

Dear readers,

7 October marks a historic date for Myanmar as the day when President Obama lifted the US sanctions, as announced earlier in September. As we had informed you, US Financial Crimes Enforcement Network (FinCEN) requirements for due diligence remain in place. Whether and how this will impact USD transactions, remains to be seen. We have learned from German industry experts that it may take at least six months, until we will have clarifications on this topic. Thus for the time being, European companies are well advised to work with EUR contracts and transfers where ever possible, unless they can use Singaporean intermediate banks. I fear this will attenuate as well expectations of local mid-sized companies. Access to finance will remain a headache for quite some time....

Best regards

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Economic Policy

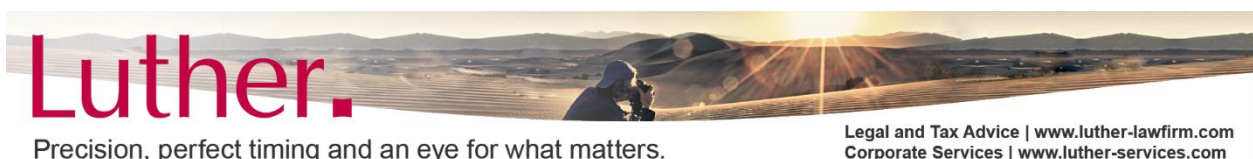
On 22 October, flights to Nay Pyi Daw have been crowded with business representatives as the government had invited to another presentation on the economic strategy. With regards to tangible projects, we will still have to wait some time, but a number of strategic directions were presented. Besides the strong commitment to transparency and anti-corruption, tax enforcement was mentioned as a priority. The government commits to pro business policies, encourages entrepreneurial spirit and risk taking but at the same time sets common welfare as a guiding principle. Market demand has been identified as a driver for SME development with opportunities in import substitution for processes with low technical requirements. Other areas of relevance are tackling the trade deficit and restructuring of loss making SOEs – and of course upgrading of infrastructure and the financial sector. With regards to energy supply, renewable energies were mentioned explicitly, but without any further details.

Following approval by the parliament, the new Investment Law has been enacted in record time. President U Htin Kyaw signed the law on 18 Oct. As the notifications for implementation are still pending, previous notifications will be valid for the time being. An unofficial English language translation of the Law is available for download on the DICA website at http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/unofficial_translation_mil_20161019-e.pdf.

The Yangon Regional Government pursues ambitious projects to promote Yangon as the economic capital of the country. A deep water port located in the Gulf of Martaban would cement Yangon's position as the outbound trading hub – against contenders like Kyauk Phyu. Visionary mid term scenarios even include another international airport south of Yangon and a new city development. Yangon plans to choose a development path different to the standard Asian mega city, focusing on conservation of the existing urban structure with upgrades to infrastructure and relocating ultra modern urban developments to new suburbs to be established west and south of Yangon. A concept in line with the claim of Yangon Heritage Trust to develop Yangon as “Asia's most liveable city” – and somehow familiar to Europeans.

Trade and trade policies

Trade volume declining, deficit shrinking: according to information of the Ministry of Commerce, the first six months of the FY have seen imports decreasing by 495 m USD compared to the first half of 2015/2016 – to a volume of 7.3 bn USD. Exports increased slightly by 11.9 m to 5.6 bn USD. The trade volume stands

An advertisement for Luther Law Firm. The top half features a photograph of a person in a desert landscape at sunset. The word 'Luther.' is written in large, red, serif font on the left. Below the photo, the text reads: 'Precision, perfect timing and an eye for what matters.' On the right side, it says: 'Legal and Tax Advice | www.luther-lawfirm.com' and 'Corporate Services | www.luther-services.com'.

at 12.9 bn USD and the deficit at 1.7 bn USD (24% lower than last year's figure of 2.24 bn). It remains to be seen whether the trend is sustainable: officials say, shrinking imports are due to a possibly temporary slowdown in the construction and infrastructure sectors.

