

Dear readers,

Myanmar is in an uphill marathon, and I am deeply impressed by the stamina of its people. Good runners matter here – and thus is it most fortunate, that adidas is now expanding its sourcing activities in the country. Taiwanese Pouchen Group, one of adidas' international suppliers, has officially launched operations in Myanmar beginning of October, and John McNamara, Senior Vice President Sourcing at adidas, has encouraged Myanmar to follow the example of Vietnam. adidas plans to source one million pairs of shoes in Myanmar coming year and hopes to expand up to 20 million in 2020. This would be exactly the kind of investment the country needs at this point: labor intensive industries supplying to international buyers with a high focus on social and labor standards and a long term commitment. That means an important step towards reintegrating Myanmar into global supply chains from which it has been cut off for decades. But obstacles remain, amongst others policy related. Both domestic and international suppliers today struggle to arrange for effective and cost-competitive deliveries. Updating taxation regulations and liberalizing trade policies is a matter of urgency to pave the way for more investment and to develop supply chains. Myanmar needs to avoid that its uphill marathon turns out to be a hurdle race on top!

Best regards
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Politics

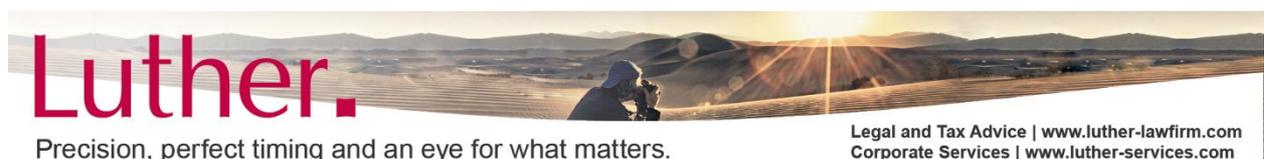
A national ceasefire agreement has been signed on 15 October – but it is less comprehensive and inclusive than one might have hoped for. Only eight out of 19 ethnic minority groups have signed, six more have bilateral ceasefires in place. The peace process makes progress in the south eastern part of the country, whereas fighting continues in the north, at the Chinese border. Supporters of the deal say the agreement paves the way for a political dialogue scheduled to begin within 60 days.

Economic Policies

The Central Bank has announced to take further measures against the use of the USD for domestic transactions. Holders of foreign exchange licenses have been informed to return these until 30 Oct – only banks and money changers will be entitled to hold licenses in the future. The businesses concerned and their customers – airlines, hotels, freight forwarders and a number of other businesses which have regularly dealt with USD transactions – will have to charge in MMK in the future. Whether and to what extent the new rule affects transactions of other businesses not holding such licenses is not yet clear. We will keep you informed. Any visitors traveling to Myanmar are well advised to purchase MMK upon arrival in the future.

Economic Development

The impact of the floodings in summer is being felt: the World Bank has downgraded its growth forecast to 6.5%. The forthcoming elections and a slowdown in investments in this context is given as another reason. This stands in contrast to the IMF's more optimistic prognoses given last month.

The advertisement for Luther Law Firm features a background image of a person in a desert landscape at sunset. The word 'Luther.' is written in 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 firm's services and websites are listed: 'Legal and Tax Advice | www.luther-lawfirm.com' and 'Corporate Services | www.luther-services.com'.

SEZ and Industrial Zones

Myotha Industrial Park near Mandalay is gaining momentum. During an investment promotion conference end of September, the developers informed, that two investors will start operations shortly: **Lotus Wood Industries**, a local foreign JV, plans to launch operations of its veneer, plywood and sawmill facility end of the first quarter 2016. Indonesian **JAPFA – Comfeed Myanmar PTE**'s feed mill production facility is meant to be operational in June 2016. The Semeikhon Port, linking the site to Yangon via the Ayeyarwaddy River, is scheduled to launch mid of January 2016. Target industries for the the Park include electronic assembly, food processing, textile and logistics. Mandalay will be more in the focus of investment promotion in the future. According to DICA, Mandalay region accounts for 12.4% of Myanmar's GDP – and there is ample room for expansion.

