12 — COVER STORY

HANS VAN BAALEN
The EU, Brexit and a shifting world order

10 — MICROECONOMY
16 — SUCCESS STORY
24 — EAR ON MARKET

Working in a European organisation - from a Myanmar perspective
Luther gets things done in Myanmar
Why are we talking about trust?
On behalf of the EuroCham team, we would like to thank you for your trust and we look forward to collaborating with you in 2019!

We wish our readers a happy and prosperous New Year 2019!
CONTENTS

06 SNAPSHOT
  Lifestyle of people from Dala at Blue Hour

08 UPDATES
  Relevant news and developments in Myanmar’s business environment

10 MICROECONOMY PROFILE
  Working in a European organisation – from a Myanmar perspective

12 INTERVIEW
  The EU, Brexit and a shifting world order
  An interview with Hans van Baalen, President of Alliance of Liberals and Democrats for Europe (ALDE)

18 SUCCESS STORY
  Luther gets things done in Myanmar

20 BUSINESS
  HEALTHCARE
  Pioneering logistics and insurance for medical supplies

22 BUSINESS
  HEALTHCARE
  Healthcare industry seeks to fight off illicit trade, develop human capital

24 EAR ON MARKET
  Why are we talking about trust?

26 EVENTS ON REVIEW
  EuroCham Business Confidence Survey 2018 and Business Guides 2019 Launch
  A recollection of our successful event in Yangon

28 UPCOMING HIGHLIGHTS
  Overview of key events in the upcoming quarter
LIFESTYLE OF PEOPLE FROM DALA AT BLUE HOUR

KIDS FROM Dala swim at the riverbank in the evening. This photo was taken at the old shipwreck from which they jumped into the water during high tide.

Photo by HTOOKYAWHTET
HTOOKYAWHTETTRAVEL
HTOOKYAWHTET PHOTOGRAPHY
The annual business confidence survey is a highly important tool to obtain valuable market data and has been endorsed by the European Commission. It aims to monitor economic developments and create a more transparent business environment in Myanmar. By securing actual data, EuroCham endeavours to relay the views towards the governing entities and regulatory bodies.

This year’s findings show that the most important reason for European companies to come and do business in Myanmar are the opportunities in the booming domestic market. The majority of companies remain positive on their expectations of operational changes over the next three years. A larger share of European companies is planning to reinvest in Shan State and Ayeeyarwady Region, whereas there is a decline in investment interest in Mandalay Region, Naypyidaw and Tanintharyi Region.

However, there was also some dissatisfaction. Over half of the businesses are not happy with the domestic business environment. The DICA director general reaffirmed the government’s commitment to raise Myanmar’s ease of doing business ranking.

Similar to previous years, the key challenges include regulatory issues, lack of qualified labour force and legal uncertainty.

Among the data, there are six key sets of findings which companies should be aware of.

Firstly, 81% of the European companies rate Myanmar’s business environment as “poor” or “needs improvement”, compared to 76% in 2017 and 67% in 2016. Secondly, 45% of the firms responded that in the last 12 months the overall business environment “decreased” or “greatly decreased”, compared to 30% in 2017 and 18% in 2016. Thirdly, 47.3% of firms diverted from set up its business in Myanmar as a local subsidiary, specifically in a form of a limited company. Fourthly, economic nationalism in Myanmar negatively affected 48% of the surveyed companies, a positive decrease of 6% in comparison with 2017. Fifthly, 37% of the surveyed companies in 2018 are profitable, against 41% in 2017 and 50% in 2016. Last but not least, 42% of the surveyed companies were negative about the changes in the Kyat values against the US dollar. In comparison with last year, only 27% of the participants were negative about that.

The full survey and the business guides are available for free on EuroCham website.

**MYANMAR’S GROWTH**

Growth momentum remains strong despite the broader headwinds on a global scale, and the country is expected to reach 6.6% growth by next year, the latest World Bank report said.

The World Bank published its bi-annual economic assessment of Myanmar in December 2018. It found that while macroeconomic volatility has intensified as Myanmar continues to navigate significant uncertainty and risks at home and abroad, the country maintains relatively strong growth momentum by global and regional standards.

Real GDP is projected to moderate to 6.2% in 2018–19 from 6.8% in 2017–18. In particular, agriculture growth remains strong and stable at 1.2% and some service sub-sectors like telecommunications are growing robustly. This is offset by slowing growth in manufacturing, construction and transport sectors driven by slowing investment, rising production costs and weakening domestic demand.

The national currency Kyat depreciated 11% against the US dollar between April and October last year, having an impact on inflation, which is expected to climb to 8.8% in 2018–19 from 5.4% in 2017–18.

“Investors believe that the recent slowdown in commitments may reflect uncertainty in the investment climate related to the Rakhine crisis and weak reform momentum,” the report highlighted.

In the medium-term, the macroeconomic outlook projects a recovery to 6.6% by 2020–21, supported by an expected pickup in foreign and domestic investment which is catalysed by a number of recent policy measures.

**New ministry to speed up investment process**

**IN AN effort to drum up foreign investments into Myanmar, the government established a new ministry to oversee investment process and foreign aid support.**

Last month, the government set up the new Ministry of Investment and Foreign Economic Relations. Swiftly approved by parliament, the new ministry is headed by career diplomat U THAUNG TUN, who is also chair of the Myanmar Investment Commission (MIC) and National Security Adviser. The new minister is a full member of Daw Aung San Suu Kyi’s top cabinet.

