

Dear readers,

One may of course argue about the details, implications and justification – but somehow this move has been overdue: with President Obama’s announcement regarding the forthcoming lifting of sanctions, Myanmar has made it off the list of pariah states, seen as an “extraordinary threat to the national security and foreign policy” of the US. And while selected visa bans may still be in place and some individuals may continue to be listed under denominations related to drugs and arms trade, the Burma list of the Office of Foreign Assets Control will be a thing of the past. Thus, dear compliance departments of western corporates: pull down your red flags for any Myanmar related activities! Thorough checks for compliance and reputation risk will still be a matter of course for any responsible business, but can happen targeted and on a matter of fact basis. And respectable banks: please try and ensure that USD transfers will cease to be a nightmare. With regards to short term tangible effects on business activities and economic development, we will have to wait and see – but in terms of reputation, Myanmar has made a huge move forward.

Best regards

Monika Staerk

Delegate of German Industry and Commerce in Myanmar

monika.staerk@myanmar.ahk.de

International

During State Counsellor Aung San Suu Kyi’s visit to Washington President Obama announced that US sanctions would be lifted altogether – a move surprising to most at least at this extent. The “Burma designation” of Specially Designated Nationals (SDN) of the Office of Foreign Assets Control (OFAC) will disappear in the near future – some say by November. US GSP trade preferences will be reinstated with effect from 13 November 2016 – a step which will give a boost to exporting Myanmar businesses and their suppliers (as far as the latter exist).

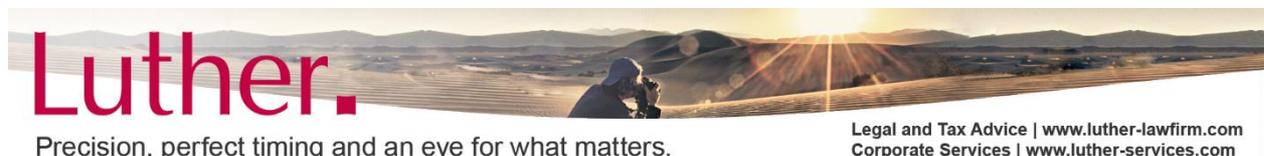
The ASEAN summit in Vientiane has proven fruitful – at least in terms of ODA contributions. Japan promised further 1.3 bn USD in ODA contributions during bilateral talks. 1bn USD is said to be earmarked for a new bridge crossing the Bago river to link Yangon to the Thilawa SEZ, to be built just next to the currently existing but insufficient bridge.

Politics

An impressive political career seems to have come to an end, as former President U Thein Sein has stepped down as chairman of the USPD, the party of the former military which had suffered a crunching defeat in the November 2015 elections. Whether Thein Sein’s merits as the president who had maneuvered the country through its first five years of reforms will be acknowledged in the country’s history books, remains to be seen. Another prominent retirement: U Win Aung, President of the UMFCCI since 2013, decided not to stand for election again. On 18 September, his long time Vice President U Zaw Min Win, Chairman of the Myanmar Industries Association, was elected the new President of the UMFCCI and will take office after the forthcoming AGM.

Economic policies

The new investment law which had been under discussion for quite some while has finally been passed by Parliament on 28 September. Whether there have been substantive changes to the previous draft will be matter for experts’ analysis in the coming days. We will keep you posted.



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While Myanmar businesses hope to enjoy US GSP preferences again soon (see above), the government pursues an ambition which had been brought forward by the previous government already: to get rid of the Least Developed Country status. A matter of pride and self-confidence for sure – but looking at productivity levels in domestic manufacturing, one would hope that these companies can develop with the GSP+ buffer in place. Luckily any reassessment can be expected to take several years.

Visa issues

Good news on visa: after some confusion on processes and requirements for business visa, new schemes are in place, allowing for multiple entry visa applications again – and fees have come down. Furthermore the Ministry in charge has announced, that recent requirements to submit tax documentation of inviting companies will be done away with shortly. Visitors are invited to contact our office before planning their trip!