No comprehensive break through is in sight, but there are indications for a further easing of current restrictions on foreign activities in trade and distribution. Without any further background on the legal background being available, Japanese **Aeon** has launched its first new supermarket outlet. According to local media reports, they would operate the Aeon Orange as a WFOE after the acquisition of 14 outlets of local **Hypermart Asia**. What ever the actual corporate set up may look like, this is welcome competition in a market dominated by de facto monopolist CityMart whose further expansion is backed by an IFC loan.

Furthermore, again according to local media, a Ministry of Commerce official announced that 100% foreign owned show rooms of foreign car brands could get approval soon.

Industrial Zones

A new Industrial Zone project is under development in Patheingyi. **Ayeyarwaddy Region Development Public Company** has received MIC approval to develop the new zone in the capital of Ayeyarwaddy region on about 11 sqkm. The investment is said to be 83 bn MMK – about 65 m USD. Besides garment, marine industries, agri businesses and logistics are target industries. The developers focus on transparency and sustainability: they say, land acquisition has been conducted in an orderly process and the planning by Thai consultants **TEAM** includes water treatment and waste water plans as well as flood protection. MIC approval for a river port development is still in process – this would allow direct shipments to Europe, NME and Africa for general cargo and containers. The developers are just about to start promotion and plan to offer an early bird rate of 37 USD/sqm for a 50 years' lease of an empty plot.

Energy

The tender for a 300 MW heavy fuel power plant in Yangon has been awarded to a consortium of local **National Infrastructure Holdings** and **MCM** and American **APR Energy** and **Ace Resources**. The initial contract is said to have a duration of five years only – the intention obviously is to bridge the power supply gap with a quick solution.

The Chinese driven **Asian Infrastructure Investment Bank (AIIB)** will provide a 20 m USD loan for **Sembcorp's** 225 MW gas fired power plant project in Myingyan. The AIIB joins project finance by other international finance institutions.

News on one of the Solar PV plant projects under planning: **China Triumph International Engineering** says it has been chosen as the contractor to implement the plant of Thai **Green Earth Power** in Minbu.

Infrastructure

Mandalay will get a fuel handling oil terminal at international standards to serve upper Myanmar, local newspapers report. The project will be developed by **Myanmar Energy Sector Development Public Company** and is expected to be operational by beginning of 2018.

Urban development and construction

Refurbishment of the iconic Secretariat Office Building in downtown Yangon will be managed by a board of Trustees formed by the Yangon Regional Government, to steer the development by local **Anawmar Group**, the winner of a tender in 2012. A concept combining public museum space with commercial office space,



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restaurants and art galleries will be kept an eye on by a local public aware of the historic relevance of the building, where General Aung San, father of Burma's independence, had been shot in 1947.

Finance

Three more banks out of the second round of foreign bank licenses have received final approval and have opened their branches in early October: **State Bank of India**, Korean **Shinhan Bank** and Taiwanese **E SUN Commercial Bank**. This brings the number of foreign bank branches operating in the country to 13.

Myanmar may be leapfrogging in the financial sector and mobile payment is on the rise. Most of the providers had been operating out of reach of any regulation but end of March 2016, the Central Bank has issued a Regulation on Mobile Financial Services. The foreign local JV **Wave Money** between **Telenor**, **Yoma Bank** and **FMI**, is the first service provider to receive a license under the new regulation.

Following the premiere in September, the Central Bank of Myanmar plans to hold monthly Treasury Bond Auctions.

Agriculture

Avocado have made it to the list of export items – a dedicated association of avocado manufacturers and exporters will be formed in November. A priority will be to enhance quality to match international requirements - but from a user's perspective it is obvious that the local products may not look very attractive but are unparalleled for texture and taste.

Rubber

While up to now Myanmar rubber is processed as smoked rubber sheet only, the first latex factory is set to open in southern Myeik District in a Joint Venture between Thai **Tex Company** and the local **Vantage Company**. The company plans to process the international standard latex to products such as tyres and gloves. The investment is said to stand at 5 m USD.

Garment and Leather

More CMP investment approvals have been granted for Chinese **Dishang Kenny (Myanmar) Garment**, **Jiangsu Holly (Myanmar) Industry**, **Guotai Guohua Garment Myanmar** and **Myanmar Allin Company** (for knitwear). All factories will be located in Yangon Industrial Zones.

