

Myanmar Newsletter, May 2015

Delegation of German Industry and Commerce in Myanmar

Dear readers,

With the launch of the German Myanmar Business Chamber (see below), co-operation between companies will get a boost. But there is a chance that in June we may see fierce competition between both countries with respect to the most favorite pastime in the world. Unexpectedly Myanmar besides North Korea is one of two Asian countries to send a team to the FIFA U 20 world championship in New Zealand - and its first match will be against the US. But even in case we might see the German team fighting Myanmar during the tournament, a spirit of partnership will prevail: the coach of the Myanmar team, Gerd Zeise, is a German. And let us hope that this bodes well for Myanmar's ascent into the global top league in general - and for Germany's willingness to support via know how transfer.

Best regards

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News from the OFAC List / US sanctions

Good news this time: a prominent removal from the US list of Specially Designated Nationals: **U Win Aung**, owner of local conglomerate Dagon and President of the Myanmar chamber organization UMFCCI has been removed as of 23 April 2015.

On the other hand, US President Obama has extended the sanctions against Myanmar for another year on 15 May, citing concerns regarding treatment of the Rohingya and the sharpening humanitarian crisis with migrants as a reason.

Policy Moves

Following the EU's much earlier decision in 2013, Canada has reinstated the preferential tariffs system for Myanmar, granting Myanmar exports duty-free access.

FDI

According to DICA, the target for FDI inflows in the FY 2015/2016 is 6 bn USD – below the record result of the past FY with 8.1 bn USD (approvals). But with approvals worth 2.2 bn USD in April 2015 only, Myanmar is set to outperform again – most of the projects are in oil and gas.

And below a breakdown for the FY 2014/2015 inflows and FDI stock:

FDI 2014/2015 inflows: Volume 8.1 bn USD (approvals), 211 companies, 27 countries

By sectors

by countries

Sector	Projects	Volume USD	Country	Projects	Volume USD
Oil and Gas	26	3.22 bn	Singapore	43	4.3 bn
Transport and communication	8	1.68 bn	UK	13	850.8 m
Manufacturing	141	1.5 bn	Hong Kong	28	625.6 m
Real Estate:	6	780.8 m	China	34	516.9 m
Hotels & Tourism	5	357.9 m	Netherlands	4	302.4 m
Other Services	14	357.3 m	South Korea	24	299.6 m
Power	1	40.1 m	India	6	208.9 m
Agri-business	4	39.7 m	Vietnam	1	175.4 m
Livestock & Fisheries	5	26.9 m	Thailand	11	165.7 m
Mining	1	6.26 m	Canada	2	153.9 m
			Japan	16	85.7 m

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FDI stock (approved) since 1988/89: 54.24 bn USD, 895 projects, 38 countries

Power	19.32 bn	36%
Oil & Gas	17.6 bn	32.4%
Manufacturing	5.49 bn	10.1%
Transport & Communication	3.18 bn	5.87 %
Mining	2.87 bn	5.3%

FDI stock (existing projects) since 1988/89 stands at: 43.1 bn USD, 605 projects, 32 countries

Foreign Trade and Trade Policies

The Ministry of Commerce expects foreign trade to grow up to 30 bn USD in the current Financial Year – and most likely the trade deficit will increase further. As a consequence it is considering measures to develop Anti- Dumping legislation. The forthcoming AEC for sure is a driver. Details regarding a so called Trade Safeguard Law have not been made public yet.

SEZ and Industrial Zones

The up to now rather dozy UMH Industrial Park in Kayin State near the capital Hpa-An is gaining momentum. Japanese **Fulltex Sweaters** has finalized construction of a new production site which is meant to start operations soon, employing 3,000 workers. The completion of a new road link to Mae Sot at the Thai border, reducing travel time to 2 hours, should help industrial development in Kayin and Mon States.

Finance

Singaporean **UOB** is the fourth foreign bank which has opened a branch in Yangon, following the granting of licenses to altogether nine banks last September. The bank has been present on the ground with a representative office since 1994.

South Korean **Dongbu Insurance** is the 16th international insurer to open a representative office in Yangon. Currently foreign insurers are not allowed to operate in the country, but first projects for insurance services in the Thilawa SEZ are in the pipeline.

Oil and Gas

Norwegian **Statoil** is the next company to sign a Producing Sharing Agreement for offshore oil and gas exploration in Rakhine State in a partnership with American **ConocoPhillips**. Following a 2013 tender, altogether 18 contracts have been signed with **Berlanga, BG Group, Chevron, Eni, Foresight, Oil India, Ophir, Petrovietnam, Reliance Industries, Shell, Total, TRG and Woodside Energy**. The last contract with Australian **Tap Oil** is still pending.

