

Dear readers,

With a number of other hot topics, currency issues make it to the headlines these days. The recent devaluation of the Kyat (at least with regards to the unofficial market rate) causes headaches for businesses and Central Bankers. And for politicians, as rising inflation rates are not helpful in an election year. Speculation for sure is a driver – to what extent is controversial. But for sure the current discussions unfold another field where policy reform is urgently needed. A situation where an official Central Bank rate is not enforceable but where businesses use their individual exchange rates cannot be sustainable. Neither the fact that the local currency is not generally accepted and USD cash required for a number of payments – despite claims of local politicians to go against a dollarization of the country. It is not easy these days in Yangon to get hold of USD – at least at an acceptable rate. But on a funny note, despite the scarcity of USD notes it may still happen that a young employee at a money changer refuses your brand new 100 USD note, just because it is stained by a small stamp.....

Best regards

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International

Aung San Suu Kyi, Chairperson of the NLD, has held talks with the Chinese President Xi Jinping during her first official visit to China in June – not much information has been given on the topics and outcomes.

Myanmar will become a member of the Chinese driven **Asian Infrastructure Investment Bank**, following a vote in Parliament. Its financial contribution is said to be 53 m USD during the next ten years – just 20% of the regular contribution, implying 2,645 votes.

Trade and Distribution Policies

The Myanmar government has made a first move to liberalize import and distribution for foreign companies. Investors in the Thilawa Special Economic Zones with a minimum investment of 2 mio USD and an own warehouse in the zone will be entitled to import and do wholesale distribution all over the country for products manufactured in other countries. Value adding activities as labeling and repackaging are a requirement. Distributors with an investment of at least 3 mio USD in the zone will be entitled to import and distribute (wholesale only) third parties' products – again own warehousing and value adding activities in the zone are a prerequisite. There is one relevant exception: two- and four wheel vehicles, which means that the Japanese invested assembly plants in the SEZ will not be allowed to distribute imported cars themselves.

An easing of the import licence requirements seems to be in the pipeline, but a list of products to be traded without licences has not been published yet.

Finance

Bangkok Bank and Chinese **ICBC** are the next international banks to open a branch in Myanmar, following the granting of licenses last September. And **State Bank of India** is the fourth Indian bank to open a representative office.

Japanese **Sompo Japan Nipponkoa Insurance** and **Mitsui Sumitomo Insurance Company** have received the first licenses to offer insurance services in the Thilawa SEZ, focusing at this stage on covering construction works through a Contractor's all risk insurance. Another license is in the pipeline.

New India Assurance and American **MetLife** have opened representative offices in Myanmar, driving the number of foreign insurances to 18. MetLife announced it would focus on preparing services in life insurance, once the sector will be open to foreign providers.

Infrastructure and urban development

That must be a hoax: local media report that Russian media report that a Russian firm will build Myanmar's first Metro line stretching at a length of 50 km round ----- Naypyidaw (to relieve the 8 lanes wide roads there from the scarce vehicles driving in the capital).

This one is serious: approval for the Yangon-Dala bridge project has been given (see May newsletter). The suspension bridge will have a width of 251 meter and a height of 49 meters to allow vessels of up to 15,000 t to proceed to the Yangon ports. The government aims to have construction done at international standards, with planning and execution mainly in Korean hands (Korea finances with a 137.8 m USD loan).

Another project in Mandalay: **Mandalay Garden City Construction** is in the process of developing a Mandalay Industrial Trade Center until 2018.

Power

Japanese **Marubeni** has signed a MOU with the Ministry of Electrical Power to develop a 400 MW gas fired power plant in Thanlyn near Yangon. Partners are local **Eden Group** and Thai **PTT** and the project is meant to supply the Thilawa Special Economic Zone as well as the national grid. In case the plan materializes, this would be the biggest gas power plant in Myanmar. Investment volume is 1 bn USD, depending on the results of a feasibility study. Construction is meant to start in 2016 and to be completed in 2019.

Korean **Daewoo**, local **MCM Energy** and the Ministry of Electrical Power have announced plans to build a 1,230 MW coal fired power plant in Rakhine State. Investment volume would be 2.5 bn USD – but local communities have already voiced concerns.

