

Delegation of German Industry and Commerce in Myanmar

Dear readers,

For the moment, Myanmar may be small in terms of market size, but we all expect that to change in a couple of years. Time to get prepared, it seems to me! The more as it is today that the course is set for the future. Standardization is one example. During my 13 years in German Asian business relations, I have heard plenty of complaints about technical standards in Asia being shaped according to US or Japanese models, hampering market access for German companies. In Myanmar, the level of standardization is unsustainably low for the moment. But the government is about to change that with a comprehensive standardization initiative by the Ministry of Science and Technology. It covers sectors like food safety, but as well construction standards. Drafts of respective regulation are already discussed in parliament and one can guess that other countries may have given their input. Time to get involved for German businesses as well – if they do not want to complain in a couple of years time! The Delegation office would be most happy to coordinate corporate and institutional initiatives. And the same is true by the way for our general standards of doing business in terms of compliance and market driven practices. If we do not promote them with relevant stakeholders today, we should not expect them to be implemented.

Best regards

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International policy moves

Beginning of June the **US ASEAN Business Council** has sent another delegation to Myanmar headed by Secretary of the US Department of Commerce Penny Pritzker. Pritzker has opened a US commercial services office in Yangon and has held discussions on a bilateral investment protection agreement. With Korea, a bilateral investment promotion and protection agreement has already been signed beginning of June. Korea has been the 2nd biggest investor in the FY 2013/2014 with projects worth 641 mio USD.

Investment policy – MIC on the move to Yangon

In view of increasing efficiency, the Myanmar government has re-organized and expanded the **Myanmar Investment Commission MIC**. New chairman is the Minister for Energy U Zeyar Aung, replacing Minister of Finance U Win Shein. The positions of Vice Chairman and of Secretary have been created newly, held by Minister for Hotels and Tourism U Htay Aung and Director General of DICA U Aung Naing Oo respectively. New members are Deputy Minister of Finance Dr. Maung Maung Thein and Dy Minister for National Planning and Development Daw Lei Lei Thein. The MIC, now under the Ministry of National Planning and Development, is meant to be transformed into an independent body and to move office to Yangon as early as July. During its first meeting, the new MIC has approved six investment proposals by foreign firms from Hong Kong, Thailand, Indonesia, Korea and China.

The Minister of Immigration has announced that a permanent residency (PR) system for foreign nationals would be implemented by October 2014, ending the period of expats living on 70 days business visa. Stay permits would be granted for up to 5 years. Decisions will be taken based on the country's needs, with priority given to intellectuals, technicians, and investors.

Trade and Investment Statistics

You will find detailed statistics for the FY 2013/2014 at the end of this newsletter.

Domestic Investment

According to DICA, domestic investment has been on a par with FDI in the Financial Year 2013/2014, reaching an amount of 4.5 bn USD, up from 2.8 bn the year before. As with FDI, manufacturing has developed into the most important target with 39 projects, followed by construction and hotels and tourism. DICA says that more than 37,000 private sector companies are active in Myanmar. Long before the recent reforms, the former military government had allowed private sector business activities in the beginning of the 90ies.

Finance

As had been the rumour before, by end of September, up to 10 foreign banks should be granted operating licences for services including loans to foreign companies. Lending to local companies would require them to partner with local banks. The licensing process will be overseen by **Roland Berger**. Two European banks are said to be among the applicants. Vietnamese **Joint Stock Commercial Bank for Investment and Development**, present with a rep office on the spot already and very likely one of the foreign players which has applied for a licence, has signed a MOU with the Small and Medium Industrial Development Bank to support capacity building and provide loans of 30 mio USD for SME lending.

The Ministry of Finance has confirmed plans to launch the Yangon Stock Exchange in October 2015 which will be operated by Myanmar Economic Bank, the Tokyo Stock Exchange and Japanese Daiwa Securities Group. According to the Ministry, six local companies have submitted proposals, with the proposals of Asia Green Development Bank and Myanmar Agribusiness Public Corporation being signed. The Dy Minister of Finance sees a potential of some 200 companies in Myanmar to be listed.