One of the new body’s key responsibilities is to streamline the entire investment process through a single-window system. The single-window system should eventually allow businesses to apply for and complete all related procedures and licences through a one-step centre. This, ideally, should model on the One Stop Service Centre in Thilawa Special Economic Zone. The centre has representatives from all relevant ministries and the process is straightforward and efficient, without the need for businesses to approach individual departments.

In addition, the business community is hopeful that the ministry will ensure that all proposed regulations and bills related to the private sector would be properly consulted on. The Directorate of Investment and Company Administration arranged public consultation on the draft Involuntary Resettlement Law and invited input from 204 MSIs and stakeholders before the proposal was approved by the cabinet or sent to the legislature, and businesses hope the ministry will do so for all relevant draft regulations.

The ministry took over two existing departments - the Directorate of Investment and Company Administration and Foreign Economic Relations Department - from the finance ministry. This is the latest effort by the government to jump-start the economy policy. U THAUNG TUN, together with the new finance minister U SOE WIN and deputy finance minister U SET AUNG, are seen as the key drivers behind the country's economic reform.

In November, State Counsellor Daw Aung San Suu Kyi visited Singapore to woo regional investors at the 2018 ASEAN Business and Investment Summit. "We would like investors to view investing in Myanmar as investing in the future of ASEAN," she urged.
Can you tell us about yourself?

I am KO PHYOE, from a small township, Kyaukpadaung in Mandalay Region. I spent my early years in a public school and a government university in my home region, studying part-time and graduating in 2017. Meanwhile, I moved to Yangon in 2012 and started working for a tour operator at the Ahlone & Botahtaung seaport for seven months. After that, I changed my career direction and moved to the hospitality industry for a year. I then began working in an outbound tour company as a manager, for a total of 3.5 years, before joining the current employer. I have been working for a European organisation for more than 18 months by now.

What is your role in the organisation?

I am involved in market research and business development reports for clients, as well as communication and coordination.

What is your experience so far working for a European organisation?

The diversity of the employees is also awesome. With so many colleagues from different European countries, I am positively struck by the differences and diversity. This multi-cultural environment reminds me of Myanmar in fact!

Did you face any cultural differences working for a European organisation?

Right now, I am focused on improving my English fluency and proficiency, but I’d like to pick up another European language in the not-so-distant future. If I have to choose now, I’d pick either Spanish or French, because both are widely spoken across the world. With Spanish, I could navigate most of Latin America, for example.

What do you like most about Europe?

I appreciate the country music in Italy and Ireland. The Irish folk song ‘Nancy Mulligan’, for example, is among my all-time favourites. I also love European food and the fact that some of the delicious dishes are not that hard to make. It is a pleasant surprise, in recent years, to realise that some popular dishes could be made with a simple recipe, such as salad dish. This requires quite a short preparation but still very tasty!
INTERVIEW WITH HANS VAN BAALEN

ILATERAL RELATIONS

between the European Union and Myanmar has recently been a rocky ride. Given the extremely challenging political conditions in Myanmar concerning the ongoing Rohingya crisis, the EU has not signed the investment protection agreement (IPA) with Myanmar.

In September 2017, the Committee on International Trade of the European Parliament announced that it has postponed its visit to Myanmar, which was meant to finalise the EU-Myanmar investment agreement. Businesses still hope that the deal could be inked in the future. The conclusion of an ambitious agreement would have provided the necessary guarantees for European investors in Myanmar, and vice-versa, as well as promote responsible investments from the bloc to contribute to the country’s economic growth.

With this backdrop, EuroMatters sat down with Hans Van Baalen MEP, President of Alliance of Liberals and Democrats for Europe (ALDE), to talk about Europe’s future. ALDE is the European Parliament’s liberal-centrist group and a major transnational alliance of liberal politicians across Europe.

Hans Van Baalen was elected President of ALDE on a two-year mandate on November 21, 2015 at the Party Congress in Budapest, Hungary. He has been a Member of the European Parliament since 2009. Before that, he was a member of the Dutch parliament from 1999 to 2002 and from 2003 to 2009. He was also the President of Liberal International between 2009 and 2014. Between 1988 and 1998, he was managing director of Deloitte.

The interview took place at a time where Myanmar is caught at a critical juncture regarding its political and economic transition, of which the EU has provided important economic and political support.

EU aid plays an active role in Myanmar’s development. The bloc is currently supporting Myanmar’s government with an allocation of €688 million aid under the Multi-annual Indicative Programme 2014–20. The EU’s support for the country’s reform process focuses on four key sectors: rural development, agriculture and food and nutrition security (€241 million), education (€241 million), governance and rule of law (€96 million), and peacebuilding support (€103 million). In addition, Brussels has around €45.5 million worth of ongoing projects - covering development assistance and humanitarian aid - targeting, for instance, livelihoods, education and resilience in the troubled Rakhine State.

In terms of trade, Myanmar currently benefits from the EU’s Generalised Scheme of Preferences (GSP), which gives least developed countries (LDCs) customs-free and quota-free access to the world’s largest market for all products except weapons. This traces back to 2013, when Brussels reinstated GSP for Myanmar as a means to provide political, economic and social support to help the country move towards democracy. Since then, Myanmar exports have benefitted hugely from such access and export sectors such as garment have grown robustly year after year, creating hundreds of thousands of job opportunities.

Total trade between the two partners equalled €2.09 billion in 2017. The EU, Myanmar’s sixth biggest trade partner, imported goods worth €1,558 million from the frontier economy and exported goods worth almost €540 million to the growing market. EU imports from Myanmar are dominated by agricultural products and garments.