Mining

Myanmar leaves a mark in the global markets for mineral resources. Dow Jones reports, that prices for tin have hit a low at the London Metal Exchange in May, with a decrease by 22% since the beginning of the year, mainly due to increasing exports from Myanmar to China for the consumer electronics industry there. Myanmar today is said to supply 21,000 t of tin ore, probably much to the dissatisfaction of Indonesia, the world's biggest exporter.

Infrastructure

According to Japanese media, **Hitachi** will supply the signal and train monitoring system for the Yangon-Mandalay rail upgrading project. A first order covers 140 out of altogether 600 km and will be worth almost 20 m USD, funded by JICA. The overall project volume is 83 m USD. Hitachi is said to try and get involved into the upgrade of the Yangon Circular Line as well.

Power

Singaporean **Sembcorp** will develop a 225 MW gas fired power plant near Mandalay, to be completed in 2017 – up to now the biggest in the country. The contract has been awarded by the Ministry of Electrical Power under a BOT scheme with a 22 year PPA. Investment is said to reach 300 m USD. Sembcorp holds a

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80% majority, information on the local partner has not been disclosed. Gas will be supplied by the pipeline connecting Kyaukphyu with Yunnan.

Investment volume for the 1,280 MW **Toyo Thai** coal fired power plant in Mon State is said to be 2.8 bn USD and construction may take 4 to 6 years. The agreement with the Ministry of Electrical Power has been finalized to build and operate the plant under a 30 years concession.

Mitsubishi is conducting soil tests for a coal fired power plant in the Ayeyarwady Region it plans to develop together with local partner **A 1** and Japanese **J-Power**. The company tried to ease concerns of local stakeholders by showcasing their modern clean coal technology during site visits in Japan.

Agriculture and Fisheries

Export earnings from fisheries have continued to drop in the FY 2014/2015, reaching only 420 m USD (about 100 m USD less than the year before). China stands for 50% of the exports, the EU share is a meagre 5%, a fact mostly due to problems with phytosanitary standards.

Rice exports on the other hand have been increasing despite temporary problems with deliveries to China, due to phytosanitary standards or a lack of rather. They reached 1.8 m t in 2014/2015, up from 1.27 m t the year before, and earned 644 m USD (following 460 m the year before). China continues to be the most important customer, with a share of 75%, but new markets are being developed. Besides Africa, Europe and Japan, first deliveries to the US have taken place. In 2015/2016 the Myanmar Rice Federation expects exports to reach 2 m t.

The first exports of Mung beans to Europe have taken place, diversifying Myanmar's export basis for pulses and beans which currently mostly are supplied to India. For the moment the country is not yet able to satisfy demand: due to insufficient phytosanitary standards, only 13,000 t can be shipped to Europe while demand is as high as 100,000 t according to government officials.

Telecommunication and IT

Ooredoo has awarded **Myanmar Infrastructure Group (MIG)**, a subsidiary of Singaporean **Windsor Holdings**, with a contract for construction of 500 mobile phone towers. **Irrawaddy Green Towers** will build another 1,000 towers for the company. Norwegian **Telenor** has placed orders for 700 towers each with **Apollo Towers** and **Eco-Friendly Towers**, a subsidiary of **Young Investment Group**.

Automotive

A committee consisting of relevant industry associations is meant to develop an automobile policy to pave the way for an assembly industry within the next months. Manufacturers from Japan and Korea are said to have been involved in preparations,

Urban development – water and waste

Mandalay is on the move: currently urban infrastructure is challenging with street lighting being a rarity and drainage systems insufficient to deal with the heavy monsoon rains. But projects are in the pipeline: the Mandalay City Development Committee is conducting feasibility studies and projects for water supply, waste water treatment and waste collection. The Thai sister company of American Hydrotec has won a tender for waste water treatment in the Industrial Zones under a 30 years BOT scheme. The system is meant to start operations in 2017. With regards to domestic use, the ADB is conducting a feasibility study on a waste water sewage system which is meant to be in place until 2020. A tender for an upgrade of the urban piping and drainage system will be published soon. While currently only 70% of households are connected to the water supply system, the remaining two townships are planned to get connection – projects supported by JICA and a French grant of 3 m USD. At the same time the MCDC eyes partial privatization of the waste collection and a solid waste to energy project has been submitted to MIC. A feasibility study on treatment of the currently operating landfill sites is under way.