Automotive

Through its local partner **Capital Automotive**, **Ford** has opened a sales and service center in Mandalay.

Chemical

German **Eurochem Agro** is one of the bidders for privatization of the state owned No 3 Kyawzaw Fertilizer Factory. It has participated in the tender with its local partner **Myanma Awba Group**. Other applicants are Japanese **Chiyoda Corp**, **ITOCHU Corp** and **Sojitz Corp**, Danish **Haldor Topsoe** and local **Capital Diamond**, **Parami Energy Services** and **UMG Co**.

Construction Material

Following a government tender Thai **Asia Cement Co Ltd** will upgrade and run under a JV the previously state owned Kyangin Cement Factory in Ayeyawady Region.

Medical

State owned **Myanmar Pharmaceutical Factory** plans to upgrade and expand production to be able to compete with international suppliers. A tender on new equipment has closed end of May

Garment

Among the foreign companies which have been granted MIC approvals in June are five more Chinese garment manufacturers: **Zhongrun (Myanmar)**, **J-Land Myanmar**, **JOC Myanmar**, **Jia Mein** and **Heshan Myanmar**. At least one of them is said to invest in the Ayeyawady Region – most likely the new industrial zone in Patheingyi.

German projects

An investment with sustainable impact: German **Zenner International GmbH** has set up a JV in Myanmar with its long standing distribution partner **Han Sein Thant**. The company will assemble water meters and calibrate, as well as offer sales services for domestic supply. Yangon Water Supply already is among the customers.

International Projects

Will Yangon International Airport finally turn into a shopping mall with built-on gates like airports in neighboring countries? Singaporean **Windsor Holdings** together with Hongkong **DFS Group** plans to develop world class duty free outlets in Yangon – with a focus on the new terminal which is meant to start operations end of the year. At the same time Windsor announced to launch a **Europcar** franchise in Myanmar under its subsidiary **SMI Auto Services**.

American **UPS** announced it will launch its express services in Myanmar. The firm offers air and ocean freight services since last summer.

More fast food... While the **KFC** outlet of **Yum!** with local partner **Yoma** in downtown Yangon is already under construction, the American company has announced to enter the market with its **Pizza Hut** brand – this time the local partner is **Jardine Restaurant Group**, a subsidiary of Hongkong based Jardine Matheson.

GTAI reports (in German language)

Myanmar nähert sich westlicher Geschäftspraxis an

<http://www.gtai.de/GTAI/Navigation/DE/Trade/Maerkte/suche,t=myanmar-naehert-sich-westlicher-geschaefspraxis-an,did=1259106.html?view=renderPdf>

Myanmar will Nahrungsmittelproduktion ausbauen

<http://www.gtai.de/GTAI/Navigation/DE/Trade/maerkte,did=1251606.html?view=renderPdf>

Insights

Roland Kohl is a true pioneer. With his Hong Kong based company **Highway Holdings**, he has set up a JV



Diligent hands in Kayser Myanmar's assembly line.

company **Kayser Myanmar** under a MIC permit already in 2013. The company assembles brushless electrical motors for European customers with high quality and labor standards – that requires high precision manual work and implies thorough tests. Kayser currently employs 80 people and is prepared for expansion, despite some challenges on the ground: All inputs need to be imported from China and neighboring Asian countries. Even for packaging material, the local suppliers cannot compete in terms of cost and quality. A local supply base would help, as logistics is one of the main obstacles Roland Kohl sees for foreign investors. With poor

infrastructure, logistics expenses are eating up a part of the savings through lower labor cost compared to China. But Roland Kohl does not only assess Myanmar as a cheap labor location. Wages in his production are 100 USD/month. The company sticks to high standards of its European customers. While currently labor cost are about a fifth compared to China, Roland Kohl expects rapid wage increases in the coming years. For him, this is not an obstacle. He sees people as Myanmar's main asset and what he has in mind is social cohesion, commitment to work and diligence. Productivity in his Myanmar assembly is higher than in his present day Chinese factories, he says! But he does not paint a rosy picture of the country's future either: unreasonable land cost may stall the economic engine in Myanmar before it even gets started. While rent for his app. 1500 sqm building (he had to refurbish from scratch) has been 1.50 USD / sqm at the beginning, it increased to 2.00 in the second year and today stands at 2.80 USD under the current 3 years lease with another mark up to 10 USD in the landlord's mind. In Shenzhen, the company pays 2.20 USD / sqm. But pioneers do not shy at challenges. And Roland Kohl

has made another valuable investment: trust in his local partner who without any prior experience has developed into a true entrepreneur thanks to his on the job training.

