

Dear readers,

The new government has taken office just a couple of weeks ago and seen the huge tasks ahead for sure it will take some time for it to set policy goals, not to speak of implementing them. Currently, a number of policy decisions and project approvals made by the previous government are under review. A dilemma situation: aiming to establish clear rules e. g. for urban planning and respective procedures for project approvals, it makes sense to look into projects under development. On the other hand, especially foreign investors will claim protection of projects which had been given official and final approval before. But trust and confidence will be of essence for domestic investors as well. Let us hope, that clarifications on pending projects will be achieved quickly, and clear and transparent regulations and guidelines, supporting a sustainable development established.

Best regards

Monika Staerk

Delegate of German Industry and Commerce in Myanmar

[monika.staerk@myanmar.ahk.de](mailto:monika.staerk@myanmar.ahk.de)

### International

During a meeting with Foreign Minister Aung San Suu Kyi, the Japanese Foreign Minister has announced more development assistance funding in sectors as agriculture, finance and infrastructure. According to Japanese media, the volume might be more than 910 m USD for this year.

US Secretary of State John Kerry has visited Myanmar end of May, holding talks amongst others with his counterpart Daw Aung San Suu Kyi and Senior General Min Aung Hlaing.

### News on the OFAC list

The rumour (and hope) had spread about more comprehensive removals from the US list of Specially Designated Nationals – entities with which business contacts are prohibited for US businesses. This has not materialized. Mid of May, Myanmar at least has seen a delisting of its state owned banks **Myanma Economic Bank, Myanmar Foreign Trade Bank and Myanmar Investment and Commercial Bank**. This will not just ease international transfers but at the same time implies, that the **Yangon Stock Exchange**, run as a JV with Myanmar Economic Bank, is not blacklisted any more. Transactions with further blacklisted private sector banks **Inwa Bank and Myawaddy Bank** have been authorized. Other delisted state owned entities are **Myanmar Timber Enterprise, No 1 Mining Enterprise, No 2 Mining Enterprise, No 3 Mining Enterprise, Myanma Gem Enterprise and Myanma Pearl Enterprise**. The previously temporary suspension of bans on listed airports and ports has been extended for an indefinite period. As a clarification, six more majority owned sister companies of blacklisted **Asia World** have been included in the list – no change in substance, as the companies in question had been covered by the sanctions before.

### Economic policies and legal development

The government aims to speed privatisation of state owned enterprises. A respective committee on ministerial level has been established beginning of May. SOEs still are dominant in extractive industries, above all oil and gas, while many manufacturing units under the Ministry of Industry are said to be inefficient and working at loss.

Under the new government, procedures for government tenders are planned to be made more efficient and transparent. According to local newspapers, the World Bank will support development and implementation of new procedures.

DICA has announced a new fee scheme for company registrations and registration renewals to come into effect on June 1st – it will cut registration fees for private companies by 50% to 500,000 MMK.

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### FDI and Industrial Zones

Following last year's record of 9.5 bn USD of approved foreign investments, the new government has set an ambitious goal of 8 bn USD for the current FY 2016/2017. A significant number of applications is said to have been submitted since beginning of April, but to our understanding, the reshuffle of the Myanmar Investment Commission has not been finalized and no MIC meetings have been held so far.

The Thilawa SEZ proves a success according to figures published by the Management. The second phase of Zone A nears completion with almosts 70% of the plots reserved, nine factories in operation, 27 more in preparations and 33 about to start construction. While the development of the residential and commercial plots is about to begin, the developers are considering the launch of Zone B as early as end of 2016, depending on further developments.

Approval for the contested Malaysian private hospital investment **Yangon Parkway Hospital** is set to be cancelled following a vote of the lower house of parliament.

### Trade and trade policies

Local manufacturers struggle because of a lack of competitiveness. As a measure of support, the Ministry of Commerce considers legislation to protect local manufacturers against imports via non tariff measures which are said to comply with WTO regulation. Let us hope that such measures will be smart and targeted to give breathing space to industries with perspective to develop, and avoid undifferentiated protective barriers.

The new Minister of Commerce has announced plans to cut the list of products requiring import and export permits by 50 each month. The recently launched portal, <http://myanmartradeportal.gov.mm>, covering information on trade policies and procedures, will provide access to a searchable database on import license requirements – the link is not operational as of now, but we will share with our readers, once the service is up and running.

