

Dear readers,

Myanmar has seen an exciting and probably historic month of November with peaceful elections (who ever would have considered Yangon a safe haven compared to European capitals). All of you will have read about the election results – seen the tragic events in a Kachin jade mine, the term of landslide victory is inappropriate but with about 80% of seats in both houses of the national parliament, the NLD is the undisputed winner. While we do not know yet about the percentage shares of votes (and with a pure majority voting system there may be significant discrepancies), the message is clear: people in Myanmar want a change. That both the military and the ruling USDP have candidly acknowledged the result deserves respect and once again highlights the commitment to reform – but there still is a long way to go. And this is not just because we will have to wait until end of March 2016 to see Aung San Suu Kyi's government in place. Expectations are high, but the list of issues and challenges to tackle – be it political, social or economic – is long and no quick and easy fixes will be at hand. Patience and stamina, determination and far-sightedness will be required – and hopefully smart and unbiased advice will be given and accepted. For sure we will have exciting developments to cover in the coming months, while the profile of the incoming government will emerge more clearly both in terms of people and programs.

Best regards

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## Politics

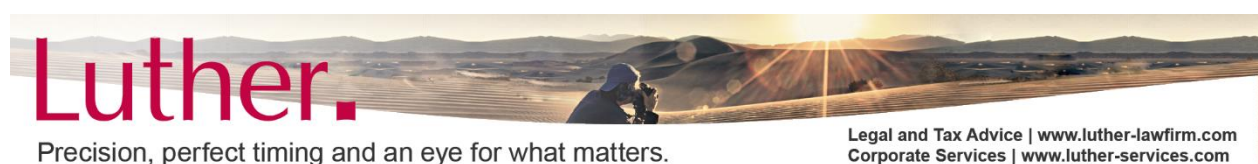
Election results have been covered broadly, so just a quick recap of the final results: the NLD has won 255 out of 323 seats in the Lower House – additional 110 seats are taken by the Military. In the Upper House, the NLD has taken 135 out of the 167 seats contested in the elections, 56 more again reserved to the Military. With this absolute majority, the NLD will nominate both the candidates for President and one out of two Vice-Presidents.

## Economic Policies

Myanmar has made good progress in the World Bank's Ease of doing business ranking, jumping from the last place to place 167 out of 189 countries, leaving Bangladesh behind. The progress is even more significant with regards to the starting a business ranking, where Myanmar finds itself at place 160. The World Bank states removal of minimum capital requirements and streamlined procedures as a reason, together with easier access to electricity connections. On the other hand, complications have risen for corporate and commercial tax filings. And dispute resolution remains slow and inefficient. Interestingly Myanmar ranks in the top half of the list at place 74 with regards to construction permits.

## Trade Policies

Another step towards a liberalization of import and distribution. Mid of November the Ministry of Commerce has entitled (with notification No 26/2025) foreign local Joint Venture companies to apply for trade licenses and trade agrochemicals (namely fertilizer, insemination seeds and pesticides) as well as hospital equipment. The notification states that more sectors might follow, depending on the country's and investors' needs.

The advertisement for Luther. features a landscape of rolling hills at sunset. The word 'Luther.' is written in a large, red, serif font. Below it, the tagline 'Precision, perfect timing and an eye for what matters.' is written in a smaller, black, sans-serif font. In the bottom right corner, 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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### Currency Issues

Following the mid of October announcement of the Central Bank that foreign exchange licenses would be withdrawn, which had raised concerns that USD cash payments would be prohibited altogether, clarification seems to be in sight. Fighting dollarization remains on the agenda, but implementation will be made gradually and in consultation with the IMF, according to the Dy Governor of the Myanmar Central Bank U Seth Aung. Earlier, a Dy Director of the Central Bank said, that until an official announcement prohibiting USD payments, these would not be subject to any legal action or penalty.

### Economic Development

After the elections, the depreciation of the Myanmar Kyat against the USD is continuing – end of November, the MMK was about to pass the threshold of 1,300 to 1. The Central Bank announced it might take measures on monetary tightening but was hesitant to increase interest rates. Inflation is on the rise, especially for basic food supplies such as onions, potatoes and cooking oil. Overall inflation is expected to rise up to 13% for the current Financial Year, according to the IMF – putting a burden on imports and companies depending on foreign inputs for manufacturing.