But the ongoing Rohingya crisis looms large in the country and beyond. Despite efforts from the international community to help resolve the humanitarian challenges and address very complex issues surrounding the crisis, Myanmar’s situation has not progressed as anticipated by EU officials. As a result, EU Trade Commissioner Cecilia Malmström on October 3 last year announced that the bloc was considering ending Myanmar’s trade privileges due to the alleged human rights violations in northern Rakhine. A decision would be reached within this year.
INTERVIEW WITH HANS VAN BAALEN

Joining the AEC, European businesses will find it easier to do integration. Thus, with a EU-Singapore FTA and Myanmar, businesses expect to see improvements in infrastructure, environment and hence make it easier to do business.

Many European investors enter Myanmar via their Singapore subsidiaries. The FTA with Singapore would open up the Myanmar market for EU investors indirectly. As Myanmar is set to join the ASEAN Economic Community (AEC) soon, integration would upgrade the country’s regulatory environment and hence make it easier to do business. Businesses expect to see improvements in infrastructure, transparency and regulation of industries following the integration. Thus, with a EU-Singapore FTA and Myanmar joining the AEC, European businesses will find it easier to do business in Singapore and also take advantage of Myanmar’s greater openness.

In the long run, the AEC integration will allow Southeast Asian countries to harmonise regulations and economic strategies, recognise each other’s professional qualifications, and consult more closely on macroeconomic and financial policies.

More significantly, the EU and Japan concluded negotiations on a free trade pact last month, paving the way to establish the world’s largest open economic area. The deal, combining the 28-nation bloc and the world’s third largest economy, will remove EU tariffs of 10 percent tariffs on Japanese cars and the 3 percent rate typically applied to car parts. For the EU, it will scrap Japanese duties of some 30 percent on EU cheese and 15 percent on wines as well as allowing it to increase its beef and pork exports and gain access to large public tenders in Japan. The EU is also hoping to seal free trade agreements with the Mexico and the Mercosur bloc of Argentina, Brazil, Paraguay and Uruguay. In addition, it remains interested in a deal with ASEAN, after talks were shelved in 2009.

But multilateral cooperation is not all smooth and orderly. For Europe, US President Donald Trump’s unorthodox approach to diplomacy and international politics presents a major risk.

“The breakdown in negotiations for a free trade agreement between the EU and the US is a missed chance. Although President Trump is a rather unconventional president with an ambiguous attitude towards Europe, we need to reinvent the Transatlantic relationship and find new ways for political and economic cooperation,” Hans van Baalen said.

Brexit

Among the most immediate challenges, it is Brexit and its implications for the EU which Hans van Baalen emphasised.

In June 2016, people in the UK voted to leave the European Union in a referendum, causing a major upheaval in the geopolitical landscape across the region.

“Europe finds itself in unchartered waters. For the first time in the history of European integration, a country wants to leave the Union. Brexit is going to have a major impact on the EU,” Hans van Baalen said.

Citing Britain’s status as the world’s fifth biggest economy and a permanent member of the United Nations Security Council, Hans van Baalen said the UK has strong political, economic and historical ties with the continent.

As the second largest economy within the bloc, the UK is also an active player in upholding the multilateral order and has a history of championing free trade. China and Japan, two of the world’s three largest economies, have expressed worries about the potential economic turmoil from a disorderly departure, as well as losing Britain’s supportive voice for free trade within the EU.

“If the UK leaves the EU without a deal, it will be a lose-lose situation for both Britain and the EU,” Hans van Baalen warned. The key, he argued, is to fight for “a workable deal between the EU and Britain, which promotes trade and guarantees the rights of EU citizens in Britain and vice-versa.”

Assuringly, British cabinet ministers have publicly said that their parliament will not allow a no-deal Brexit to take place as a majority of the lawmakers are opposed to no deal.

Beyond the short-term arrangements, Prime Minister Theresa May has already committed “to achieving a deep and special partnership with the European Union”. But with only less than three months until Britain is due to leave the EU, there are still critical questions over the long-term future of British-EU economic cooperation and of London as the bloc’s pre-eminent financial centre.

On a broader scale, however, the UK is expected to side with Europe on upholding the rules-based international order, rather than embracing Donald Trump’s anti-globalism stance. “We have seen what happens when the natural patriotism which is a cornerstone of a healthy society is warped into aggressive nationalism, exploiting fear and uncertainty to promote identity politics at home and belligerent confrontation abroad, while breaking rules and undermining institutions,” Mrs May already warned.

For Hans van Baalen, another big challenge for Europe is the instability at Europe’s borders. The EU is surrounded by unstable states in the south, in relation to north Africa, and authoritarian regimes in the East, notably Russia and Turkey.

So, as a father, what kind of Europe does Hans van Baalen envision for the next generation? “For my son Robert, the EU should offer opportunities and not obstacles or bureaucracy. He should be able to feel both Dutch and European in a free, prosperous and safe Europe.”
SUCCESS STORY

Luther gets things done in Myanmar

In every edition, one of our partner members has the opportunity to be featured in the Success Story, wherein the details of an international investor coming to Myanmar are covered. We are granted with a unique take on the challenges faced, as well as with an illustration of the potential they recognise which has motivated them to expand into Myanmar.