The Yangon ports are chronically congested – but the situation has worsened over the last couple of months. As a response, customs offices will work 24 hours for the time being, allowing trucks to travel Yangon's streets by night (a big relief for commuters on Insein Road...). Information published in this context that the volume of inbound containers has seen an 26% increase since April 1st while outbound containers have decreased by 3%, does not bode well for Myanmar's trade balance.

### Finance

The **Yangon Stock Exchange** has seen its second company listed on 20 May, when **Myanmar Thilawa SEZ Holdings** started trading.

### Energy

Construction of another big scale gas fired power plant has started in Yangon's Thaketa township. The first phase of the 30 years BOT project by **U Energy Thaketa Power Co Ltd**, a JV of private **Union Resources and Engineering (UREC)** and the Ministry of Electricity and Energy is expected to be operational by early 2018 and supply 106 MW to the grid. Under full capacity, the project is meant to have a capacity of 500 MW. No details of the feed in tariff have been published

The up to now only coal fired power plant in Tigyit in Souther Shan State has been refurbished by Chinese **Wuxi Huagaung Electric Power Engineering** under a BOT contract. The 60 MW plant is planned to be operational again from May onwards. Upgrading includes the installation of more efficient turbines and a new boiler meeting higher emission standards. The plant will be run with coal from Chin state.

The summer has brought back frequent power cuts, forcing manufacturing companies to make comprehensive use of their diesel generators. The Yangon Electricity Supply Board has announced to try and ensure full supply until next (Myanmar) summer, but the private sector might take the initiative,

depending on availability of domestic gas supplies. According to local media, the management committee of one of the biggest industrial zones in Yangon considers building their own power plant with a capacity of 50 MW and at cost of 50 m USD. The target sales price is 120 kWh (in line with the tariff for the national grid) – depending on whether and at which cost the government would sell gas. Some energy experts see the need for a more decentralized power supply, as power cuts partly are due to breakdowns of the grid, which is not able to cater large projects going offline and online. Less encouraging are comments of the Yangon Regional government, announcing to scrutinize contracts with four privately invested power plants and giving to understand, that those might be responsible for insufficient power supply by not meeting their targets. Seen that PPAs have not been disclosed, this is a touchy matter to assess – and such comments may not be encouraging for more badly needed private investment in power.

A different approach to improve power supply: Myanmar aims to implement energy savings of 20% by 2020 and of 30% by 2025 according to a roadmap for energy efficiency published by the Ministry of Industry. For sure there is ample room for improvement in view of energy efficiency – and quite some contributions to be made with the help of German technology.

### **Infrastructure, urban development and construction**

The Minister of Construction, U Win Khaing, previously President of the Myanmar Engineering Society, has stated his claim to improve quality standards for road construction. Upgrading of the notorious Yangon Mandalay highway is meant to start within the coming weeks. The Department of Construction says that one third of the altogether 40,000 km of roads were in need of overhaul.

The tender of the upgrade of the Yangon-Mandalay rail link, a 2.2 bn USD project co-financed by Japanese JICA, is meant to be published end of the year, according to the Ministry of Transport and Communication. Upon completion in 2025, the upgrade will allow for average speed of 100 km/h and reduce travel time from 16 to 8 hours.

High rise buildings in Yangon under scrutiny: The Yangon Regional government has announced to reassess all projects beyond nine floors and asked developers of more than 200 projects to suspend construction, among them the tallest building under construction, Diamond Inya Palace Condominium, with 26 floors already finished. The review is scheduled in view of a more coherent urban planning approach. The Myanmar Construction Entrepreneurs Association already has voiced concerns regarding effects on employment.

Shortly before this announcement Korean **Inno Group** had published plans to launch another high end mixed use project in Yangon's South Okkalapa Township. The project will include 5 towers of up to 30 storeys for housing, a hotel and a convention centre. The 120 m USD investment is made under a 50 years BOT project on military owned land. Construction will be assumed by Korean **Il Sung Construction**. Completion is expected by 2018 – subject to the project receiving green light, of course.

### **IT and telecommunication**

Local **KBZ Gateway Co Ltd.** has launched the first domestic high speed satellite service together with US based **Hughes Network Systems** and Hong Kong based **AsiaSat**. While the service will first focus on facilitating the group's banking services, a second phase will provide services to outside customers.

