

Dear readers,

Today is a historic date - the new Myanmar government has been sworn in. This newsletter is not just the last before the Thingyan break from 9 to 20 of April, but the last, before it will take office on 1 April. This highlights the tremendous development Myanmar has seen these past five years. To me it seems to be a good moment to pay respect to these achievements and to send congratulations and best wishes to the new government: wisdom and stamina will be required for them to succeed in their challenging task of shaping a brighter and sustainable future for this country. While the country prepares for the Thingyan break from 10 to 20 April, I guess that a number of people in Nay Pyi Daw will have a very busy April...

Best regards

Monika Staerk

Delegate of German Industry and Commerce in Myanmar

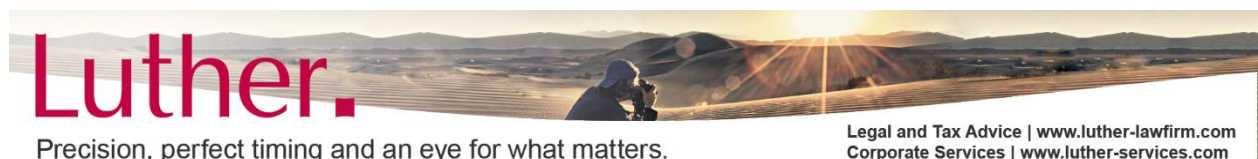
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Politics

The President elect U Htin Kyaw has redesigned the government structure. Ministries related to economics and business have seen reshuffles and mergers in an attempt to save cost and increase efficiency. Thus, a Ministry of Finance and National Development, a Ministry of Transport and Communication and a Ministry of Agriculture, Livestock and Irrigation will combine previously split responsibilities. The Ministry of Electric Power and Energy gives hope that conflicting energy policy strategies as under the former government by the then separate Ministries will be a thing of the past – the more as **Daw Aung San Suu Kyi** herself will assume the post of Minister. At the same time she will take over the roles of Foreign Minister, Minister in the President's Office and Minister of Education.

Other ministries related to business will be directed by the following persons – names to watch out for in the future and many of them unknown to experts based in Myanmar as well. Information on their background below refers to summaries given in the Myanmar Times.

- **Minister of National Planning and Finance: U Kyaw Win.** An economic advisor to the NLD and Member of Parliament. He has graduated in Economics at Yangon University and has made it to the headlines with a contested Ph.D.
- **Minister of Commerce: U Than Myint.** A member of Parliament and member of the NLD's Economic Committee.
- **Minister of Industry: U Khin Maung Cho.** An engineer by training, until now working for the local distributor of an Asian car brand.
- **Minister of Construction: U Win Khaing** – a well known name this time as he has been the Chairman of the renowned Myanmar Engineering Society since 2011 and Member of the Myanmar Investment Commission. He is chair as well of his own private business, United Engineering Group, with activities in oil and gas.
- **Minister of Transportation and Communication: U Thant Zin Maung.** A member of Parliament and former General Manager of Myanmar Railways.
- **Minister of Agriculture, Irrigation and Livestock: U Aung Thu.** An experienced academic and former rector of Yangon University but without a tangible track record in agriculture to our understanding.
- **Minister of Natural Resources and Environment: U Ohn Win.** The man to clean up mining. A technical expert, not member of the NLD. A specialist in hydrology, soil conservation, climate change adaptation and biodiversity conservation.
- **Minister of Hotels and Tourism: U Ohn Maung.** A long time member of the NLD and with a long track record in tourism, owner of hotels amongst others at Inle Lake.

The advertisement features a landscape background with rolling hills and a bright sun. The word 'Luther.' is written in a large, red, serif font on the left. Below it, the tagline 'Precision, perfect timing and an eye for what matters.' is written in a smaller, black, sans-serif font. On the right side, the text 'Legal and Tax Advice | www.luther-lawfirm.com' and 'Corporate Services | www.luther-services.com' is displayed in a small, black, sans-serif font.

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Chief Ministers of the regions and states have been named as well. Most important posts are **U Phyo Min Thein** for Yangon Region and **U Zaw Myint Maung** for Mandalay Region, both of them political prisoners in previous decades.