Trade and trade policies

Import license requirements have seen a further easing up, as the Ministry of Commerce has released almost 270 products from its list, most importantly textiles and other pre products for light industrial processing and assembly.

FDI

According to local media, MIC approvals for the first five months of the current FY stand at 1.8 bn USD – below last year's levels, mostly due to the belated reorganization of the Commission. For approved projects, please check the sectors mentioned below.

Energy

A bold promise: Minister of Electricity and Energy U Pe Zin Tun plans to ensure 100% power supply in summer 2017. – Under review in coming April.... At the same time, the government seems to reassess last year's master planning which had seen a move to coal fired power plants, cutting down on the share of hydro. According to recent comments, hydro projects seem to come back to the agenda, while a decision on the Myitsone dam project is still pending.

Infrastructure

Details on financing and implementation of the new Hanthawaddy International Airport near Bago, to be built by a Singaporean led consortium, have not been made public yet, but local media report that the Department of Civil Aviation is launching a tender on construction of an elevated highway to link to Yangon – stretching as far as downtown. While it comes as a surprise to see such a project under DCA instead of the relevant Ministries of Construction, the move will be essential to ensure effective transportation from and to Yangon. Completion is scheduled for 2020, in line with the airport itself.

The Ministry of Construction has announced plans to extend the refurbishment of the Yangon – Nay Pyi Daw Highway up to Mandalay – and has promised completion with the current term of government. Foreign investors were invited to join to ensure funding – but at what terms remains unclear, as previous BOT concepts will not be pursued.

While the approvals for further hotel projects in some the established locations (besides Yangon and Mandalay namely Taunggyi, Nyaung Shwe and Kalaw), might be handled more restrictively because of already existing oversupply, there are plans to upgrade further tourism infrastructure to help develop the market first. Domestic airports are planned to get an upgrade to qualify for international flights under a masterplan supported by Japanese JICA. An ambitious move, seen the current status eg at restive Heho airport, the gateway to Inle Lake.

The 4th International Construction, Power & Mining Exhibition



13-15 October 2016

Myanmar Event Park (MEP), Yangon, 9.00-17.00Hrs.

Pre-Registration at www.cpmmyanmar.com

The MIC has granted approval for development of a bulk terminal at Thilawa. The project will be implemented by local commodities trading businesses **Myanmar Agricultural & General Development (MAGPL)**, **Myanmar Agribusiness Public Corporation (MAPCO)**, and **Myanmar Edible Oil Industrial Public Corporation (MEICO)**.

Urban development and construction

After long weeks of uncertainty and discussion, most of the restrictions imposed on high rise buildings in Yangon under a review ordered by the Chief Minister, are said to have been revoked. An international project, the Sule Square, an office building downtown, is said to have been imposed a heavy fine for breach of the approved project scope. At the same time, the YCDC has announced to publish new regulations for planning permits and a long awaited zoning plan for Yangon shortly – hopefully allowing the sector to work on the basis of stringent and transparent criteria. Local licensed contractors have decided to set up a dedicated association – YCDC Licensed Contractors Association – to efficiently liaise with the government and support implementation of stricter rules. According to local media, their number has reached about 500.

Finance

A glimmer of hope for SME finance: under a 25 m USD scheme funded by Japanese JICA, Myanmar SMEs will be offered access to loans with a term of up to 5 years and without having to submit collateral. Interest rates stretch between 11 and 8.5 %, the latter for companies able to pay collateral. Six local private sector banks will begin to accept applications. The process seems to imply quite some bureaucracy and stringent controls – not surprising, seen the local banks' lack of know-how with regards to risk assessment and risk management. But for sure this is a move in the right direction.

The government as well needs access to finance. September has seen a first Treasury bond auction for domestic banks with a volume of 200 bn MMK sold to three private and state owned banks – until now, treasury bonds had been sold to local banks only and at fixed prices. Before the end of the year, the Yangon Stock Exchange plans to be ready for offers of Treasury bonds to a broader range of potential investors.

