

Dear readers,

Election campaigning in Myanmar has started and media coverage is extensive. When you travel to Yangon be prepared that party rallies may further stress the already congested traffic. Patience may be the password these days – under many respects. During a recent conference a knowledgeable international expert highlighted, that Myanmar's development during the past years has been impressive and one-of-a-kind in the current global landscape (something some western observers tend to forget these days). He pointed out that these achievements have been possible only on the basis of a broad consensus of all stakeholders, most importantly the previous military regime, that change needed to happen. We will for sure see debates about the pace and scope of future reforms – but what is decisive for the further development of the country is, that this consensus will persist.

Best regards

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Politics

Ahead of the elections, President U Thein Sein has visited China and met with Chinese President Xi Jinping. During a meeting with Chinese CPI, according to government spokespeople the question of the Myitstone dam project on hold since 2011 has not been discussed.

Economic Policies

The minimum wage of 3,600 MMK per 8 hours working day has come into effect on 1 September. It applies to companies with more than 15 employees.

Economic Development

IMF gives a positive outlook on GDP growth with an expected 8.5% rise for 2015 – but the picture is rather bleak for inflation which IMF expects to reach 13 % this year, up from 4% in Oct 2014 and 8% in May 2015. The account deficit is expected to reach 9%, foreign currency reserves will drop to meagre 2.5 months. IMF sees inconsistent macroeconomic policies as a main driver of the MMK devaluation – during 2015 the MMK has depreciated about 25% against the USD, according to the IMF.

Company registration

Companies registered in Myanmar need to send a letter to DICA confirming they are still in business. A first deadline on 14 September obviously was difficult to meet, so DICA has given an extension to 16 October. Anyone who has not yet prepared the letter – get in contact with a law firm asap to get support.

SEZ

Historic date: on 23 September, the first phase of the Thilawa Special Economic Zone has been launched officially. The developers say that 70% of the 189 hectare first phase have been rented out – 48 investors both domestic and from abroad have signed contracts. Japan is the driver – not only as the official Joint Venture partner of the development consortium but as well with 24 investors in the zone. The Thilawa SEZ is the first industrial zone on regional standards – with centralized management and cost structures as well as infrastructure in place.

A promotional banner for Oktoberfest. On the left, a blue banner with white text says 'OKTOBERFEST' and 'Fri 9th & Sa 10th Oct at the Inya Lake Hotel'. To the right, text in blue and black says 'Traditional German Delicacies, Free-flow Bavarian Beer from Germany Oktoberfest band "Münchner Xindl" from Munich Tickets (\$35) available at Inya Lake Hotel, Belmond Governor's Residence, Strand Hotel, Savoy Hotel & German Embassy'.

Finance

Chinese **ICBC** and Japanese **Mizuho Bank** have launched their branches in September. **Bank of China** has opened a representative office in Yangon.

Jardine Lloyd Thompson is the next foreign insurance company to open a representative office in Yangon. While foreign insurers are not allowed to offer services up to now – except in the Thilawa SEZ – JLT works on ambitious goals: it aims to provide reinsurance services to state-owned Myanmar Insurance Enterprise. At the same time, local **IKBZ** has announced it plans starting online sales of insurance plans.

Improvement in sight for LC confirmations: ADB has signed an agreement with the Myanmar government on expansion of its Trade Finance Program in Myanmar and most importantly ADB guarantees for LCs issued by local banks. Which banks will be eligible and when first guarantees might be extended has not been disclosed yet.

The launch of the Yangon stock exchange has been postponed to December 2015 – and some experts say, there may be further delays. One reason may be, that the new Companies' law, which sets new thresholds for shareholding in a company to be qualified as foreign, has not passed through parliament yet.

Infrastructure

Bad news for the Hanthawaddy International Airport. The ambitious project, located in Bago some 100 km north of Yangon, will be delayed for about four years because of difficulties in raising funding. The decision comes after an already complicated tendering process, which had been won by the Japanese-Singaporean consortium **Yongnam-CAPE-JGCC**. 49% of the overall project volume of 1.5 bn USD are meant to be covered by ODA funding and it seems the Myanmar government could not raise the amount needed for the time being.

The Korean development agency **KOICA** has signed contracts with the Ministry of Construction for masterplans in the context of the Yangon City expansion projects and for a national road network. Amongst others, the agency will be in charge of a study on development in the Bago / Hanthawaddy region, home to the delayed new international airport (see above). With regards to the national road network, KOICA suggests an expansion to the network covering 9,500 km expressways, some 13,000 km highways and some 11,600 km sub-arterial roads.