SEZs

Singaporean **CPG** is the leader of a consortium for infrastructure construction worth 2.4 mio USD at the 1,000 acre Kyaukphyu SEZ. Tenders for a deep sea port, industrial zones and housing estates are to follow and meant to adhere to international standards. Overall development cost is estimated at 277 mio. USD.

Energy

A big coal fired power plant is under discussion in Mon State but still faces objections from local communities. Thai-Japanese JV **Toyo-Thai** plans to invest 2.7 bn USD in a 1,280 MW plant. Coal would be imported from Australia, South Africa and Indonesia. Toyo Thai's 120 MW combined-cycle gas-turbine project in Yangon with an investment of 170 mio USD is already partly operational.

While the Mytison Dam is still stalling, new hydro projects are moving ahead. A JV between Chinese **Hanergy Group** and local Asia World will start construction of the Upper Thanlwin project on the Thanlwin River. The 1,400 MW project will be run under a 40 years BOT scheme ensuring the Myanmar government a free share of 10% of the electricity produced. End of May agreements have been signed on two more projects with **Hydro China Corporation** for the Naopha hydropower station on the Thanlwin River and the Mantong hydropower station on the Nam Ma River, with a capacity of 1,000 and 200 MW respectively.

The Ministry of Electric Power plans tenders for renovation of natural gas turbines in state owned power plants. The turbines are in operation for about 40 years, most of them had been supplied by GE. Replacements should give a boost to electricity production: According to the Ministry, only 15 of 27 gas turbines in state owned plants are currently operational.

Oil and gas

State-owned Myanmar Oil and Gas Enterprise (MOGE) is set to be corporatized with JVs in upstream and midstream petroleum activities as a first step, local media report. The transformation into a state-owned corporation includes government plans to split regulatory functions from business activities.

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Infrastructure and City development

Plans move ahead for the construction of the 950 km railway link from Kyaukphyu in the Gulf of Bengal to Yunnan with ground surveys having started. The railway will provide an important transportation link for the Special Economic Zone planned in Kyaukphyu and in conjunction with the deep water port could open a new international trade route to South China. The 20 bn USD project will be funded mostly by China under a BOT scheme. Negotiations for a motorway running in parallel are under way.

USAID and the Ministry of Construction have agreed on a joint program to improve safety standards on the Yangon Nay Pyi Daw highway which has made sad news these past months with a number of accidents. **Japan** will support a master plan of the Ministry of Transport to upgrade inland water transport.

IT and Telco

Myanmar is to join the mobile community: While **Ooredoo** has announced that it will start selling SIM cards as soon as July, Norwegian competitor **Telenor** has given details on its network meant to start operation in September. Until then the first 1,000 mobile phone towers will be in operation with 7,000 more scheduled.

Microsoft and local Myanmar Computer Company have signed a MOU for trainings on cloud computing and related technologies. The 3 years program is meant to train some 100,000 young people for IT jobs.

Tourism and Travel

The Myanmar government has announced that an e-visa system will be up and running by the end of the year with processing times of just three days. We will keep you posted.

Despite delays with their first project now meant to open at the earliest in 2015, **Hilton** plans to open five more hotels in Myanmar in the next three years together with local partner Eden Group. Three of them will be newly built with two rebranded existing properties in Nay Pyi Daw and Ngapali, the latter opening as early as October 2014.

Companies - German Projects

German technology helps to upgrade the Myanmar construction sector: **JJPun**, a JV between **Jebsen & Jessen Southeast Asia** and local SPA Group, end of May has started production of high-grade bricks in Yangon in a JV with Hongkong based Tiostone. High quality is ensured through equipment from German



technology leader **Masa**. The production is meant to serve the infrastructure development with concrete bricks for waterways, ports and airports but as well the dynamically growing construction sector where clay bricks today are still in use even for high rise buildings. The new material is not just more advanced in terms of resistance and energy efficiency. Production has a much lower environmental impact than for clay bricks. Trainings for the local construction sector will support introduction of this new material and pave the way for further production sites to be set up.