Agriculture

Myanmar Awba has announced plans to set up a crop protection chemicals plant in Hmawbi north of Yangon – the first production site in Myanmar aiming to meet 50% of domestic demand. The IFC will support with a 10 m USD loan in view of enhancing environmental standards.

With regards to tea, project activities driven by the GIZ's Private Sector Development Program funded by the Ministry of Economic Co-operation have proven fruitful. The Premium Tea Company **TeeGschwendner** plans to source high quality green tea from Shan State in the 3rd Quarter 2016. The tea is produced at a community-based Green Tea Model Factory in Pindaya Township, Shan State. All tea actors cooperate in a Public Private Partnership project, promoting small tea gardens with organic production and standards for better living and working conditions. The initial export volume is 1.5 t with hopefully more orders to follow.

Seafood

New MIC approved projects by local **Sun Myanmar International** and **MSL Industries** will explicitly focus on CMP processing of imported fish in Yangon based processing sites.

Food processing

Another player in dairy: local **Pacific Food Industries** has received MIC approval for manufacturing of sterilized, sweetened and condensed milk products in Yangon.

And local foreign JV **SKP Interfood** plans to start manufacturing of snacks in Yangon's South Dagon Industrial Zone.

Garment and Leather

A Myanmar Korean venture between local **Olympus Asia** and Korean **Panko Corporation** plans an ambitious garment industrial zone in Ayeyawady, Bago or Yangon region, claiming to create up to 60,000 jobs. The zone will include power generation and water treatment facilities and aims to include supply chain activities for cotton fabric and buttons.

At the same time the Ministry of Industry announced plans for a textile and garment industrial zone, mainly with the goal to improve domestic supply chains in textile.

Further garment projects approved by the MIC include CMP plants by Hong Kong based **Eternal Ease**, **Myanmar Jiale Fashion** and **Gainway International**, Chinese **Handa**, **Golden Sunshine**, **San Yuan** and **Fengyi Knitting**, Singaporean **Myanmar Sumec Win Win**, foreign invested Myanmode, Oumi Fashion, **Prettex**, **Runningtex**, **Sewell Garment** and **Timbermar**, local foreign **JV DJY Knitting** and local owned **CNM Garment**. Chinese **Cobes Industries** has received MIC permit for production of clinical wears in Yangon.

With such new investments, the sector is expected to grow substantially in the coming years. The MGMA expects export volumes to reach 10 bn USD in 2026 (up from 1.6 bn in 2015). Compared to Bangladesh's export earnings of 28 bn USD for 2015/2016, this still looks meagre – but one can be confident that Myanmar will manage to avoid a similar dependency on just one export industry.

Foreign invested **Myanmar Gigi Leather Goods Company** and **Eastern Terrance** as well as Chinese **Tri Win Leather** have been given approval to produce handbags and accessories in Yangon.

Automotive

A new venture has been announced for automotive production – most likely CKD assembly. Local **Myanmar Coach Centre** said it plans to build a factory to manufacture Daewoo buses by 2018 with an investment of 10 m USD in a Yangon factory. Korean **Zyle Daewoo Bus Corporation** would provide machinery and management as well as technical support.

Packaging

More projects in sight for packaging: Japanese **Toyo Seikan** will enter a 75:25 majority JV with the local soft drinks company **Loi Hein** for production of cans (both aluminum and tin). The JV, **Yangon Can Manufacturing**, will build its factory in the Thilawa SEZ and plans to start production in 2018 with an annual capacity of 200 m cans.

And Japanese **Hachiya** is following in **Oji's** footsteps with a MIC approved project for manufacturing of corrugated carton boxes in Yangon's Hlaing Thayar Industrial Zone. **Myanmar Hachiya Paper Box Company** is a JV with a local partner.