The latest World Bank index ranks Myanmar as the worst place in ASEAN to do business. Geopolitical uncertainties, meanwhile, have considerably dampened investor confidence in the country. But there are those who remain faithful. Luther believes that the risks and challenges in Myanmar do not outweigh the opportunities, for the forces of liberalisation, economic reform and technological progress which have brought Myanmar to this point are不可小视 compared with their potential to enrich the lives of millions of families across the country.

As the government in Naypyidaw seeks foreign expertise to change Myanmar for the better, for Luther it is time to seize the opportunities to deliver prosperity and growth for the benefit of the country’s people and businesses, now and for generations to come.

The law firm decided to enter Myanmar in 2012. Luther Corporate Services Limited was incorporated in 2013, followed by Luther Law Firm Limited in 2015. Since then, Luther has become one of the few prominent foreign law firms in this country.

EuroMatters sat down with Luther’s resident managing director and partner, Mr. ALEXANDER BOHUSCH to understand how their business expanded in Myanmar and what potential the local market represents.

In the wake of the seismic shift in Myanmar’s politics and economy a few years ago, Luther chose to make an entry to assist foreign investors with their business activities in this frontier economy.

“Our first office was located in downtown Yangon and run by a small team of four foreign and local lawyers and accountants. Since then, our team has rapidly grown, with more than 50 German, French and Myanmar lawyers, corporate secretaries, accountants and tax advisers providing the complete range of legal and tax advice as well as accounting, payroll and corporate secretarial services,” Mr. BOHUSCH said.

The law firm is now advising clients in all stages of the business lifecycle, namely, from the establishment of a Myanmar business presence, through ongoing legal and tax advice, corporate secretarial services, bookkeeping, accounting and payroll up to the dissolution of a business. It helps their clients implement legal, tax and corporate compliance structures, allowing the clients to focus on their day-to-day operations.

Today, Luther boasts more than 400 clients from nearly all key sectors in Myanmar, comprising of multinationals as well as small and medium-sized enterprises (SMEs), international investors, embassies, NGOs and domestic businesses.

Pioneering new laws

While the firm’s initial focus was on corporate and regulatory compliance and commercial law, its team has meanwhile been engaged in various transactions, including equity investments of private investors and development banks, acquisitions, joint ventures as well as some of the largest financing transactions in Myanmar’s history.

“What makes Myanmar special is the opportunity to test new laws and regulations, and our clients are often the first to register under new laws and regulations, establishing new legal forms previously not available, or entering new sectors formerly prohibited for foreign investments,” Mr. BOHUSCH continued. For example, Luther’s clients have registered the first 100% foreign-owned wholesale trading company in Thilawa Special Economic Zone (SEZ) and the first joint-venture motor vehicle showroom.

Over the last three years, Luther has experienced changes in the investment landscape. Notably, there has been a decrease of new investments, particularly from foreign SMEs. But transactions with existing Myanmar businesses, both in the form of acquisitions as well as foreign financing, have increased considerably. Over time, the law firm has also become more involved in the non-profit sector.

“While we, of course, hope to see a resurgence of European investments to take advantage of the latest legal reforms, particularly in the trading, insurance and finance sectors, we expect a continued focus on the implementation of international compliance standards required by foreign investors, particularly as a result of the recent increase of foreign investments into existing Myanmar businesses,” the lawyer explained.

Myanmar is not a broad, sunlit upland for foreign businesses - the market has its unique set of challenges. 2017 has seen a few exits, including American Herzfeld & Rubin PC and UK-headed Berwin Leighton Paisner (BLP).

“Due to the conflicts in Rakhine State and the resulting reputational damage for Myanmar, difficulties with the implementation of new laws and compliance with the rule of law, as well as the continuing lack of transparency in administrative procedures, the last two years were quite challenging for many foreign law firms in Myanmar,” he added.

The focus of Luther’s advisory services is, however, different, and it manages to continue to grow and expand the client base.

New opportunities and changes

Since taking office in 2016, the NLD-led government under DAW AUNG SAN SUI KYI primarily focused on the peace and reconciliation process between the country’s ethnicities. That does not mean that no progress in economic reform has been secured. In fact, the administration has implemented the two landmark legislation - the new Investment Law and Companies Law - and rebooted the Myanmar Investment Commission and created the Ministry of Investment and Foreign Economic Relations.

Mr. BOHUSCH highlighted the Myanmar Companies Online (MyCO) registry system of the Directorate of Investment and Company Administration (DICA) and streamlining of administrative processes as well as the liberalisation of various sectors, such as wholesale and retail trading.

Under DICA’s new online registry system, the incorporation of a company can now be done within one working day, bringing Myanmar on even-level with leading investment hubs like Singapore. This represents a significant step forward for the business environment.

“We hope that the government will continue this positive trend, particularly on an administrative level, by reforming other departments such as the Internal Revenue Department and the land registries. The recent establishment of the new Ministry for Investment and Foreign Economic Relations shows the government’s commitment to further support the development of an open and fair market economy, which should strengthen investor confidence in the coming years,” the lawyer emphasised.

Despite administrative hurdles and political challenges, this frontier economy has vast potential for European investors in a wide range of industries. Clients in sectors previously closed to foreign investments, such as wholesale and retail trading, education, finance and insurance welcome the recent steps taken to liberalise investment restrictions.

These steps, combined with the possibility to acquire or invest into existing Myanmar businesses permitted under the new Companies Law, spell positive and meaningful changes for foreign players. Therefore, Luther noticed a resurgence of investor interest to enter Myanmar.