International projects

Following American **Ball Corp** (see last newsletter), Japanese producer of automobile parts / cooling components **Koyo Radiator** has been the second investor to sign a contract for the Thilawa SEZ's first development phase to be operational by end of 2015.

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Universal Robina Corp from the Philippines together with a local minority JV partner plans to set up a 30 mio USD plant for production of biscuits and confectionery for the local market. Production is said to start by end 2014.

Just a rumour for the moment: according to local media, American **Colgate Palmolive** considers investing in Myanmar and is said to be in discussion with the Myanmar Investment Commission.

SCGT Automobile, a thai-based JV of Japanese **Mitsui** and Thai SCG Trading Co, subsidiary of **Siam Cement Group**, has set up a JV with local Oriental Apex Car Sales & Services. Mingalar Motor Co will start an automobile service workshop business.

Big buyers are back in the Myanmar garment sector: US apparel retailer **GAP** has announced that beginning this summer it will have outerware produced by Korean invested companies. According to media reports, the orders will create about 700 jobs. Swedish retailer giant **Hennes & Mauritz** currently is working on test orders in three production sites in Yangon and one in Bago.

Another international insurance company enters the Myanmar market. Canadian **Manulife Financial** has opened a representative office in Yangon end of May. For the moment, international providers are not yet allowed to offer services on the Myanmar market. Other foreign insurers which have opened a rep office since 2013 are amongst others **AIG**, **MetLife** and **Willis Group** while Japanese **Tokyo Marine** and **Mitsui** are present for a couple of years already.

Exhibitions (updates to the May newsletter in bold)

Oil & Gas Myanmar 2014, 9 - 11 July 2014 www.oilmyanmar.com

Electric Myanmar 2014, 9 – 11 July 2014 www.myanmar-electric.com

Myanmar PharMed Expo, 10-12 July 2014, www.pharmed-myanmar.com

AutoExpo 2014, Auto Parts and Accessories, 18 – 21 July 2014, www.emmafair.com

ProPak Myanmar 2014, Plastics and Rubber Myanmar, 4 - 6 Sep 2014 www.propakmyanmar.com

Manufacturing Myanmar 2014, 2 – 4 Oct 2014 www.manufacturingmyanmar.com

Aqua Fisheries Myanmar, 7 to 8 Oct 2014, Email: van.ptb@veas.com.vn

Medical Myanmar, 9 – 11 Oct 2014, www.medical-myanmar.com

Oil & Gas Myanmar 2014, 15 – 17 Oct. 2014, www.ogmyanmar.com

Myanmar Water, 22 – 24 Oct 2014, www.myanwater.com

2nd Building and Construction 2014, 30. Oct – 1 Nov 2014, www.buildingmyanmar.com

2nd Electric Power & Renewable Energy Myanmar 2014, 30. Oct – 1 Nov 2014
www.electricmyanmar.com

2nd Mining Myanmar 2014, 30. Oct – 1 Nov 2014, www.miningmyanmar.com

Agro Myanmar 2014, 18 – 20 Nov, Naypyidaw, Email: van.ptb@veas.com.vn

CommuniCast Myanmar 2014, 19 - 21 Nov 2014, www.communicastmyanmar.com

2014 Myanmar Int'l Textile & Garment Industry Exhibition, 20 – 23 Nov 2014
www.myanmar-expo.com/MTG/

3rd Myanmar International Plastics, Rubber, Packaging, Printing & Foodtech Industry Exhibition, 27 – 30. Nov 2014, www.myanmar-expo.com/MyanmarPlas/myanmarplas.asp

Gtai reports (in German Language)

Myanmar entwickelt mehr neue Infrastruktur - Energiewirtschaft prioritär/Telekommunikation zeigt Konturen
<http://www.gtai.de/GTAI/Navigation/DE/Trade/maerkte.did=1009568.html?view=renderPdf>

Asia Pacific Conference of German Business, 20 – 22. November, Ho Chi Minh City Featuring a Myanmar breakfast briefing

Program information and registration at <http://www.asiapacificconference.com>

Insights - Today your delegate shares some insights into the local production sector.