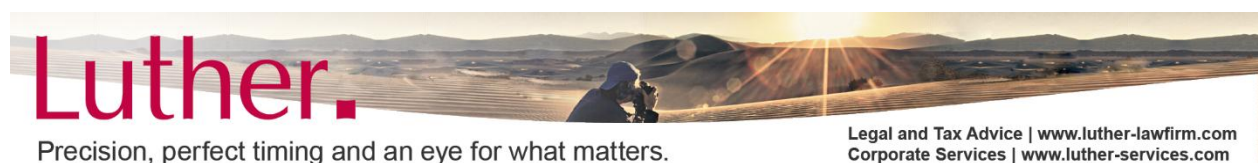
Japanese **JICA** will finance the upgrade of the Yangon Circular Line with a 207 m USD loan. The project is planned to be completed by 2021. Travel times should be cut by 50% in the framework of a more reliable and speedier service. Trains to upgrade and expand the fleet will be purchased from Japanese suppliers.

Power

Waste to Energy comes to Myanmar. Japanese **JFE Holdings** has been awarded a contract for a plant in Yangon, which is expected to burn 700kWh per day out of 60 t of waste. Construction will be done based on engineering of the Indian subsidiary of JFE and is meant to be completed by 2017. The project will be co-financed by Japanese ODA under a carbon credits scheme.

Oil and Gas

Australian **Tap Oil** has been the last international contractor to sign an exploration agreement with Myanmar Oil and Gas Enterprise on block M7 in the gulf of Mottama. Local partner is **Smart E&P**.

The advertisement for Luther Law Firm features a background image of a person in a desert landscape at sunset. The text 'Luther.' is prominently displayed 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 firm's contact information is provided: 'Legal and Tax Advice | www.luther-lawfirm.com' and 'Corporate Services | www.luther-services.com'.

Mining

British **Aurasian Minerals** has withdrawn from three exploration projects for gold, silver and copper, it had applied for in January (see AHK February 2015 newsletter). Slow approval processes and delays in revision of the Mining law have been cited as reasons.

IT

Swedish **Flexenclosure** has been contracted for a customised data centre in the Thilawa SEZ by **Burst Networks**, to be operational early in 2016. Thai **TrueIDC** has announced it will open a data centre in Yangon's MICT Park with an investment of 1 m USD. The company plans to offer hosting services for corporate customers with cloud services to follow. At the same time, **Microsoft** has closed a deal with **Kanbawza Group** for provision of IT solutions.

Urban development and construction

More mixed use developments in the making in Yangon: Kantharyar Centre, a development by local **Asia Myanmar Shining Star Company** will be located near Kandawgyi Lake and include an international hotel in a franchise with **Wyndham Group**. Investment volume is about 160 m USD. Korean **Hanwha Group** has got MIC approval for a residential and mixed use complex in Pyay Road. Construction is meant to start in November, investment volume is said to be 150 m USD. The company has announced that energy efficiency will be on top of the agenda, including a rooftop PV system.

Soil tests by approved experts will be mandatory for construction projects in Yangon from 1 Oct on. The Yangon City Development Council has awarded first licenses for soil testing to six companies to ensure better quality control. First license holders are **CECC, UNO, Tek Bumi, GeoFriends** and **AMT**.

Railways

According to government media, **Myanmar Railways** is building factories for production of locomotives and passenger coaches in Nay Pyi Taw under a loan of the Chinese government. A passenger coaches assembly factory already exists near Mandalay and upgrading of the production there is meant to be done in partnership with Chinese **Sifang Co Ltd**.

Fisheries

Export income is expected to decrease again this year from last year's 500 m USD, due to weak wild catch. Furthermore, aquaculture has been suffering from the heavy floods this summer. Chinese media report, that about 50% of local processing factories had to close down temporarily because of the raw material shortage. The situation might improve thanks to CPM business: 13 factories have been granted permission to import raw material for processing and re-export.

Wood

Wood processing is gaining momentum – see August newsletter. The Myanmar Timber Products Merchants Associations says, exports of finished wood products earned 50 m USD from April to July 2015 – India being the most important market. And at exhibitions today you can see first local manufacturers showcasing furniture at European design levels – and prices.

Rubber

More progress with upgrading of Myanmar rubber: a JV between **Thai Thai Tex** and local **Vantage** plans to open a rubber treatment and purification plant in Thanintharyi region, the focus area of Myanmar rubber production, in October. Investment volume is said to be 5 m USD. The plant will be able to work according to international standards.

Automotive

A new automobile policy in place since 7 September would require newly imported cars to be left hand drive – a sound decision, seen the fact that right hand traffic is the rule since the 1960ies. By-laws with more clarification are due within the next three months. Local car dealers suggest to have a transition period and ask for clarification, what will happen with the right hand drive vehicles on stock in showrooms.

The Traffic Rule Enforcement Committee stated that the number of casualties from traffic accidents in Myanmar stood at more than 4,100 in 2014. Since 7 September, the use of seat belts is mandatory, but enforcement may be as weak as with other traffic regulations. The significant increase of fines for breach of traffic rules has seen bus drivers going on strike as they said they could not make their living any more.