High end construction is gaining momentum in Mandalay with the Mingalar Mandalay Project of local **Star Light Construction** working on its second phase. The first phase is already completed, with hotel and accommodation, an Ocean Super Centre and other retail spaces.

Myanmar Newsletter, May 2015

Delegation of German Industry and Commerce in Myanmar

In Yangon **Yoma Strategic** has implemented a first potable water plant in Pun Hlaing Golf Estate, one of its residential developments. The project has been implemented with Singaporean **Hyflux's** ultrafiltration and brackish water reverse osmosis technology.

Garment

Despite increasing demand of foreign buyers, income generated by garment exports has decreased during the 2014/2015 FY to 896 m USD from 1.3 bn the year before. Government officials attribute this development to ongoing strikes and labor disputes. One may expect the situation to change significantly with the introduction of the new minimum wage and the influx of more foreign investors starting operations later in 2015.

Logistics

Thai **Regional Container Lines RCL** together with its partner **Mitsui OSK Lines** will offer a direct container service from Bangkok to Yangon, combining its BKK-Spore and Spore-Ygn services.

Air Mandalay announced it will relaunch operations from May onwards after a suspension of all flights in September. At the same time, **FMI** starts domestic flight operations with its own fleet, upgrading from the previous charter services.

Hotel and Tourism

Tourism development in paradisiac Myeik Archipelago is making tangible progress – and investors' dreams may turn out a nightmare in terms of environmental conservation. Singaporean **Zochwell Group** has announced plans to sign a 50 years BOT contract with the local government in Tanintharyi Region. Project volume is said to be 1.2 bn USD – to fund construction of golf courses, marinas and club houses.

American **Best Western** has opened a hotel in Mandalay through a management deal with local **KT Construction Group**. Expansion and upgrade of the up to now Shwe Pyi Thar Hotel is scheduled to begin later this year. French **Accor** will enter the Mandalay market through a contract with Construction and Decoration Construction for operation of a Pullman hotel in the new Mingalar Mandalay complex (see above) – the first five star outlet in the city.

While big international brands enter the Yangon hotel market, one of the long standing players plans extension. Singaporean owned 4 star **Summit Parkview Hotel** will start works for a new wing accommodating another 195 rooms together with new function rooms this year, with completion scheduled for 2017.

German projects

After two years of extensive stakeholder engagement in the country, the **adidas Group** has started sourcing in Myanmar with a strong commitment to apply international standards for domestic suppliers. The company has set up a branch office in Myanmar to co-ordinate sourcing activities. For additional information on the Adidas commitment to labor and safety standards, please read this blog post on the topic, authored by Bill Anderson, adidas Group VP Social and Environmental Affairs Asia Pacific <http://blog.adidas-group.com/2015/02/made-in-myanmar/>

Another big name in German business is setting up office in Myanmar: **ThyssenKrupp** on 26 May has officially opened its office in Yangon. The company ties in with long standing connections and projects during the past 85 years and announced it would „open a new chapter as a partner supporting Myanmar's sustainable and technology-led development.“

German contribution to data security: Hamburg based specialist for biometrics **Dermalog**, has secured a first project in Myanmar. The company has supplied the Ministry of Foreign Affairs with software solutions and equipment for automated fingerprint identification and further biometric solutions to prevent fraudulent applications for documentation. Applications in Myanmar Embassies in other Asian countries will be scanned and data will be checked in a data processing center in Nay Pyi Daw. Myanmar plans to launch a biometric e -assort in the future.

Myanmar Newsletter, May 2015

Delegation of German Industry and Commerce in Myanmar

German support for flight safety in Myanmar: **Comsoft**, a specialist in air traffic management based in Baden-Wuerttemberg, and the local consultancy **Carpe Diem**, have set up a JV in Myanmar. **Comsoft – Carpe Diem Myanmar** will provide latest-state-of-art technology and consultancy services for the aviation market in Myanmar and other ASEAN countries. The company represents as well **Empic GmbH**, provider of software solutions for Safety Oversight for Air Traffic Regulators.

International projects

Japanese **NYK Line** has entered a JV with local **Phee Group** and **Silverbird Auto Logistics** under the name of **NYK Silverbird Auto Logistics (NSAL)** for inland transportation of cars and car parts in Myanmar. NSAL aims to offer as well services for storage, predelivery inspection and repair.

Indonesian **Lippo** has got approval for a 10 m USD investment into the Pun Hlaing Hospital, up to now co-owned by SPA and **FMI**. Under the new JV, ownership will be local FMI (60%) and Lippo (40%) with the aim to increase business with affluent local patients. FMI announced plans to open more clinics in Mandalay and Bagan.

