

Myanmar Newsletter, May 2014

Delegation of German Industry and Commerce in Myanmar

This month's newsletter for the first time features a section on German companies' projects which we would be glad to expand in the future. In case you want to contribute to this section, please contact us at any time with your corporate information!

Another new feature I am happy to introduce are insights from the German community on the spot on interesting projects and developments. Have a look at the end of this newsletter!

Best regards

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International policy moves

While Penny Pritzker, US commerce secretary, end of April has announced the forthcoming opening of a US commercial office in Yangon, in May US President Obama has extended the US sanctions for another year. Most badly hit should be Myanmar exporters who will have to wait at least another year for the GSP+ trade preferences by the US to be reinstated (the EU has made this move already in 2013). UMFCCI Vice President U Maung Maung Lay told local media that a group of US companies and the UMFCCI were planning to organize a conference in New York later this year.

German Export Finance

Good news for German exporters: The regulation for Hermes Export Credit Guarantees has improved significantly offering mid term and long term coverage, including project finance and structured finance. Public sector projects can be covered as well. Decisions are taken on a case by case basis, the previous cap of 250,000 EUR has been lifted.

More information at www.agaportal.de/en/aga/deckungspolitik/laenderbeschluesse/myanmar.html

Trade and Investment Statistics, Trade Policy

FDI in the FY 2013/2014 have reached a record 4.2 bn USD after 1.4 bn the year before with a total of 123 new businesses approved, making the number of foreign businesses in the country rise to 707.

Investments have come from 32 countries. 45% of the new FDI inflows have been in the manufacturing sector contributing strongly to the altogether 90,000 jobs expected to be created through new investments. Telecommunications accounted for 29% and hotels and tourism for 10% of the inflows. Chinese dominance is shrinking. According to media reports, investment inflows from China were just 20 mio USD, 5% of the amount in FY 2012/2013 and less than 1% of the peak FY 2010. In the ranking of new foreign investors, China dropped to No 10 from the top position, but with regards to stock remains No 1 investor with 14 bn USD of an overall stock of 46 bn.

In FY 2013/2014 Myanmar's Trade deficit has widened considerably to 2.65 bn USD due to increasing imports of capital goods and supplies for telco and infrastructure development. Overall trade volume reached 25 bn USD (+36%) with exports of 11,1 bn USD (+22%) and imports of 13,75 bn USD (+48%). During the first month of the FY 2014/2015, Myanmar exports even have seen a decline yoy. To support the local export sector, the Myanmar government has launched a new organization, Myantrade. Its task will be to develop exports and analyse strategies of neighbouring countries. A national export strategy is being developed and a value-added-export law is meant to broaden the export base now dominated by natural resources and garment.

SEZs

Thilawa SEZ makes progress. Agreements with 45 companies from 11 countries will be signed in June, the first phase of the project being overbooked allowing for an early expansion into phase 2. A company from Sweden up to now is the only European investor. Sectors include automotive and automotive parts, aluminum cans, steel products, garment and cardboard. Construction of production sites will begin in autumn 2014 to ensure they will be operational from September 2015 on. By end of 2015, two 25 MW power plants will ensure power supply, with a larger gas fired plant to be built later. As regards transport connections to the SEZ, besides four new roads to be constructed the existing Thaketa Bridge, a crucial transportation link to Yangon, will also be rebuilt. Licenses to investors will be granted by the Management Committee of the SEZ, not via the Myanmar Investment Commission.

Development of the Kyaukphyu Special Economic Zone at the Gulf of Bengal will be delayed for about a year and is meant to start in December 2015 only with a developer still to be chosen. Besides industrial space the zone will comprise a deep water port.

Industrial Zones

Framework conditions for production in Mandalay will improve significantly with the implementation of the Myotha Industrial Park through a PPP with a private investor. For the 1st phase, local investors have already committed themselves, with agricultural processing being among the sectors. The Semeikhon river port at the Irrawaddy will be developed as an upgrade to the existing Mandalay River Port.

Energy

Yangon Electricity Supply Board has announced that power supply in Yangon will improve this year despite increasing demand thanks to new gas fired plants starting operation and increased efficiency of hydro projects through new technologies. According to U Maung Maung Latt, vice chairman of YESB, Industrial Zones should be able to rely on 18 hrs supply daily.

New power projects in the whole of Myanmar include the upgrade of a gas fired plant in Thaton, Mon State (to 106 MW), financed by World Bank and a 230 MW gas fired plant by Singaporean Asiatech Energy in Mawlamyine, Mon State.

Infrastructure and City development

Following news on the delay of the Hanthawaddy International Airport Project north of Yangon, the government has approved plans for upgrading the Yangon International Airport to a passenger capacity of 6 mio a year up from currently 2.7 mio. Pioneer Aerodrome Services, a subsidiary of conglomerate Asia World, will be in charge of the upgrade.