### **Agriculture, seafood and processing**

Myanmar features high quality Arabica coffee and while some businesses consider venturing into Robusta, the country has seen first exports of Arabica to the West, namely Switzerland, with the US to follow. Your delegate (espresso addict), can testify the excellent flavor of Myanmar coffee and just hopes, domestic supplies will not run dry....



### Garment

In 2015 Japan still has been the biggest market for Myanmar garment – thanks to exports to there, the local companies had managed to survive during the sanctions time. The EU stands at number two, leaving behind South Korea, according to the Myanmar Garment Manufacturers Association.

### Wood and processing

Hope in sight for Myanmar timber exports to the EU – but patience will be required: via a Voluntary Partnership Agreement with the EU to be in force in 2020, Myanmar plans to create a legal basis for timber exports. Currently the lack of acknowledged legality certifications hinders exports to the EU, mainly to Germany.

Further to its Yangon based projects in packaging, Japanese **Oji** has launched a lumber mill in Mawlamyine in a majority JV of its entity **Oji Forest & Products** with Japanese **Sumitomo Forestry** and local **Moe Mya Chel**. The mill has an annual capacity of 8,000 cbm (with plans for an 100% increase by 2017) and will focus on processing rubber logs for furniture and construction material. According to Japanese media, the mill will work for export production to China and Japan and not target the domestic market.

### International Projects

Good news for foreign companies and expats in need of renting cars: **Europcar Myanmar** now offers packages (rental of car and driver) at international standard, including liability coverage up to 1 m USD. Let us hope that this will not only ease communications with headquarters but will help to further develop awareness of risks and liabilities in the rather messy Yangon traffic and to establish sound insurance packages.

Thai **Mega Lifesciences** plans to expand its Myanmar business with a new distribution center to be operational until 2018.

Singaporean bakery chain **Bread Talk** plans to launch outlets in Myanmar, partnering with local **Shwe Taung Group**, a conglomerate which amongst other businesses runs the Junction shopping malls.

Japanese **MOL Logistics** has established a local subsidiary **MOL Logistics (Myanmar) Co Ltd.** beginning of May.

### GTAI reports (in German language)

Wirtschaftsdaten Kompakt

### Insights

#### Mango Jam – a Myanmar German partnership

Yangon has welcomed the rainy season with relief, as the rain has brought temperatures down to 30 degrees. But there is no doubt: in a couple of weeks, continuous rain will put our nerves and mood to strain. As a happy coincidence, rainy season in Myanmar is Mango season and this year's harvest of Myanmar's delicious species seems to be promising. For anybody keen to keep a stock of this taste for the months to come, mango jam is an option to consider. The more if it comes with German gelling sugar, reducing sugar volume to one third and cooking time to three minutes. This means less sugar and full taste of mouth-watering fruit. Francis, a talented cook, has ventured into this project and following a thorough training on hygiene standards, prepares hand and home-made mango jam, which highlights both the quality of local products and the added value of German technology. Anybody interested to try and taste, let us know – the jam is worth its price....



The cook, the mango and the jam.

## Events

### Launch of the G7 Vision Zero Fund, 17 June 2016

Workplace safety is a hot – and rather sad – topic in Myanmar and other developing countries. The the seven leading industrial nations (G7) have decided to tackle the issue and have launched the Vision Zero Fund, an initiative of that provides support to occupational safety and health reforms in developing partner countries along global supply chains. At the launch event on 17 June in Yangon, decision-makers from the Myanmar Government, the Social Partners, G7 Governments, International Organizations and the business community come together to discuss joint work in Myanmar. The event is organized by the Myanmar Ministry of Labour, Immigration and Population, the German Federal Ministry of Labour and Social Affairs, the International Labour Organization and the Friedrich Ebert Foundation. Learn more about the program [here](#). An e-mail request for registration including your full name, position and organization can be sent to [admin.myanmar@fes-asia.org](mailto:admin.myanmar@fes-asia.org)



### Business Mission 9 – 15 October: Explore Business Opportunities in Myanmar's construction and Infrastructure sector!

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!

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

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[www.asiapacificconference.com](http://www.asiapacificconference.com)

### Meet AHK Myanmar in Germany

7 September, Consultancy Day, IHK Giessen

### Meet AHK ASEAN in Germany

ASEAN Insights – meet the 7 AHKs and inspiring company representatives on 6 September in Hamburg and on 8 September in Frankfurt. Details on the program to follow shortly!

### Exhibitions in Myanmar

Check an up to date list at <http://myanmar.ahk.de/exhibitions/>