Spanish **Melia Hotels International** will be the partner for the five-star hotel at the HAGL development project near Inya Lake. The hotel is meant to open in September, adding another 429 rooms to Yangon's still under supplied sector.

GTAI reports (in German language)

Wirtschaftsentwicklung Myanmar 2014/2015

www.gtai.de/GTAI/Navigation/DE/Trade/maerkte,did=1226796.html?channel=premium_channel_gtai_1

Events – looking back

“Sharing experiences and know-how, facilitating contacts, dialogues and projects and creating business opportunities” – this is the motto **Jens Knoke, Founding President of the German Myanmar Business Chamber**, has set for the Chamber's activities during the official launch on 14 May. After an Inaugural Members' Meeting, 150 guests celebrated the launch during a reception hosted by the German Ambassador Christian-Ludwig Weber-Lortsch at his residence.



From left to right: GMBC Vice-Presidents Andre de Jong (Bosch) and Christoph Steinwehe (Loi Hein), GMBC President Jens Knoke (Henkel), UMFCCI President U Win Aung, Ambassador Christian-Ludwig Weber-Lortsch, GMBC Treasurer Philipp Hoffmann (JJPun) and Executive Director Monika Staerk (Delegation of German Industry and Commerce).

Myanmar Newsletter, May 2015

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The Myanmar construction sector was the topic of a seminar organized by the Delegation of German Industry and Commerce together with the partners VDMA, VBI, IHK Frankfurt and Puchala International Market Access under a program sponsored by the German Federal Ministry of Economics and Energy. 45 participants from companies along the value chain joined the one day program on 7 May in Frankfurt and gathered insights on market potentials, market access and regulatory frameworks from speakers most willing to share their knowledge and their experiences on this both dynamic and challenging market. Companies interested in further joint activities and programs are invited to contact the Delegation Office.

From left to right: Jana Doerschel, Federal Ministry of Economics and Energy, Joachim Schmid, Managing Director of the VDMA Associations on Construction and Mining, and Monika Staerk, Delegate of German Industry and Commerce, during the opening panel.



Insights



This scenic view of Dala in the early morning mist your Delegate currently enjoys from her downtown apartment may soon be history. After a deadlock since 2012, an agreement on relocation of inhabitants has been reached, paving the way for the construction of a bridge linking downtown Yangon with Dala on the other side of the Yangon river. Currently only ferries and small boats assume the transfer. This will be a

great achievement for Yangon urban development and a sea change for the location – developing new space for accommodation and industrial estate and broadening the basis of workforce and consumers, thus opening new perspectives for real estate development (and speculation). You can expect land cost in Dala to skyrocket once Parliament has approved the project. And one can only hope that Dala will not end up like rather faceless Pudong with its pretentious sky scrapers. The 168 m USD project will be largely funded with a Korean loan. Construction is meant to start in 2015 and to be finished in 2020. And your Delegate will be able to provide you with detailed documentation on the construction progress...

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

Food and Hotel Myanmar 2015, 3 – 5 June 2015, www.foodandhotelmyanmar.com

Myanmar International Textile and Garment Industry Exhibition, 26 – 29 June 2015, www.myanmar-expo.com/MTG

Auto Expo Myanmar 2015, 22 – 25 July 2015, <http://auto.emmafair.com>

Myanmar International Electrical, Electronics and Electric Power Equipment, 22 – 25 July 2015, <http://mt.emmafair.com>

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Myanmar Newsletter, May 2015

Delegation of German Industry and Commerce in Myanmar

Myanmar International Machine Tool and Automation Exhibition, 22- 25 July 2015,
<http://mt.emmafair.com>

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

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

Myanwater 2015, 17 – 19 Sep 2015, www.myanwater.com

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

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

Myanauto 2015, MyanTRE 2015, Myan Heavy Duty Vehicle Parts and Accessories Exhibition, 8 – 10 Oct
Manufacturing Myanmar 2015, 15 – 17 Oct 2015, www.manufacturingmyanmar.com

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

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

MyanBuild, MyanEnergy, MyanWater 2015, 3 – 5 Dec 2015

Agri Livestock Myanmar, 10 -12 Dec 2015

Myanmar International Building Material, Hardware and Tool Exhibition, 11 – 14 Dec 2015,
www.myanmarexpo.com/buildhardware

Myanmar International Lighting Exhibition, 11- 14 Dec 2015, www.myanmarexpo.com/Myanmarlighting

International Wood Processing Machines, Cutting Tools & Hand Tools Fair, 11 – 14 Dec 2015,
www.myanmarexpo.com/MyanmarWood