Economic policies and legal developments

The NLD has announced it will reassess the two Special Economic Zones projects in Kyaukpkyu and Dawei, which are at an early stage following several delays especially for the Dawei project. Still there does not seem to be a bias against the projects as for now. Local media report, that a number of projects in sectors like mining and manufacturing, including a number of factory rentals, had been put on hold.

During the last days of the outgoing government, the Myanmar Investment Commission has published updates to the Foreign Investment Law. A new notification dated end of March brings only slight modifications to the negative list of sectors prohibited or requiring a local JV partner. While in theory all other sectors would be open to 100% foreign investment, the new notification codifies the already established practice of approvals by respective ministries, subject to the discretion of the MIC. A regulation which will not help to clarify frameworks for foreign investors. Furthermore, Service Companies under the Companies' Act officially require related Ministries' approval for their respective lines of business from now on – including any request for trade licenses.

Economic developments

A number of local manufacturing companies are in dire straits because of a lack of competitiveness. Local media report, that in Mandalay Industrial Zones 20% of factories had to close operations, not being able to compete with imports from ASEAN and China. Outdated equipment and a lack of skilled workers are given as reasons. Altogether, 1,280 factories have been operating by end of 2015 in the two established industrial zones, almost 50% of them SMEs. At the same time, new developments in Mandalay as the Myotha Industrial Park will change the industrial landscape.

FDI and Industrial Zones

Industrial development in Mawlamyine is gaining pace. The Kyauktan Industrial Zone has seen its official launch end of March while 10 factories are already operating. Sectors covered are construction material, shoes, car accessories, food and drinks and metal processing.

Energy

More rumors on renewables, but no tangible details: According to state owned media, there are more wind and biomass projects in the pipeline. Beginning of March, Chinese **Three Gorges International Corporation** has signed a MOU with the Ministry of Electrical Power on a 30 MW wind plant in Chaungtha, Ayeyawaddy Region (the place where an old Japanese wind mill is lying idle). No details have been disclosed, but reports claim, feasibility studies had assessed wind potential of altogether 3,700 MW at 17 sites in Chin and Rakhine State, Ayeyawaddy and Yangon Region. Western experts recommend to be more cautious with projections before any comprehensive wind study being finalized.

Again according to local media, Thai **Double A** is in discussion with the Ministry of Industry with regards to refurbishment of a paper mill in Thabaung in Ayeyawaddy. The project concept includes a biomass plant which besides powering the mill is meant to supply electricity to the grid under a PPA in discussion. No further project details have been disclosed.

Another large scale solar PV plant is in the pipeline. After signing of the PPA for the **ACO** pioneer project end of March, another project by **Andaman Capital Partners** with a capacity of 80 MW is said to be in preparation. The location is Myinmu in Sagain Region, but no further project details are available.

Days before the handover to the new government, the Ministry of Electric Power has signed a MOU for a 66 MW hydropower project in Mong La Special Administered Region near the Chinese border, actually under control of an ethnic army. According to the MOEP the dam is already under construction and meant to be completed and run as a BOT under a Special Purpose company named **Shan State East Development**. MIC approval is still pending, subject to approval of the Ecological Impact Assessment.

Finance

In a rather quick process four more banking licenses have been granted to foreign banks, namely **State Bank of India**, Korean **Shinhan Bank**, Taiwanese **E.SUN Commercial** and Vietnamese **Bank for Investment and Development**.

In a move to create a more level playing field for state owned and private banks, the Central Bank has announced that State Owned Enterprises and their JVs with foreign partners are allowed to open foreign currency accounts with private lenders (both domestic and foreign). State Owned Banks still control a major share of international transactions.

In a country with a poor banking penetration, mobile payment solutions are a viable option for leapfrogging and reaching out to a broader population. A number of solutions are already on the market, now the government has proposed regulation for the sector to provide a stable legal basis. The most prominent new market entrant has been **Wave Money**, a JV by **Telenor** and local **Yoma Bank**.