Exhibitions (updates to the May newsletter in bold, please note that some dates have changed)

Myanmar Pharmed Expo 2015, 9 – 11 July 2015, www.pharmed-myanmar.com

Auto Expo Myanmar 2015, 22 – 25 July 2015, www.auto-myanmar.com

Myanmar International Electrical, Electronics and Electric Power Equipment, 22 – 25 July 2015, www.mt-myanmar.com/

Myanmar International Machine Tool and Automation Exhibition, 22- 25 July 2015, www.mt-myanmar.com/

Myanmar International Plastics, Rubber, Packaging, Printing and Foodtech Industry Fair, 14 – 17 Aug 2015, www.myanmar-expo.com/Myanmarplas

Electric Myanmar 2015, 13 – 15 Aug 2015, <http://myanmar-electric.com/>

Builders Myanmar 2015, 13 – 15 Aug 2015, <http://buildmyanmar.com>

Myanmar International Agriculture Techniques and Equipment Exhibition, 14 - 17 Aug 2015, www.myanmar-expo.com/Myanmaragrotech

Propak Myanmar 2015 and Plastics & Rubber Myanmar 2015, 24 - 26 Sept 2015, www.propakmyanmar.com

Myanmar Water 2015, 7 – 19 Sep 2015, www.myanmarwater.com

Renewable Energy Myanmar, 17 - 19 Sep 2015, www.renewableenergymyanmar.com

Myanmar Security Expo, 30 Sep – 2 Oct 2015, www.securityexpomyanmar.com

Medical Myanmar, Pharma Myanmar, Hospital Construction Myanmar 2015, 8 – 10 Oct 2015, <http://medical-myanmar.com/>

Myanauto 2015, MyanTRE 2015, Myan Heavy Duty Vehicle Parts and Accessories Exhibition, 8 – 10 Oct, www.myanauto.com/

Manufacturing Myanmar 2015, 15 – 17 Oct 2015, www.manufacturingmyanmar.com

Oil & Gas Myanmar 2015, 15 – 17 Oct 2015, www.ogmyanmar.com

MyanWater 2015, 23- 25 Oct 2015, <http://www.myanmarwater.org/>

Myanmar International Building Material, Hardware and Tool Exhibition, 5 – 8 Nov 2015, www.myanmar-expo.com/buildhardware

Myanmar International Lighting Exhibition, 5 – 8 Nov 2015, www.myanmar-expo.com/Myanmarlighting

International Wood Processing Machines, Cutting Tools & Hand Tools Fair, 5 – 8 Nov 2015, www.myanmar-expo.com/MyanmarWood

Communicast Myanmar 2015, 17 – 19 Nov 2015, www.communicastmyanmar.com

MyanFood, MyanHotel, Myan Foodtech International 2015, 26 – 28 Nov 2015, www.myanhotel.com

Mining Myanmar 2015, 26 – 28 Nov 2015, www.miningmyanmar.com

With a German pavilion organized by Hannover Fairs International.

Electric, Power & Renewable Energy Myanmar 2015, 26 – 28 Nov 2015, www.electricmyanmar.com

Building & Construction Myanmar 2015, 26 – 28 Nov 2015, www.buildingmyanmar.com

Agri Livestock Myanmar, 26 – 28 Nov 2015, <http://agrilivestock.net/>

MyanBuild 2015, 3 – 5 Dec 2015, www.myanbuild.net/

MyanEnergy 2015, 3 – 5 Dec 2015, www.myanenergy.com/