A country in transformation needs transformers. While high voltage transformers are imported, the market for low and medium voltage transformers is served by local companies. Five local privately owned companies are active in assembly using mostly imported parts and working according to international IEC standards. One of them is RhinoElectric, with activities as well as a developer of power plants. The company is considering expansion and upgrade of technologies - preferably with foreign partners. While most parts are sourced in other Asian countries, the company uses high voltage bushings from Italy. Bhone Myint, son of the family owned business (pictured left on the photo below), has completed studies as an electrical engineer in the US, staying and working there for 10 years until 2011 and now brings in his technical expertise and international background.



FDI inflows 2013/2014, approved projects, mio. USD

Country	Volume	yoy change %	no of projects	Share %
Total	4,107,054	189	123	
Singapore	2,340,121	844	25	56.98
Korea	640,913	1,589	13	15.61
Thailand	489,072	37,521	9	11.91
UK	156,864	-33	10	3.82
Vietnam	142,000	-57	1	3.46
Hong Kong	119,078	47	24	2.90
Japan	60,900	13	11	1.48
China	56,920	-86	16	1.39
Malaysia	56,400	1,204	3	1.37
India	26,040	126	4	0.63
U.A.E.	5,400	na	1	0.13
France	5,360	na	1	0.13
Luxembourg	5,200	na	1	0.13
Laos	883	na	1	0.02
Australia	530	na	1	0.01
Sector	Volume	yoy change %	no of projects	Share %
Manufacturing	1,837,119	358	95	44.73
Transport and Communication	1,190,232	na	4	28.98
Hotel Tourism	434,210	45	5	10.57
Fisheries	89,016	1,490	2	2.17
Power	46,511	-87	1	1.13
Mining	32,730	113	2	0.80
Agriculture	20,269	110	4	0.49
Others	16,394	11	6	0.40
Oil and Gas	0			

Source: DICA, Calculations Delegation of German Industry and Commerce in Myanmar

Myanmar Foreign Trade 2013/2014, mio USD

year	Exports	yoy change %	Imports	yoy change %	Volume	yoy change %	Balance
2011-2012	9,135.6		9,035.1		18,170.7		100.5
2012-2013	8,977.0	-1.7	9,068.9	0.4	18,045.9	-0.7	-91.9
2013-2014	11,204.0	24.8	13,759.5	51.7	24,963.5	38.3	-2,555.5

Myanmar Trade by Countries 2013/2014, mio USD

	Exports	yoy change %	Share %	Imports	yoy change %	Share %	Volume	yoy change %	Share %	Balance
China	2,910.70	30.1	26.0	4,105.50	51.0	29.8	7,016.20	41.5	28.1	-1,194.80
Thailand	4,306.30	7.6	38.4	1,377.00	97.6	10.0	5,683.30	21.0	22.8	2,929.30
Singapore	694.00	138.2	6.2	2,910.20	14.8	21.2	3,604.20	27.5	14.5	-2,216.20
Japan	513.20	26.2	4.6	1,296.20	18.7	9.4	1,809.40	20.8	7.3	-783.00
India	1,143.60	12.3	10.2	493.50	63.6	3.6	1,637.10	24.0	6.6	650.10
Korea	352.90	25.7	3.1	1,218.00	254.9	8.9	1,570.90	151.7	6.3	-865.10
Malaysia	108.90	11.2	1.0	839.70	132.7	6.1	948.60	106.8	3.8	-730.80
Hong Kong	489.10	3751.2	4.4	13.70	-6.2	0.1	502.80	1741.8	2.0	475.40
Indonesia	60.00	90.5	0.5	438.80	124.8	3.2	498.80	120.0	2.0	-378.80
Germany	40.40	-6.0	0.4	83.20	-42.5	0.6	123.60	-34.1	0.5	-42.80
USA	24.80	785.7	0.2	79.70	-33.6	0.6	104.50	-14.9	0.4	-54.90
UK	48.60	80.7	0.4	24.50	63.3	0.2	73.10	74.5	0.3	24.10

Source: Customs Department, calculations Delegation of German Industry and Commerce in Myanmar