“That being said, European investors have to understand the numerous challenges still existing in Myanmar, be it legal restrictions such as land ownership, non-transparent administrative procedures and a weak rule of law, or unfamiliar customs and the general lack of experience in international business practices.”

The key, Mr. BOHUSCH stressed, is to manage expectations and understand that most investments here need to have a long-term vision.

“Myanmar offers huge opportunities for investors from all sectors, but it is important to understand the current limitations and manage expectations. Most European investments will require a long-term commitment to Myanmar’s developing market, which may not yet provide the infrastructure, skilled labour or customer purchasing power to yield short-term or even mid-term profits,” he remarked.

SUCCESS STORY

SUCCESS STORY

SUCCESS STORY
Modernising Myanmar’s hospitals and clinics

As the country emerges out of isolation and dictatorship, Myanmar’s authorities have been consistently endeavouring, with limited resources, to jump-start its severely under-funded healthcare system. The network of hospitals and clinics require enormous investments, either from companies or from the government’s expenditure, before the hardware and software could serve the needs of the country’s burgeoning population.

Progress has been secured. The World Health Organisation (WHO) said that infant mortality rate (IMR), under-five mortality rate (USMR), and measles, mumps and rubella (MMR) all declined that infant mortality rate (IMR), under-five mortality rate (USMR) and measles, mumps and rubella (MMR) all declined.

Over the last three years, the group has already expanded to various parts of the country. In Yangon, PHSH currently boasts a flagship hospital in Hlaing Tharyar, a clinic in Botataung and Thanlyin’s StarCity. Beyond the commercial capital, it has a clinic in Shan’s Nyaung Shwe and a hospital in Mandalay.

Last year, PHSH acquired the sixth establishment with the purchase of a majority stake in a southern Shan hospital for US$4,900,000. Following the acquisition in September, a new JV has been established. PHSH will operate and manage the hospital, with Yoma Siloam Hospitals Pun Hlaing holding 70% interest and Dr Tun Aye, the local partner, holding 30% of the JV.

SEIN Hospital, located in Shan’s capital Taunggyi, is a 100-bed hospital covering 0.46 acres of land, and provides primary to secondary medical services including surgical procedures, laboratory services, imaging as well as general healthcare and diagnostic services. The blueprint is to develop the existing hospital into a PHSH-branded complex by increasing the number of beds and upgrading the facilities, and hiring specialist doctors and medical professionals.

For U Tun Tun, FMI’s COO, the Taunggyi acquisition is to build up a hospital network across the country and that his group is "looking towards expansion into other cities in due course".

Better services and information

Over the past few years, urbanisation and economic growth have both given more people access to better health services and information, a process supported by European expertise.

DGKH Myanmar boasts more than 2,700 specialist employees in Myanmar and has been present since 1996. Its portfolio here includes consumer goods, healthcare, performance materials and technology. The Swiss multinational has a strong network throughout the country, with the head office in Yangon and branches in Mandalay, Myitkyina, Taunggyi and Mawlamyaing.

"We may start to see the average life expectancy grow in line with other countries and most importantly, the population will see an improvement in quality of life."

In order to realise this vision, however, the software in the hospitals and clinics matters.

For U Thiri Hnauk, deputy chief representative of B. Braun Melsungen in Myanmar, the sector benefits from a better infrastructure but the lack of competence for nurses and doctors are serious challenges.

He said hospitals have started to invest in quality equipment but they do not have the human capital to operate the equipment in a proper way. The competence of medical staff is undermined by the lack of incentives to learn new techniques and modern medicine. This is due to the "very low salary" for the employees and the trend that healthcare workers are moving abroad for better career prospects. "Nowadays however, we see these services available in regional centres as well, which ensures that more patients have access." This is in everyone’s interest, because more patients are diagnosed early-on and treated appropriately.

DGKH is involved in helping Myanmar to improve the treatment for strokes. The company is working with several hospitals to help develop the protocols that will safeguard that those patients who are hospitalised because of a stroke are promptly and effectively diagnosed and treated. "In many cases, if they are treated appropriately and quickly, they may be able to walk out the hospital with no permanent disability," Mr. Wray added.

The opening up of the economy and growth are not the only key catalysts. Urbanisation – where cities grow and people move from rural to urban areas – will provide more and better health services to a bigger proportion of the population in the years to come.

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Pioneering logistics and insurance for medical supplies

A TOTAL OF 2.12% of Myanmar’s GDP was spent on health in 2017. A report last year showed that, however, health spending is forecasted to grow from US$1.47 billion in 2017 to $2.36 billion in 2022. It is a significant increase, though the amount is still dwarfed by spending in other ASEAN countries.

It was MAHATMA GHANDI who said: “A nation’s greatness is measured by how it treats its weakest members.” Despite the limited resources, paramedics, doctors, nurses, community health staff, managers, IT workers and support staff across the country all work together to save lives and provide the best care possible.

But the difficulty in transport and logistics has proven to be a major hurdle for them, as well as for the broader pharmaceutical and medical supply sector.

PHILIP WRAY, vice-president of DKSH, said the underdeveloped transport and energy infrastructure creates many challenges in logistics.

For one, moving products within Yangon is difficult due to the increased traffic volume, while moving products to the rest of the country also has its fair share of challenges.

“Poor roads, insurgent activity, the sheer size of the country and the changes in temperature, from 40 degrees in the south to minus ten degrees in the north, create their own challenges in ensuring that medicinal products reach their destination in excellent condition,” Mr Wray explained.