An industrial zone in Myawaddy, some 10 km off the Thai border, is meant to launch operations in 2017. Most investors are expected to come from Thailand – and Thailand may supply electricity as well. Some 15 investors already have applied, sectors are garment and shoes, automobile spare parts and galvanised iron sheets.

Finance

Australian **ANZ Bank** is joining the other foreign banks with their license for a branch operation issued on 30 September.

CB Bank is the first local bank to have inked a deal with **ADB** under the Trade Finance Program (see Sept. Newsletter). Under the program, ADB will provide a line of 12 m USD to guarantee letters of credit issued by CB Bank – a move that will significantly improve risk assessments by Western banks.

The Central Bank has announced further measures against money laundering. Local banks will have to keep documentations on customers and transactions and report to the Financial Intelligence Unit. Independent audits and senior compliance managers will be mandatory as well.

Infrastructure

Yangons sewage system will finally get a badly needed upgrade. From 2016 onwards, new sludge treatments plants are planned to be installed, based on Membrane Bioreactors technologies supplied by Japanese **Mitsubishi**. And yes, JICA will support the project with a loan.

Telecommunication

Jamaican **Digicel** has sold its majority stake in **Myanmar Tower Company** to Malaysian **Edotco Group**, a sister company of **Axiata Group** - at a profit, it says. **Edotco** plans to extend the license to provide both tower services and power supply to telecoms customers. The minority share holder, local **Yoma Strategic Holdings**, is still considering selling its share to Edotco.

Power

A second solar PV power plant in the making: following **ACO Investment Group**'s project near Mandalay (with a PPA still pending), Thai **Green Earth Power** is said to move ahead with its 220 MW project near Mingbu in Magwe region. American **Black & Veatch** has announced it has been assigned for design and consultancy services, with construction to start in the first quarter of 2016. The project will be driven from Bangkok, but Black&Veatch has recently opened office in Myanmar.

Lao-based **Sunlabob Renewable Energy Ltd** has been assigned with contracts for turnkey implementation of eleven solar-powered micro-grids in Shan State and Chin State by the Ministry of Livestock, Fisheries and Rural Development. Funding comes from Japanese ODA.



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More Waste to Energy projects: besides the JFE project co-funded under a Japanese carbon credits scheme, two more plants are in the pipeline following a tender by the Yangon City Development Committee in 2013. They will be located near the two existing landfills. Local **Zeya & Associates** has been contracted for a plant at Dawei Chaung in Dagon TS and Korean **Chasson International** will build a plant at Htein Pin in Dala. Details on implementation and financing of the projects have not been disclosed.

Urban development and construction

A new wholesale market, the biggest in the country, is under development in Mandalay. The 100 acres project, driven by local developer **Mandalay Green City Co Ltd** is planned to be operational in April 2016. It will include space for trade as well as cold chain storage, exhibition space and related services.

YCDC has approved five more companies for soil testing, which is now mandatory for construction projects (see Sep newsletter). The new authorised service providers are **Geotechnic Myanmar**, **JGS**, **Fukken (Yangon) Engineering Group**, **Suntac Technologies** and **Esifh Future Force Engineering**.

Textile

Up to now, the Myanmar garment sector lacks an efficient supply chain with regards to fabric. But hope is in sight. Six of altogether 18 state owned factories have been leased out in the meantime, mostly to Korean investors, and the Ministry of Industry is looking for private sector leasing partners for the others. One of the factories still on offer is working on knitwear.

German Projects

The **Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH** implements a three-year Trade Development Programme in Myanmar. The budget of 10.5 m EUR (15 bn MMK) is funded by the European Union and co-funded by Germany. The technical co-operation programme aims to support both private and public sectors to enhance access to international markets. It covers trade policy, trade promotion and facilitation and one of the focus areas will be the fisheries sector.

International Projects

According to Nikkei Asian Review, Japanese **Foster Electric** is one of the investors in the Thilawa SEZ, working on the launch of its production of speakers for audio equipment and car stereos until end of the year. The investment comes as a relocation of production in China seen the rising labor cost there. Monthly production volume is meant to be 1 m units and the mid term planning foresees 30% of the global production to come from Myanmar. Currently most inputs will need to be imported – which means that logistics cost will eat up part of the labor cost advantages.

