luther-services.com'.

### Trade and trade policies

The first quarter of the current FY has seen an increase of exports by almost 12% from 2.22 bn USD to 2.48 bn USD. According to the Ministry of Commerce, exports of garment have decreased during that period compared to the year before, agriculture and fisheries driving the increase.

A step forward towards liberalization of import and distribution? Beginning of July, the Ministry of Commerce announced that import and distribution of construction material would be open for local-foreign JV companies. Licenses will be granted according to criteria yet to be published. The move obviously aims to improve supply of higher quality material to increase standards in the construction industry.

A new element in the National Export Strategy: besides gems, processed food has been identified as a promising sector to boost Myanmar's exports. A wise choice, seen the huge potential in vegetables and fruit as well as the fisheries sector.

Myanmar considers opening up for imports of timber to support both forest conservation and the competitiveness of domestic processing industries. Details of the new policy are still pending, but the plan is to ease administrative procedures and lower taxes for trading of imported timber.

### Foreign employees in Myanmar

Long overdue: a regulation on work permits is in the pipeline. The Ministry of Labor has announced it plans to submit draft legislation soon. Currently the plan is to issue work permits for a duration of four years – renewals would have to be applied for in the respective home countries. The regulation will allow to take action against illegal employment and tax evasion. Let us hope that it will not imply employment quota for the domestic workforce, which seen the current qualification levels might be an impediment for growth. And let us hope that procedures will be straightforward and implemented quickly. Suppliers sending technicians for maintenance will have to watch out for the new rules as well – the times of just traveling in with a business visa may soon come to an end.

End of July processes for visa extension for foreigners working in MIC registered companies have been streamlined. A one year extension will be granted based on a corporate recommendation letter, a recommendation by a Myanmar Embassy not being required any more.

An early warning that the government is getting serious: beginning of July, the Myanmar Engineering Council pointed out that registration of foreign engineers and technicians working in construction projects was mandatory and that developers would be officially notified – a regulation none had been aware of so far. Projects not complying with this rule risk suspension. While there is no official licensing process in place as for local engineers, the MEC announced it would check foreigner engineers' qualifications under this registration process which comes at a cost of 500 USD per year. As of beginning of July, only three such registrations had been submitted to the MEC.

### FDI

The new MIC has started to work end of June. Among the first approvals are a number of garment projects (see below under garment). Construction material is a topic of relevance with obviously Trinidad based **Ezcon** investing in a concrete admixture project in Mandalay. Other projects include Chinese owned **Myanmar Fei Long Electric Wire Factory** in Hlaing Thayar Industrial Zone. And the foreign local JV **World Lab Myanmar** plans to launch a lab for dental restorations – a good business case it seems in a country of betel nut addicts. .... MIC approvals for real estate projects for the time being seem to be granted subject to YCDC permission of commercial operation only.

The Myanmar Investment Commission which was meant to be transformed into an independent entity by the previous government, will for the time being stay a dependent unit under the Ministry of Finance and National Planning.

### SEZ and Industrial Zones

Zone B of the Thilawa SEZ will be launched after the monsoon season as zone A is fully booked with 73 investment projects worth 760 m USD. According to the developers, the SEZ stood for 12.5% of total FDI in 2014/2015. Zone A of the project is expected to create 40,000 jobs until 2018. Suzuki has announced that its long awaited factory in the SEZ will launch production in 2018.

A new Industrial Zone Project is meant to be developed in Maubin in the Ayeyawaddy Region, invested by **Shanghai Yangon Investment Company, Maubin Development Public Company** and **Southern Metal Industries**. The target is to set up 50 factories, mostly in light industries, within the coming three years. Power supply is a challenge – a proposal for a PV solar power supply solution has been submitted according to local media.

### Suspended projects

The Shan Regional government announced that a eight hydro power projects, among them the 1,200 MW Naungpha dam of local conglomerate **IGE** and Chinese **Hydrochina Corporation**, had been suspended for further evaluation and especially a cost-benefit analysis. Other suspended projects include a coal fired power plant and hotel developments.

End of June, the Thai owned **Heinda** and **Bawapin** tin mines in Tanintharyi region have been closed down by the local government because of breach of contracts and environmental concerns. One of the operating companies, **Myanmar Pongipat**, has pledged to have solved these issues and hopes to relaunch soon.