Most medicines must be kept in a temperature- and humidity-controlled environment to maintain their effectiveness. Cold chain products, like vaccines and other injectables, need to be maintained in temperatures between two to eight degrees, and diagnostic reagents need to be maintained below minus 20 degrees.

European companies such as Zueilig Pharma play a big role in ensuring the appropriate storage conditions by bringing innovative packaging solutions into the Myanmar market. Zueilig Pharma recently launched its eZCooler solution. eZCooler significantly extends the storage time of temperature-sensitive products in transit from two days with a traditional system to five days.

Zueilig Pharma Myanmar’s general manager FREDERIK MEERHOFF said, ultimately, eZCooler helps drive healthcare access in Myanmar.

“The eZCooler has been developed using a unique thermal isolation system that maintains the specific temperature of a product for up to five days, ensuring greater reach for these products across Myanmar – particularly to the hard-to-reach remote or rural areas,” he told EuroMatters.

As a distribution company, DKSH must ensure that its products are delivered in the appropriate conditions at all times. “Recently, one of our clients partnered with the health ministry to provide insulin to patients in more rural areas, bringing state-of-the-art life-saving treatment options closer to more people. We are required to validate our distribution at least once per year, using temperature-logging devices on every route the products follow,” he went on.

Mr Wray also highlighted a few aspects of the logistics challenge. Getting products to the border areas is hard, especially for emergency life-saving products. The use of unmanned drones to deliver these products and other products, like blood or plasma, is currently under assessment.

Secondly, the underdeveloped energy infrastructure makes the storage more difficult. Maintaining warehouses, large industrial refrigerators and freezers within their required temperatures is difficult, as it is often unreliable at times. The cost of running multiple generators is also very high. DKSH urged Myanmar to establish reliable energy supply as soon as possible.

Thirdly, as the country moves towards the government’s objective of securing Universal Health Policy, it will be critical that the entire population of Myanmar have access to the required quality-standard medicines.

Logistics does not only concern the efficiency and cost-effectiveness of the sector. It is critical to the efforts at root illicit pharmaceuticals as well as other forms of illicit trade which prosper from vulnerabilities in the supply chain and weaknesses in regulation.

According to JEFFREY HARDY, director-general of business-initiative Transnational Alliance to Combat Illicit Trade (TRACIT), a well-regulated and secure supply chain, as well as effective law enforcement, can help deter the trade of fake medicines.

Better logistics

A recent development means products can come to the country in a secure way. Myanmar’s first Special Economic Zone (SEZ) in Thilawa, southern Yangon, has taken active steps to bring in foreign expertise and technology to ensure the reliability and security of imports from abroad.

These upgrades represent a window of opportunity for pharmaceutical and medical suppliers who trust international management systems. Daizen’s logistics centre caters for ‘first-in, first-out’. Its barcode scanners prevent incorrect dispatch which is especially vital for pharmaceutical and medical equipment suppliers.

In addition, Myanmar’s transport ministry tested a pilot project using semi-trailer swapping with bonded cargo, with the cargo electronically sealed at Myawaddy Customs and transported to Thilawa Customs for physical inspection. This reduced the time needed to reach Thilawa from Thailand by half, compared to conventional road freight and also eliminated the need to transload at the border. The trial was conducted by Myanmar International Freight Forwarders Association (MIFFA), Daizen and Malaysia-based Overland Total Logistic Services (OTL). Mr Wray emphasised that this represents a safe alternative to ocean freight for a wide range of suppliers, especially European companies active in Thailand.

Outside the SEZ, however, there remain unique challenges for transport in pharmaceutical and medical equipment industries in terms of product characteristics and logistics requirements. Regional hubs have no cold chain facilities, making it imperative for deliveries to be stored in major cities, with a long lead time.

Temperature-sensitive products require cold chain solution which is still scarce in Myanmar. Meanwhile, medical suppliers demand a high-quality operation, i.e. low % of delivering wrong products, expired products, getting the level of stock right etc. Different from some other consumers products, delivery of wrong medication, or expired products, can in extreme cases lead to loss of life.

Insurance yet to take off

Another bottleneck for the sector is the insurance industry. Apart from the SEZ, the insurance sector is closed off for foreign service providers. This is set to change as the finance ministry plans to grant foreign insurers licences later this year.

A new health insurance scheme was introduced in mid-2015, but take-up was minimal, with fewer than 2,000 applications after six months of operation. Revision of health insurance in 2016 did little to encourage growth. The choice for low and middle-income people remains very limited.

“In practice, every insurance obtained by a foreign insurance provider will be valid in Myanmar only if it has been reinsured by the Myanmar Insurance,” NISHANT CHOUDHARY, co-chair of EuroCham’s legal advocacy group, said. It is therefore crucial for the insurance market to open its door to foreign investment. Liberalisation will not only increase the inflow of foreign capital in the country, but would also bring technology and expertise which current players are lacking.

Specifically, health insurance is one sector which has been on a watch of foreign investors for a long period of time, the lawyer added. It is important for the health insurance market to open up to enable quality hospitals and facilities in Myanmar. Mr Choudhary explained that “it’s a general understanding that cost of procuring insurance becomes cheaper if the insurance company’s pool is larger.”
Healthcare industry seeks to fight off illicit trade, develop human capital

Myanmar has secured solid progress in some areas. It is taking huge steps in the fight against HIV, hepatitis C and preventable death among people who use drugs, according to a new report from Harm Reduction International released last month. The Global State of Harm Reduction 2018 shows that since 2016, the country has dramatically scaled up harm reduction measures, such as needle and syringe programmes (NSP) and opioid substitution therapy (OST). Both are evidenced to prevent the spread of blood-borne infection. Access to good healthcare and education are important prerequisites for sustainable economic growth. Since Asia’s last frontier - as Myanmar is known - started to reform its feudalistic economy in 2011, international players have established operations in major cities to tap into the opportunities. This includes Philips, Zelleg, Roche, Philips, DKSH and Sanofi.