Yangon Central Railway Station is planned to be developed into a modern commercial complex including commercial and office buildings, apartment buildings and hotels on a space of 25.3 ha. Myanma Railways has invited developers to submit EOIs.

IT and Telco

Japanese KDDI is expected to be the partner of state owned MPT as an operator for their mobile services to compete with new foreign and local players in the market. Majority state-owned Yatanarpon Teleport provider of phone and internet services and holder of the forth mobile services licence, plans to form a JV (51:49) with foreign companies. According to media information, potential partners are from Asian countries, amongst them Thai True Move and Malaysian Axiata.

In connection with the Telenor and Ooredoo projects another tower construction company has signed contracts. Vietnamese FPT will form a JV with Irrawaddy Towers Asset Holding. According to media information, they plan to set up 2,000 cellular towers all over the country.

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Printing / e-government

According to the Printers' and Publishers' Associations, there are plans to introduce an e-passport, replacing the current machine readable passports. Foreign support will be needed for implementation. A tender might be published within 2014. Netherlands based Gemalto is said to hold 90% of the market for production of bank cards.

Tourism and Travel

Hotel development will continue to be a promising sector with tourism further on the rise. The government expects visitors to reach some 3 mio in 2014 and even 7 mio in 2015. Accommodation continues to be a scarce resource with a capacity of just 30,000 rooms in 923 hotels in 2013. While some high profile developments in Yangon are stalling, another big hotel project in Yangon has been announced. A Korean consortium lead by Daewoo will develop a 220 mio USD luxury hotel near Inya Lake meant to open by 2016.

Companies - German Projects

German companies are involved in the big telecommunications projects in Myanmar: Berlin based **Heliocentris** will supply state-of-the-art power solutions to Irrawaddy Green Towers (IGT), which will supply Telco Towers infrastructure including power supply to the Telecommunications Operator Telenor. The Heliocentris power systems will optimize the operational costs (minimize diesel consumption, extend battery lifetime and optimize air-conditioning systems). In the initial phase 150 Telecom sites will be equipped with Heliocentris' solutions including implementation and engineering services. The project will be managed by Heliocentris in cooperation with local implementation and operations partners.

German equipment helps to upgrade Myanmar mining: **Deilmann Haniel** has signed a contract worth 1.4 mio EUR to supply drill jumbos to Ruby Dragon Mining for their ruby, gold and coal mining projects. Further deliveries are under discussion.

Two landmark developments in Bogoyke Aung San Road will change the urban landscape in downtown Yangon and significantly increase availability of space for housing, hotel accommodation and offices. Shwe Taung Group's Junction City is already under construction while development of the ancient Railway Administration Headquarters by a consortium lead by Yoma has just begun. In both cases, foundation works are done with **Liebherr** equipment.

International projects

Singapore based agribusiness group **Wilmar International** plans to enter the Myanmar market for sugar production. MIC approval for a JV with local Great Wall Foodstuff is pending. Wilmar plans to purchase of Great Wall Foodstuff's two sugar plants with a milling capacity of 4,000 t of sugarcane per day and a total production capacity of 65,000 t of sugar per year, one bioethanol plant and one organic compound fertilizer plant. Currently refined sugar is not yet produced in Myanmar and demand is increasing with new investments especially in the softdrinks industry.

Maersk has received a licence to operate container business together with sister company MCC Transport and Saefmarine. The 100% foreign owned company will have the licence for container handling. French Logistics provider **SDV** has opened an office in Yangon beginning of May with the local partner KG Polestar

American **Ball Corp.** plans to build a one-line beverage can manufacturing plant in Yangon meant to start operation in mid 2015 to supply Coca-Cola Pinya Beverages and other foreign invested or local beverages producers. Investment volume is said to be 40 mio. USD.

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Exhibitions (updates to the April newsletter in bold)

Food and Hotel Myanmar 2014, 18 -20 June 2014 www.foodandhotelmyanmar.com

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

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

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.myanmarwater.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

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

3rd Myanmar International Plastics, Rubber, Packaging, Printing & Foodtech Industry Exhibition, 27 – 30. Nov 2014, Contact: exfdp@chanchao.com.tw (no website)

Asia Pacific Conference of German Business, 20 – 22. November, Ho Chi Minh City

An event not to miss!

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

Insights

The first phase of the Thilawa Special Economic Zone is meant to be operational by end of 2015, officials have confirmed. „Infrastructural works started" says Alko Plas, construction expert from Tebodin which is part of international engineering and services company Bilfinger SE, who has recently visited the site and below shares some impressions with you.