Pharma

A new entrant for badly needed domestic production of pharmaceuticals has received MIC approval: **RVK Meditec**, a JV between Singaporean and local partners, plans to start production at a previously MEC owed site in Pyin Oo Lwin near Mandalay.

International Projects

According to Japanese media, Japanese **Taiyo Nippon Sanso** plans an investment for production of industrial gases, namely oxygen, nitrogen and argon in the Thilawa SEZ, to be operational until 2018, mainly to supply customers in metal welding and cutting based in the zone. The company says, demand in Yangon in 2015 stood at about 20 m USD and is expected to grow dynamically. Taiyo Nippon's sales target would be 10 m USD until 2030.

Another entrant in the construction equipment market: British **J C Bamford Excavators (JCB)** has entered a distribution agreement with local **Convenience Prosperity Company Limited (CPCL)**, a subsidiary of **YOMA**.

GTAI reports (in German language)

[Geschäftspraxis Vertrieb und Handelsvertreteruche](#)

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The seven German Chambers of Industry and Commerce in ASEAN – amongst them the Delegation of German Industry and Commerce in Myanmar – established the German-ASEAN Business Council to offer a comprehensive ASEAN dialogue platform to all involved interest groups. Its mission comprises to strengthen the regional cooperation within ASEAN and to support trade and investments.

From now on we would like to inform you in our quarterly ASEAN newsletter about current and past activities of all seven members of the German-ASEAN Business Council.

In case you are interested to receive the newsletter, just send an email to

monika.staerk@myanmar.ahk.de

[ASEAN 2016 and beyond: New markets, new bases](#)

A study published by the seven AHKs in ASEAN, the German Embassy in Jakarta and Ernst & Young.

Insights

It is people who are going to shape Myanmar's future – especially the young and courageous bright minds eager to learn abroad and bring back knowledge to their home country. One of them is Thu Zar Aung, an amazing 23 year old woman who has just landed in Hamburg to study environmental technologies under a Master program of Technical University Harburg. For sure not a pampered youth: born in Wuntho, a small town in Northern Sagaing Region, whatever she has achieved in her young life (and that has been a lot), she did it herself. Following her bachelor degree at Yangon Maritime University, she successfully applied for scholarships with Burma Foundation and WWF, allowing her to pursue her studies abroad. That is how I met her: her biggest challenge actually had been to secure her blocked students account required for her visa – not easy even for smart people in a country where bank accounts are a quite recent invention. We have been happy to support and Aung Thu Zar took a flight to Germany – the very first time in her life to go abroad. I hope that Hamburg will give her a warm welcome so that when she heads back to Myanmar in a two years' time, she will not just bring home badly needed knowledge on flood management but as well a lot of friends and nice memories of Germany!



Thu Zar Aung testing German food for the first time ahead of her departure.



APK

15th Asia-Pacific Conference of German Business

3-5 November 2016, Hong Kong



Events

Sustainability in Construction, 13 Oct 10.30 hrs

Seminar organized by the Delegation of German Industry and Commerce at the Exhibition *Building & Construction Myanmar 2016* in co-operation with the Myanmar Construction Entrepreneurs Association and Building & Construction Myanmar. The seminar is held on the occasion of a German Business Mission Construction and Infrastructure, supported by the German Federal Ministry of Economic Affairs and Energy. More details on the program for download [here](#).

Oktoberfest Yangon, 7 and 8 October,

Rose Garden Hotel

The organizers' motto this year: New Location - Same Concept: Free flow of German Beer, German Delicacies and an Oktoberfest band from Bavaria!

This year's venue will be the Rose Garden Hotel. The pre-sale ticket price is 40 USD, Tickets at the door will be 60 USD, including all-you-can-drink Royal Bavarian Beer, all-you-can-eat German delicacies and music by the famous Oktoberfest band. Prince Luitpold of Bavaria will attend the beer tapping ceremony on both days.



Exhibitions in Myanmar

Check an up to date list at

<http://myanmar.ahk.de/exhibitions/>