Having set up its Myanmar offices in 2015, Philips currently sells a portfolio of healthcare products and solutions across the region. This includes medical equipment, software and services to support the diagnosis as well as treatment and after-care of patients. According to scientists at the University of Edinburgh and the London School of Hygiene and Tropical Medicine, between 72,000 and 169,000 children may be dying from pneumonia or diarrhoea, or from infections caused by substandard pharmaceuticals. Illicit trade in falsified and substandard pharmaceuticals is thus a “serious public health threat, and no country is spared,” said Jeffrey Hardy, director-general of the Transnational Alliance to Combat Illicit Trade (TRACIT), warned. In the case of Myanmar, illicit pharmaceuticals present a serious risk to lifesaving medicines, including those used to treat malaria, cancer, heart disease and other serious illnesses.

The Economist Intelligence Unit’s Global Illicit Trade Environment Index released last year - which measures the extent to which countries enable or inhibit illicit trade – ranked Myanmar 82nd out of 84 countries evaluated, at the bottom in both ASEAN and Asia Pacific. Apart from Iraq and Libya, Myanmar suffers from the poorest structural capability to effectively address illicit trade internationally, the report said. This proves to be near-fatal for the pharmaceutical industry.

The shortage of human capital is a serious public health threat and no country is spared.
People often talk about the fact that there is a trust crisis in the world. This has been largely true for many years with only a quarter of the population trusting the brands in their country.

Trust matters because trust equals:
- More people who want to buy your product
- A greater willingness to pay a premium
- Stronger brands
- Better market results.

In this connected, post-truth world, the default is suspicion, not acceptance.

Social media is rife with examples of consumers questioning the role that technology and brands play.

In this highly sceptical environment, trust is the new currency. Those who fail to nurture it can lose out. To regain trust will require marketers to be brave, to eschew bad habits and go back to basics.

Companies, therefore, face a crisis: how can they build and maintain trust and authenticity in this rapidly changing world? How can their relationships with their customers become consistent and meaningful?

It’s not enough to see trust as the outcome of everything we do. Now we have to facilitate it.

Traditional media remains more trustworthy than online and social media.

As traditional media sources are facing greater pressure as trusted sources of reliable information, in a climate of rising fake news phenomena, where does Myanmar stand?

While one in two people in Myanmar will use the internet and social media more in the future, today two thirds indicate television as their most trustworthy information source - especially in secondary urban, and rural areas, followed by print newspapers and journal, in particular in metropolitan Yangon and Mandalay.

Considering specifically social media, is your content relevant and trusted?

It is crucial that content planning for your target is not simply based around the wide reach of a network as is the case for social media in Myanmar. Brands not only need to improve the way that content relates to their customers in the moment, but they also need to work harder to build trust among the 50% of people in Myanmar (vs 35% global average and 26% emerging Asia average) who think most of the information on social media is unreliable.

Staying true to brand principles among all of the shouting is key with social media, especially when 23% (vs 31% global average and 34% emerging Asia average) believe brands should take a stance on key issues.

Myanmar consumers show greater trust and openness to sharing personal information with brands, businesses and government than in other markets.

Can your customers trust you with their data?

In a relatively short period of time, connectivity has changed our lives fundamentally as more and more activities go digital. Consumers are increasingly aware, however, of how much personal data they are sharing with brands as a result of these activities and are growing wary of how the data is being used.

Kantar TNS Connected Life survey covering 60 countries reveals that globally, 40% of people are concerned about the amount of personal information that companies know about them, compared with 31% in emerging Asia on average.

In Myanmar, only 12% of people share this concern. This is a reflection of the relatively nascent experience for most in the frontier economy with regard to personal data use, however the insight from other countries also provides direction for companies and marketers to respect and be mindful of how data that is collected about consumers or customers in Myanmar is used.

Trust in big global brands more pronounced in emerging markets.

More than 54% of people online in Myanmar have more trust in products from big global brands than smaller local brands. Whereas in developed countries, big is usually bad - "big pharma", "big four accounting firms", big is tainted as big brands have been part of the socio-political system. The erosion of trust in the system has also led to small being more trustworthy.

In emerging markets like Myanmar, big brands have been distinct from the socio-political system, and in many cases the system has not been trusted, and big brands have often been a more credible alternative. When the system does not provide a safety net, trusting big brands is easier than trusting small brands.

Additionally, notions of trust change with disruption and discontinuity - whoever thought that people would allow strangers to live in their homes or choose to live in a stranger’s home. Airbnb is a relevant example of this growing sharing economy.

Since when did financial technology become a credible alternative to traditional banks, and in markets like Myanmar may be the catalyst for increasing the banked population in the country?

Government use of personal information to provide better services.

34% of people who are online in Myanmar are confident that the government uses the personal information they know about people to provide better government services. This indicates a willingness for more people to engage with e-government services in Myanmar for efficient service delivery and engagement.

Offline touchpoints remain major information source.

Offline touchpoints continue to dominate for trusted information rather than social media in Myanmar across a range of categories.