Construction Material

Good news for energy efficiency in buildings! Up to now double-glazing windows had not been available on the domestic market, but that is set to change with a factory under construction by **MSG (Myanmar Safety Glass)**, a subsidiary of Singaporean **Meng Heng Glass**. The factory in Hlaing Thayar Industrial Zone will process imported glass to double glazing panes and do custom made framing with alumina. Other products include tempered and laminated safety glass. Operation is meant to start in early 2017.

International Projects

Dutch **De Heus** has started operations of an animal feed factory in Hmawbi north of Yangon with an investment of 10 m EUR. The company plans to use inland waterways for transportation of imported inputs. Production of poultry feed is meant to supply the local market and to substitute previous imports from the de Heus factory in Vietnam. The current capacity of 120,000 t is planned to be expanded to up to 240,000 t.

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Indonesian **JAPFA** has launched its factory for animal feed in the Mandalay Myotha Industrial Park. The company already operates a feedmill in Yangon.

More animal feed, this time for pets: Thai **Perfect Companion Group** has received approval for manufacturing of dog and cat feed to be located in Bago north of Yangon.

Vietnamese **Sonha International** in a JV with a local partner plans production of steel and plastic tanks in Dagon South Industrial Zone. A MIC permit has been granted.

Insights

In Germany there is a proverb saying: “What the farmer doesn’t know, he doesn’t eat.” In Myanmar, you might put it: “What the farmer doesn’t know, he doesn’t grow.” But smart people with good arguments can manage to change that mindset. That is what German **Huepeden** has achieved, a Hamburg based trading company specializing amongst others in import of processed fruit and vegetables. For the past three years, they patiently have been working to develop the Myanmar market as a supply base and with **Yoma Group**, they have found the ideal partner. **Myanmar Fine Food Industries Ltd.** is the name of their Joint Venture – and a perfect program for the country. Their message to farmers in Shan State is: there is more to grow than just rice. A first farmer in their project area in Shan State had given it a try in 2015 planting water chestnut, a product unknown in Myanmar up to date but dear to



Products for pioneers: a first plantation of water chestnut in Shan State

diners in China and the USA. His test run has proven successful: The 8 tons he harvested earned him three times the income he would have made with planting rice on the same plot! No surprise that others have followed his example – in November 2016, three farmers can expect to harvest 60 t of water chestnut. For **Myanmar Fine Food**, this is just one product among a broad range of vegetables and just the first step in a long journey. Developing economies of scale will be of essence for Myanmar to qualify as a supplier to international markets – besides catering for domestic demand. And to be effective, value chains need to



Foodies, watch out: these gentlemen work on white asparagus!

be established to process vegetables. A win win situation for both sides – bringing badly needed food items to international markets, who risk to run short of Chinese supplies in a couple of years’ time, and helping to create jobs and increase income in the countryside in the farms and the canning factories. Thomas Schwieger, Managing Partner of Huepeden and the initiator of the project, had submitted a first proposal to the Myanmar government as early as 2013 – as an early mover he had been convinced by the tremendous potential

of Myanmar’s agricultural sector. His recipe for success: bringing tangible market opportunities to the farmers as a motivation to expand and improve production. It took time for the project to mature and he

still sees a lot of hard work ahead before all partners involved will be able to harvest and reap the rewards: the list ranges from expanding production to setting up a canning factory and sourcing packaging inputs locally. But the company has gone through the same process when developing China as a supply base – and today, the Chinese sister company assists the venture in Shan State, bringing in a wealth of experience on production techniques, quality standards and patient processes with farmers. And for all those who are not crazy about water chestnut, there are good news: plantation of white asparagus has already started, the first button mushrooms have brought delight to exigent Yangon customers and further products are in the pipeline. So watch out for **Myanmar Fine Foods** in the shelves of European supermarkets!

Events



AHK ASEAN goes Myanmar! – the German Thai Chamber of Commerce will organize a business delegation trip to Myanmar from 16 to 18 November and member companies of other AHKs in the ASEAN are cordially invited.

AHK Myanmar will organize the program – for more details please check [here](#)

Exhibitions in Myanmar

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