### FDI

According to DICA, FDI inflows (approvals) stand at 3.7 bn USD by end of October, slightly below the level of last year's record 4.1 bn USD. For a number of further projects approval is under process. The Myanmar Investment Commission will continue its weekly meetings during the period ahead of the constitution of a new government.

### Trade

Trade volumes have decreased to 13.88 bn USD (14.75 bn in FY 2014/2015) both for exports and imports during the first half of the Financial Year 2015/2016 - most sharply during September. Reasons may be the currency developments, the temporary ban on rice export following the July floods and reduced production in garment following the implementation of the new minimum wage.

### Oil and Gas

**Total** expands its business in Myanmar with the acquisition of a 40% stake in the A 6 offshore block from Australian **Woodside Petroleum**, JV partner of local **Myanmar Petroleum Resources Ltd.** A number of foreign license holders have started exploration in their respective fields during the past weeks, among them **Petronas**, **Chevron** and **Royal Dutch Shell**.

### Mining

Western investment in the mining sector in sight? Australian **PanAust Group** has announced working on gold and copper mining projects in Sagaing region via its subsidiary **Wuntho Resources** (a JV with local **Rising HK**). The company says it will aim at working with local communities to ensure their benefit.

When it comes to assess Myanmar's wealth and trade volumes, jade is of essence – but to what extent is a rather nebulous issue. A recent study by the NGO Global Witness estimates, that the volume of jade production might be as high as 31 bn USD – half the country's GDP and 2.5 times more than the official export volume reported in 2014/2015.

### Rubber

In order to improve efficiency and quality standards and thus enhance access to foreign markets, a central rubber market will be established in Mawlamyine, the capital of Mon State. Sales are meant to be organized via an auction system. A laboratory will be set up in Yangon. Same as local quality raw materials, local processing still is at low standards. According to the Myanmar Times, only one out of four tyre manufacturers in the country is able to produce for export markets.

### Finance

Japanese **Mizuho Bank** will open an office in the Thilawa Special Economic Zone, following the launch of its branch office a couple of weeks earlier, to offer corporate customers there easy access to services.

Local **IKBZ** Insurances will offer insurance services in the SEZ, joining previously selected foreign insurance companies.

The Central Bank plans to enforce new minimum reserve requirements of 5% of total deposits in cash until end of January 2016. At the same time, it announced forthcoming restrictions on lending by commercial banks (hopefully not putting additional constraints for mid sized companies with already difficult access to finance).

Myanmar has seen its first islamic bond worth 500 m USD to finance Malaysian **Axiata's** investment in **Myanmar Tower Company** and further business development.

### Infrastructure

The ADB will provide a 10 m USD loan to upgrade parts of the Myanmar section of the Greater Mekong Subregion East West corridor linking Da Nang in Vietnam with Mawlamyine and Yangon.

Construction of the Hanthawaddy Airport north of Yangon is delayed with operations scheduled to start in 2022, but a project to connect the new hub with downtown Yangon is in the making. Local **Capital Diamond Star Group** together with Korean **Lotte E&C** and **Halla Corporation** have submitted plans for a toll road expressway. A first phase of the project would end in Yangon's northern Mingaladon Garden at an estimated cost of 620 m USD and for sure will bring a huge contribution to ease traffic congestion in Yangon. The expressway will connect with one of two ring roads suggested in the JICA 2040 masterplan. A second phase is planned to connect up to the new airport near Bago.

Despite the shortage of electrical power, Yangon is said to get its first electric train by end of the year. Chinese media report, that the Yangon City Development Committee together with the Port Authority and local **Asia World** plans to upgrade the existing Diesel train line along Strand Road. An eastward expansion is said to be in the pipeline.

The ADB will support water infrastructure development in Mandalay with a 60 m USD loan to finance construction of a new waste water collection and treatment plant as well as rehabilitation and extension of the supply network. The waste water treatment plant will include a facility to generate biogas from sludge to cover about 50% of the plant's electrical power demand.

### Telecommunication

Mobile phone penetration has reached 65% in summer 2015, according to Chinese news reports. The government target for the end of the FY is 75%. According to a report by Swedish **Ericsson**, this makes Myanmar number four among the fastest growing mobile phone markets in the world, standing for a share of 6% of the global market (a position unconceivable just some 4 years ago). Ericsson assesses the number of mobile phone subscribers at 36 m.

The transmission ring line network in Yangon will get an upgrade to 230 KV systems with the support of an ADB loan worth 80 m USD. The funding will cover upgrades of the remaining 66 KV lines and construction of two new substations. Completion is scheduled for 2018.