Logistics

Sri Lankan **Herbilan Shipping** has launched a feeder service linking Yangon to Colombo via Indian Visakhapatnam on 1 September. More routes involving Chennai and Navashica are in the pipeline.

Professional Training

Korean development aid agency **KOICA** has signed an agreement with the government to set up a Technical Vocational Education and Training Centre in Yangon. The project is meant to be operational in 2018 and construction will cost 11.5 m USD.

German Projects

BASF has opened a representative office in Myanmar to support its growing base of local customers which has been developed through a network of local distributors during the past five years. BASF's products in the country include vitamins for food fortification, concrete admixtures, crop protection ingredients such as herbicides and pesticides, mining chemicals, and water purification chemicals.

International Projects

Japanese **Kubota** plans to launch a plant for assembly of agricultural equipment in the Thilawa SEZ to supply to the domestic market. According to Nikkei Asian Review, the company has been awarded the first license to sell imported wholesale goods, in line with the new regulations for SEZs (see June newsletter). Kubota already runs the water treatment facility in the Thilawa SEZ.

Japanese **Oji GS Packaging Co Ltd**, a subsidiary of **Marubeni**, has launched a production of corrugated carton boxes in Yangon. The product should be in high demand, as most local suppliers cannot meet international standards by now.

Japanese **Daizen Myanmar** will set up a logistics center in the Thilawa SEZ which will cover both handling of imports of raw materials and distribution to end customers. Operations are planned to start in May 2016. The company will offer warehousing, packaging and labelling services – obviously in line with the requirements in the new SEZ regulations for foreign companies to qualify for import and trade licenses. A cold chain logistics center is said to be included into the project.

Dutch **Royal Dutch Shell** has opened office in Yangon beginning of September and has announced that exploration in its offshore oil and gas blocks will start in October. Investment volume for the eight years exploration period is said to be 1.2 bn USD. Shell will launch activities in downstream industries as well. Together with partners **Italian Thai** and **LNG Plus International**, they will develop a LNG terminal in Dawei, at the location of the forthcoming SEZ.

Swiss logistics group **Panalpina** has opened office in Yangon.

Japanese **Marubeni** will supply operation control centre systems and safety equipment manufactured by **Kyosan Electric Mfg** to Myanma Railway for the Yangon Central Station and Pazundaung Station. Financing is secured via a JICA loan.

GTAI reports (in German language)

[Myanmar fuehrt Mindestlohn ein](#)

[Myanmar entwickelt Infrastruktur in Yangon](#)

Insights

A come back for Goethe Institute - and an opportunity for inspiring architectural works

Following the signing of a cultural agreement between the German Federal Foreign Office and the Myanmar Ministry of Culture, the foundation of the Goethe-Institute in Yangon/ Rangoon has been confirmed on 29.10.2013. This is an exciting come back: already in 1959 a Goethe Institute, the first of its kind all over South East Asia, had been launched in Myanmar, but had to close again in 1962 for political reasons.

The Goethe-Institut in Yangon will be located in a memorable building: a colonial villa dating from the 1920ies.



Until the 1940ies, European and Chinese business people had used the villa as their residences. It then served as the headquarter of the Antifascist Organization (AFO) around General Aung San, who is even said to have been living in the building for some time. From 1962 until 2003 the villa had been used as a temporary exhibition space for the State School of Fine Arts.

For the rehabilitation of the villa, construction of a new building and design of the outdoor facilities, an architectural competition has been tendered and the Berlin architects **Oliver Gerhartz Architektur** and **TSSB architekten.ingenieure** have been rewarded with the contract following their number one position. They have a track record in projects abroad, together with the **Engineering Office Technische Ausrüstung, Heimann Ingenieure** and the **Ingenieurgesellschaft für Tragwerksplanung GSE**. According to their concept, teaching rooms and part of the administration will be accommodated in the historic villa. A library, an events space and more administrative offices will be located in the new building. The buildings are meant to be completed in spring 2017.

The refurbishment of the villa in line with standards for conservation of historic monuments will be done in close co-operation with the Yangon Heritage Trust. Projects works for rehabilitation and construction of the new building are planned to be contracted mostly to local companies. As to deal with historic buildings thoroughly is not common established practice in Myanmar these days, this of course is a challenge – and a good opportunity for know how transfer!

Event



Oktoberfest Yangon - organized under the patronage of the German Embassy, the Belmond Governor's Residence and the Hanns Seidel Foundation on **9th and 10th October 2015** at the Inya Lake Hotel. Guests have the unique opportunity to experience the atmosphere of the Oktoberfest here in Yangon, Myanmar. Since the first Oktoberfest Yangon in 2012 the event has been growing each year and is now one of the best-known festivities in Yangon. Tickets are 35 USD per person and include All-you-can-drink Beer and All-you-can-eat Buffet with German delicacies. For more details see www.facebook.com/oktoberfest.yangon