### Energy

France will finance a feasibility study for a hydropower plant in Rakhine State. The Laymyo dam with a capacity of 690 MW had been suspended in 2014. The study, at a cost of 1 m USD, will be assumed by French **Tracetebel**.

Thai **Siamgas and Petrochemicals Public Company** plans to acquire a stake worth 48 m USD in the existing gas fired power plant in Mawlamyine via its Singapore subsidiary.

### Water

The tender process for water projects in Mandalay funded by the ADB and the French government will be closed end of August. In Yangon, a tender process for a pipeline linking the new water treatment plant north-east of Yangon to the Thilawa SEZ is under way. Until 2020 the pipeline is meant to connect as well to the South Dagon and East Dagon Industrial Zones, where the quality of ground water is poor.

Japanese JICA is providing about 750,000 USD of funding for a water purification plant in Pyay. Funding for the refurbishment of water pipes will need to be granted by the Bago region government.

### Finance

Some might say local private banks should prioritize improving efficiency in Myanmar – but the trend for overseas activities seems to gain momentum. **KBZ** is spearheading with representative offices in Bangkok and Singapore to be opened soon and applications in Japan and South Korea in the pipeline and **AYA Bank** has announced it plans to follow suit.

### Agriculture

Local **Myanmar Agri Foods Ltd**, a sister company of **Myanmar Belle**, has launched a frozen fruit and vegetables factory in Nay Pyi Daw mid of July – see more under **Insights**.

A badly needed system for crop insurance is in early stages of development with a survey by MAPCO in the pipeline.

The 3<sup>rd</sup> International Processing & Packaging Exhibition for Myanmar

The logo for PROPAK MYANMAR 2016, featuring a green cube with 'PROPAK' written on it and a small green plant growing out of the top.

**PROPAK MYANMAR 2016**

**22-24 SEPTEMBER 2016**  
**Myanmar Event Park (MEP), Yangon**  
Pre-Registration at [www.propakmyanmar.com](http://www.propakmyanmar.com)

Myanmar coffee makes it to the US market – a first import order has been placed for 36 t. The buyer seems to offer interesting prices for the high quality coffee – 56 varieties of Myanmar coffee have been recognized as “special coffee” with the support of US development assistance. As an espresso addict your delegate can only confirm the quality of Myanmar coffee and recommend that Europe secures its share.

### Infrastructure, urban development and construction

Construction for a new luxury residential development will start soon, but this time it will be villas, not high rise buildings: **Yoma's** Lotus Hill complex in Hlaing Thayar township will comprise more than 40 villas and an apartment building. For its Landmark development in Yangon downtown, Yoma has signed a contract with Japanese **Mitsubishi** for an investment of 200 m USD into the project, whose implementation has been delayed – the deal is subject to MIC approval for the new structure.

### Transport and logistics

A direct flight connection between Europe and Myanmar seems to be in the pipeline, following the signing of an Air Service Agreements between Myanmar and the Netherlands for seven weekly flights.

### IT and telecommunication

Mid of July, Japanese **NTT Communications** has launched its high speed internet service for corporate customers in Yangon. The company plans to launch a data center as well. Two foreign investments in the Telco sector have been approved: Vietnamese **FPT Myanmar** and **Myanmar Broadband Telecom** plan to launch ISP and network services. And the **Myanmar Computer Federation** has announced plans to develop an IT zone in Thanlyin, east of Yangon.

According to the Ministry of Post and Telecommunications, mobile penetration in Myanmar has reached 90% with almost 44 m SIM cards in use – one needs to bear in mind, that many users work with several SIM cards. The ministry sets the number of internet users at 39 m – a dramatic increase since the opening up of the country.

### Garment and shoes

Among the first investment projects approved by the MIC are a number of garment companies with a trend in diversification: Chinese **Jiu Sheng** will launch a knitwear factory in Yangon's Hlaing Thayar Industrial Zone (currently the Myanmar garment sector focuses on woven). Another foreign investment in CMP garment production by Chinese **Myanmar Magic Link** will be set up in Pakokku in Mandalay Region – and the same company launches supply chain activities with a knitting and dyeing plant in Kyaukse in Mandalay Region.