### Urban development and construction

Recent YCDC figures confirm analysis of a slowing down within the Yangon property market. Whereas 8,000 construction permits had been issued in FY 2014/2015, the first half of the current FY has seen just 3,000 permits.



### Health Care

Currently health care is a head ache with insufficient coverage and a lack of funding. But according to a study by Oxford Business Group, the (outgoing) government aims to reach universal health care coverage by 2030 and has increased health spending by 7 % (from a meagre basis) during the current FY. A focus of spending is upgrading medical equipment.

### Retail

According to Thai media reports, foreign investments in retail supermarkets and hypermarkets will be allowed in a foreign local Joint Venture from next year onwards. Until now, the sector had been closed for foreign investment. Thai **Siam Makro** is said to consider an investment. The company already operates retail branches in towns near the Thai-Myanmar border.

### Tourism

Tourist arrivals are down compared to last year according to business representatives. Some have suffered a decrease of business of up to 50 %, citing the election period as a reason. Official figures on tourist arrivals are still upbeat, but critics say they include one day visitors and business arrivals.

Improved flight connections to Hong Kong: Low cost carrier HK Express has announced to launch flights to Yangon on four days per week and to Mandalay twice a week.

### International Projects

Singaporean **Puma** is the first foreign investor to have received green light to build an oil storage facility. The tank for bitumen and petroleum products with a capacity of 97,000 cbm will be located at Thilawa Port. Investment volume will be 100 m USD.

Malaysian **Tan Chong** will be the exclusive dealer of **Nissan** in Myanmar and in charge of after sales services. Whether an investment in a Nissan assembly plant, announced in 2013 with a launch date end of 2016 will materialize, remains to be seen.

Korean **LS Cable & Systems** through its Vietnamese subsidiary has secured a 13 m USD contract to supply equipment for transmission lines to the Ministry of Electrical Power.

French **Atos** has partnered with local **Myanmar Millennium Group** to supply software solutions to the Myanmar banking sector.

Korean development agency KOICA has committed to develop and fund an Agricultural Equipment training center – obviously another effort to promote exports of Korean equipment to Myanmar. The center will be located in Nay Pyi Taw.

Good news for friends of fancy high end brands: Chopard, Zegna and Furla will be among the tenants of Myanmar Plaza, a mall in HAGL's mixed use development Myanmar Center. Launch is set for 5 December, in time for Christmas shopping.

### GTAI reports (in German language)

[Wirtschaftstrends kompakt - Myanmar, Jahreswechsel 2015/16](#)

### Insights

The Hanthawaddy Airport near Bago will be delayed, but a new industrial park development in the vicinity is on track and once completed will offer interesting opportunities for investors looking for alternative options to Yangon at international standard. The **i-land Industrial Park** (marked in red on the map below) just a couple of weeks ago received final MIC permit but earthworks are under process and the first production sites are planned to be operational in autumn 2016. The project is driven by a local foreign JV with Singaporean partners and developed by i-land Park Myanmar Limited. The concept is ambitious – not just because besides industrial and residential developments it includes an auto city with sales, services and entertainment facilities, but mostly because it claims to be the first green industrial development in Myanmar with a centralized waste water treatment plant, allowing eg. textile dying

factories to process without hazardous waste and a concept for electricity supply revolutionary for Myanmar: besides grid supply and stand by diesel generators, a 2 MW PV solar farm is in planning stage, developed by a Malaysian contractor. German **Gildemeister Energy** is meant to supply cube cell energy storage equipment. Furthermore, PV solar roof top panels are planned to be installed on all workshops and industrial buildings. Details for cost structures are still under discussion, but as a special rate for a limited time a 70 years lease for an empty plot is meant to stand at 75 USD per sqm (shorter lease terms being possible subject to negotiation). Most interesting for investors keen on turnkey solutions: i land will offer building services with a range of standard models, to be customized for individual investors. Leasing cost of a plot including a factory shell building will be around 300 USD/sqm. i land plans to offer lean cost structures for utilities as well. Connectivity is ensured with the location at the Yangon-Mandalay highway and transportation time to the Yangon downtown ports of about 3 hours, and to the Thilawa port facilities of about 2 hours. A good reason to watch out and stop by on the way to Nay Pyi Taw and Mandalay – and we will keep you posted on further developments in Bago and elsewhere in the country.



Events



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