On its first day of trading, the Yangon Stock Exchange has by far left behind the DAX – the up to now only listed company, FMI, has seen a 20% rise in its share price...

Infrastructure, urban development and construction

March has seen the soft opening of the first phase of the Yangon International Airport expansion project built and managed by **Yangon Aerodrome Company**, a subsidiary of **Asia World**. After full completion, the new terminal will be able to handle 20 m passengers. It will bring urgently needed relief to the congested international and domestic terminals.

The tender process for development of the current Yangon Central Railway Station is making progress. And it seems Yangon's downtown will see a further reshuffle. According to Japanese media, Japanese **Mitsubishi Estate** plans another large scale development in the vicinity of the station. The project with an investment volume of about 440 m USD will include office and residential space and hotels. The name of the local partner has not been disclosed.

Just a couple of months after the launch of the first phase of **HAGL's** Myanmar Centre, the Vietnamese company has launched the second phase of the project which according to media reports after completion scheduled for 2018 is meant to bring another seven towers to Yankin, hosting residential and entertainment space and another shopping mall. The investor claims good occupancy rates for its first phase, but one may still wonder whether smaller is not just more beautiful but as well more viable in commercial terms.

At the same time local media report about a cooling of the real estate market. Applications for building permits are in decline. During the first 10 month of the FY only 5,800 permits have been issued, compared to 8,000 for the full FY 2014/2015.



Mining

Foreign interest gains momentum in the Myanmar mining sector. In northern Chin state exploration for copper, chromite and nickel are under way by Singaporean/ local **Namaha**, Indian **Karam Chang Thapar** and Chinese **North Nickel Mining** respectively. Applications by Australian **First Light Mandalay Mining & Metals** and Indian **Balasore** for copper and chromite are under scrutiny by the Ministry of Mines.

Agriculture, seafood and processing

Developing value chains will be of essence to bring to bear Myanmar's rich resources. Another promising project in frozen foods has been announced: Thai **Chiangmai Frozen Foods** plans to launch a plant for frozen vegetables meant for export production in Nay Pyi Daw under a majority stake in a local subsidiary to be incorporated. Local **Sein Taung Yar** will be their partner for the land lease. Total investment is said to reach almost 20 m USD and the plant is expected to be operational by 2018.

The South Korean Fruits and Vegetables Producers Association is working on a project for mushroom cultivation and drying for export and KOICA has offered support for high tech drying technologies.

The domestic seafood sector is suffering. Last year's floods have hampered aquaculture. Export prospects for both wild catch and aquaculture are restricted by insufficient cool chains. But processing and especially CMP production seems to gain momentum with a number of new investments in the pipeline following approvals by the Myanmar Investment Commission in recent months: local Japanese JV **Anawa Devi Daiichi**, Thai invested **C.K Frozen Foods Yangon** and local **Universal Cold Store** plan to launch CMP processing. The Malaysian-local Joint Venture **Texchem Marine Labutta Ltd.** and local **Shwe Myinn Company Ltd.** have received investment approvals for seafood processing. Thai invested **A & N Foods (Myanmar) Co Ltd** plans to launch a production of frozen surimi processed seafood in the Thilawa SEZ.

Transport and logistics

Another direct shipping route will link Myanmar to China: Chinese **Guangxi Beibu Gluf International Port Group** has launched a seven days connection from Hong Kong via other southeast Asian destination.

While experts see need for consolidation in Myanmar's airline sector – especially with regards to the big number of relatively small local carriers – another provider will enter the market. Japanese **ANA** plans to enter a 49:51 minority Joint Venture with local **Golden Sky World** to serve international destinations, driving the number of local carriers to 12. Analysts point out that with the increasing number of international flight connections, utilisation rates have come down.

Telecommunication

Vietnamese **Viettel** will be the foreign partner for the fourth license in mobile telecommunication with a 49% minority stake, working with **Myanmar National Telecom Holding Public Ltd.**, a consortium of 11 local companies, and a subsidiary of military owned **MEC**, which already has tower and telco operations in place.