Japanese **Kubota**, which plans to set up an assembly in the Thilawa SEZ (see September newsletter) with an investment of 8.2 m USD, will launch a sales and services centre in the zone as well. Investment for the project under the new local entity **Kubota Myanmar Co Ltd** is 23.8 m USD. Products covered include agricultural equipment (tractors, combined harvesters, power tillers), construction equipment and diesel engines.

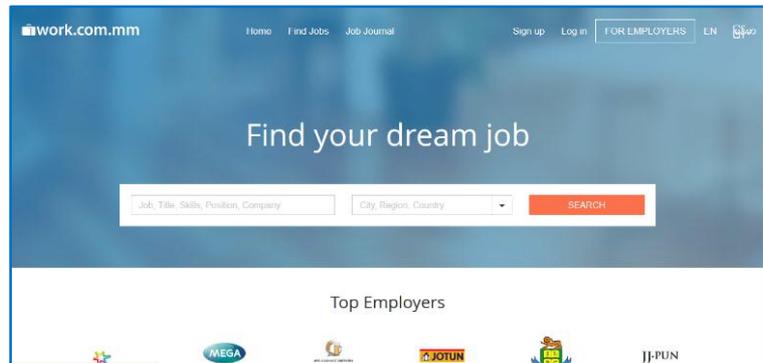
Thai **Bumrungrad Hospital** has registered a Myanmar subsidiary in a 80:20 JV with **Yangon International Medical Services**. It plans to offer private clinic and diagnostic services.

Insights – Internet Business in Myanmar

Regular readers of this newsletters may already be tired of regular complaints on weak internet connectivity. Thus it may come as a surprise, that this month's Insight features – Internet business platforms. And more surprisingly perhaps, some of the most promising of these platforms are driven by German Rocket Internet! The group is a pioneer in Myanmar already since 2012. Rocket Internet currently has seven ventures in Myanmar www.motors.com.mm, www.work.com.mm, www.house.com.mm, www.ads.com.mm, www.jovago.com, – all of them platforms for classified ads. www.shop.com.mm and www.kaymu.com.mm are e-commerce ventures that distribute brands online. You think online is not yet the way to go in Myanmar? These platforms reach more than one million visitors each month.

And another surprise: the market in Myanmar is competitive, with similar platforms online. Of course Myanmar has several challenges when it comes to online businesses. First of all, people are not used to online shopping or using online classifieds. A common mistake is that Motors.com.mm is an actual dealership. It took a while before people understood that the platform allows people to compare offers of all dealerships in Myanmar online, saving them a lot of time and providing them with the best offer. For e-commerce, a big challenge is infrastructure and payment systems.

Despite these challenges, the platforms have developed into success stories. Shop.com.mm has set up their own delivery system, reaching more than 65 cities, always within 4 days. Payments are on delivery. Motors.com.mm is faring well attracting visitors in car crazy Myanmar with already more than 210,000 monthly visits. Work.com.mm has been able to become the most recognized and best performing recruitment platform in Myanmar, receiving more than 250,000 visitors per month and more than 1,000 applications per day. Their CV database includes already nearly 100,000 job seekers.



As always in online business, it is the quality of the information which matters for long term success. The Rocket Internet platforms see accurate databases with regular checks as their most important selling point. And it is a good idea to connect properly with the offline world: Work.com.mm does so via joint deals with local magazines, CV training programs for job seekers and job fairs.

Events

The **Myanmar Renewable Energy Business Seminar 2015** from 26 to 28 Nov 2015 will highlight the **technical and commercial viability of renewable energy solutions in Myanmar** as a side-event of the 3rd International Electric Power and Renewable Energy Exhibition. It will include speakers from renowned German renewable energy companies. The seminar specifically addresses **representatives of the building sector (hotels, condominiums and malls), manufacturing and processing** as well as **telecommunication** sector. The event is organized by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) under the “renewables – Made in Germany” initiative which is financed and coordinated by the German Federal Ministry for Economic Affairs and Energy. AHK supports the seminars as a partner and will collect registrations. More details on the program will be online soon at <http://myanmar.ahk.de/events/>
In case you are interested to attend, please contact Kathrin Raabe, kathrin.raabe@myanmar.ahk.de



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