A similar development of supply chains emerges in the shoes sector: Wholly foreign owned **Myanmar Infochamp** has got approval for manufacturing of components for footwear as outer and inner soles in Shwe Lin Ban Industrial Zone. In the meantime local media report that seven more Korean and Japanese companies plan to invest into shoe manufacturing in Yangon and Mandalay to supply to the local market and for export production – no names and details have been disclosed so far.

### International Projects

Japanese **Hitachi Group** has announced to invest more than 280 m USD in projects in Myanmar within the coming years. One of the focus areas will be the electrification of the rail system. The company had won a



**APK**

**15<sup>th</sup> Asia-Pacific Conference of German Business**

3-5 November 2016, Hong Kong



tender for installation of a signaling system at Yangon's circular railway line, under refurbishment with the help of Japanese ODA funding.

More fast food: A **Burger King** outlet has opened at the departure areas of Yangon International Airport's new Terminal 1, operated by Thai **Minor Food Group**.

### Insights

In order to develop agriculture and fight poverty in rural areas, diversifying crops and developing value chains is of essence. Most parts of Myanmar in this respect are virgin territory, but there are smart entrepreneurs, spearheading the development. Ye Myint Aung is one of them. Tied to farming via his mother's family, following his studies in Japan, he soon started to venture into agri business with his company Myanmar Belle, founded in 1995. After projects in seafood he launched the first dehydration plant in Heho near Inle Lake as early as 2011 – today the plant runs at an annual production of 300 t and has a capacity of up to 800 t. 200 workers do the cleaning and cutting of vegetables like cabbage, radish and carrots. The plant recently has been certified for FFSC 22000. Products are exported to Japan at the moment, but Ye Myint Aung is keen to diversify product ranges and export markets. His suppliers are up to 1,200 smallholder farmers in Shan State, who work under contract farming agreements – happy to enjoy stable income. "From Southern Shan State to the World Market" – this is the claim written in front of the Heho factory. Government policies to support would be useful, says Ye Myint Maung – but with or without, he will continue his projects, simply because he sees value added agriculture as a good business case for him and the local farmers. He has launched his most recent venture in NayPyiDaw just recently. **Myanmar AgriFoods Co Ltd**, a JV with his Japanese partners, operates the first frozen factory for fruit and vegetables in Myanmar. Delicacies as spinach, green asparagus, long beans, okra, sweat potatoes, pumpkin and mango will be processed and exported frozen to Japan in 1 kg plastic bags. Here as well local farmers will supply at guaranteed prices. The location in Nay Pyi Daw makes sense – the capital enjoys by far the most stable power supply. The inhouse logistics company Logitem Myanmar assumes reefer transportation to Yangon ports. The company plans to expand to 20,000 t annual capacity in three more factories - and to diversify exports.



Dignitaries tasting delicacies during the launch event on 14 July – Ye Myint Maung is pictured left.



Workers launch the processing lines at Myanmar AgriFood's frozen factory.

GTAI reports (in German language)

[Myanmar setzt auf Investitionen aus dem Ausland](#)

## Events

### **Business Mission 9 – 14 October: Explore Business Opportunities in Myanmar's construction and Infrastructure sector!**

Sponsored by the Federal Ministry of Economic Affairs and Energy – organized by the Delegation of German Industry and Commerce in Myanmar, with its partners VDMA, VBI and Puchala IME.

For updates on the program please check [here](#) and contact us for more details!

### **15th Asia Pacific Conference of German Business 3 to 5 November 2016 in Hong Kong**

**Where German and Asian  
business interests meet!**

[With high ranking speakers from Germany and Asia](#)



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Registration and Conference  
details please visit:**

[www.asiapacificconference.com](http://www.asiapacificconference.com)

### **Meet AHK Myanmar in Germany**

7 September, Consultancy Day, IHK Giessen

### **Meet AHK ASEAN in Germany**

**ASEAN Insights with high ranking speakers and industry experts**

**6 September in Hamburg and 8 September in Frankfurt**

### **Exhibitions in Myanmar**

Check an up to date list at

<http://myanmar.ahk.de/exhibitions/>