Tourism

French **Accor** plans to launch six more hotels in Myanmar in partnership with local investors until 2019. Locations are Yangon, Mandalay, Inle Lake and Muse near the Chinese border.

German Projects

German support for sustainable hydro power: German consulting engineering company **SYDRO**, in collaboration with the local consulting company **MSDES**, has been commissioned by **Great Hor Kham (GHK)** to support the Nam Paw Hydro Power Plant Project in Northern Shan State with a capacity of 20 MW. The investor and project developer GHK decided to embark on more advanced dam safety, environmental impact assessment (EIA) and preparedness analysis in order to minimize risk. Currently, there are no mandatory regulations in place in Myanmar which determine if and to what extent further dam safety, EIA, and preparedness procedures are required. SYDRO and MSDES are conducting an EIA, a dam break analysis including an emergency preparedness plan with flood mapping for affected areas downstream. International design flood concepts beyond the Chinese standards will be applied – hopefully

setting a precedent for further dam projects in Myanmar and helping to improve acceptance of currently contested dam projects!

International Projects

Japanese **Ajinomoto** plans to bring artificial taste to Myanmar... According to Nikkei Asian Review, the company which had been present in the country until end of the 1990es already, will set up factory in the Thilawa SEZ for packaging of monosodium glutamate imported from Thailand. The company obviously plans to take advantage of the SEZ special regulations for trade, allowing distribution by foreign investors with a relatively small share of value added. The investment volume is 10.6 m USD.

Malaysian **Kian Joo** follows in Ball's footsteps with a production for tin and aluminium cans to supply to the drinks industry. Kian Jo Can Myanmar joins **Box Pack**, another Kian Joo subsidiary, in the Thilawa SEZ.

GTAi reports (in German language)

Myanmars Gesundheitssektor zeigt Fortschritte
Myanmar legt neuen Energieplan vor

Insights



Working where others spend a holiday – the spacious factory plot.

for efficiently organized sewing lines and easily allow for high safety and labor standards – the company just has successfully completed its BSCI audit. Once operating at full capacity, Keys Shine plans to have 3,000 workers. Currently, 1,000 are working at the lines – and for these, 5,000 inhabitants of the surrounding villages had applied. Electricity is supplied by the APR Diesel plant (the contract has been renewed recently) and connectivity to the Yangon – Mandalay highway is reasonable. Keys Shine is producing outer wear, ski wear and pants – among the customers are H&M and a number of German retail chains. The company is eager to expand its customer base and plans to diversify into accessories like scarves and gloves as well. A good role model to follow – and there are similar locations in other parts of Myanmar to look out for. Just recently, a couple of investments in Kyaukse in similar light industries have been approved – we might see another industrial cluster emerge without any industrial zone masterplanning.

Regional diversification of manufacturing is of utmost importance in Myanmar – and some pioneers already are working on the ground. **Keys Shine**, a Chinese local JV company, recently has started operations of a garment factory in Kyaukse, some 20 km south of Mandalay. If you look at the map, this seems to be a surprising choice, but on the spot, the advantages are tangible. Cathy Zhang, General Manager of the Chinese mother company, gives a number of reasons for their decision to choose Kyaukse instead of Yangon: cost of land, access to workforce - and the climate. The spacious plot they have rent from the Ministry of Industries accommodates several factory buildings, some of them still under renovation. They offer space



It is still work – but space allows for it to be well organized.

Events

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

Where German and Asian
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www.asiapacificconference.com

Explore Business Opportunities in Myanmar's construction and Infrastructure sector!

Business Mission from 9 to 15 October 2016, 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!

Meet AHK Myanmar in Germany

14. April, Inhouse Consultancy, IHK Regensburg

20 April, AHK Business Lounge, IHK Koblenz

17 May, Business Day Myanmar, IHK Frankfurt

7 September, Consultancy Day, IHK Giessen

Meet AHK ASEAN in Germany

12 May, Wachstumsmarkt ASEAN, IHK Duesseldorf

13 May, Zukunftsmarkt ASEAN, IHK Nuernberg

Exhibitions in Myanmar

Check an up to date list at

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