Myanmar trails regional and global averages with regard to engaging with products and brands online with only 19% researching products before purchasing vs global average of 56% and emerging Asia average of 52%.

As familiarity with engaging with businesses and brands online increases, so too will engagement with e-commerce considering that only 7% of Myanmar online currently participates in finding and buying products online vs 26% globally average and 3% emerging Asia average.

As more people trust businesses than governments, consumers want brands to proactively fight for what they believe in and to lead the change on problems facing the world today.

References
1. Edelman Trust Barometer 2017
THE THIRD annual EuroCham’s Business Confidence Survey launched its findings on Tuesday, December 11, 2018 in Yangon’s Novotel hotel. The objective of the event was to launch and discuss the latest findings about European business sentiment in Myanmar. EuroCham also presented its 2019 Business Guides with one general and six sectorial guides on agriculture, consumer goods, garment, energy, health and manufacturing, all of which provide up-to-date, entry-level information to European companies planning to invest in Myanmar.

The keynote speech was given by H.E. KRISTIAN SCHMIDT, EU Ambassador to Myanmar, followed by a speech of U AUNG NAING OO, Director general of the Directorate of Investment and Company Administration under the Ministry of Planning and Finance. U AUNG NAING OO highlighted that “Each and every single euro of your (European) investment is your contribution to our democratic transition progress, so I do appreciate all the European investors for your interest in doing business in Myanmar.”

After the formal speeches, EuroCham executive director FILIP LAUWEREYSEN presented the key findings from the business confidence survey and the highlights of the Business Guides, followed by two panel discussions. The first one comprised Executive Directors from Camera di Commercio Italia Myanmar, German Industry and Commerce in Myanmar, CCI France Myanmar and Norway Chamber. Most participants were not surprised by the results and expected some degree of anxiety and dissatisfaction in the feedback. Accordingly, the level of investment decreased because many companies are uncertain about the future. However, the panel agreed that there is still a high demand for quality products in the Myanmar market.

The second panel discussion lent a platform for co-chairs of EuroCham’s advocacy groups to voice their views. The panelists discussed and concurred that the Myanmar government is trying to improve the overall business climate. However, they acknowledged that the survey findings come in line with the practical difficulties companies face on the ground.

The survey and the debate converged towards the idea that there are still many issues in Myanmar which affect Europeans confidence. However, the findings demonstrated that there is still a positive attitude among the European companies as they are willing to stay even through hard times.

The Business Confidence Survey and the Business guides are available for free on EuroCham website.
EuroCham Construction Forum 2019

EuroCham Myanmar, together with leading European companies represented in the Construction and Infrastructure Advocacy Group, are pleased to announce the EuroCham Construction Forum 2019. The forum will feature a diverse outlook on the construction industry in Myanmar covering topics such as:

- Infrastructure Development
- Heritage Preservation
- Building Technology

Don't miss out on this high-level advocacy event and join us in shaping the construction sector of Myanmar. The EuroCham Construction Forum offers a variety of sponsorship opportunities.

If you would like to attend, please register on our website.

Show-and-tell event by EuroCham Anti-illicit Advocacy Group

Illicit trade poses a significant challenge to some European companies, as it creates an uneven playing field by undercutting the prices of legitimate businesses, thereby discouraging foreign investment. It also not only deprives the government of tax revenue but it is a profound risk to public health and safety too.

EuroCham Myanmar, together with leading European companies represented in the Anti-illicit Trade Advocacy Group, are pleased to announce a Show and Tell event to be held in March.

The objective of this one-day event is to raise consumer and government awareness by pointing out the dangers of buying/consuming illicit products and explaining how to identify licit/illicit products.

Breakfast talk with EU Ambassador to Myanmar, H.E. KRISTIAN SCHMIDT

H.E. KRISTIAN SCHMIDT, Ambassador of the European Union to Myanmar will give insights on the business climate in Myanmar, followed by a tour de table to get an update from the private sector (business climate, new business legislation, views on government’s economic agenda).

Please note that this event is reserved for EuroCham Myanmar’s members only.

The 3rd Myanmar-EU Economic Forum

The 3rd edition of the Myanmar-EU Economic Forum will take place in Naypyidaw on the 5th of June 2019. Pencil in the date in your agendas to join us in shaping the future of European investment in Myanmar.

Joint European chamber networking

The 7 European Chambers, BritCham, CCI France Myanmar, EuroCham Myanmar, German Myanmar Business Chamber, Chamber of Commerce Italia - Myanmar, Myanmar Norway Business Council and SwedCham are pleased to invite you to the second edition of the Joint European Chambers Networking event on Wednesday 16th January from 6.30 pm to 8.30 pm at Le Cellier restaurant, Novotel Yangon Max.

Join us on this special occasion and use this opportunity to expand your network and meet new people, or simply enjoy the evening catching up with peers and business associates by the relaxing atmosphere of Le Cellier.

Breakfast networking with British Chamber Myanmar

Come and join us to enjoy some great networking opportunities with BritCham members, or simply use the evening catching up with peers and business associates. Light canapes and drinks will be served.

More information to come soon.

SAVE THE DATE!

The 3rd Myanmar-EU Economic Forum

The 3rd edition of the Myanmar-EU Economic Forum will take place in Naypyidaw on the 5th of June 2019. Pencil in the date in your agendas to join us in shaping the future of European investment in Myanmar.

Look out for our next issue for more information, or log on our website: eurocham-myanmar.org/events/upcoming
With a team of more than 50 European and Myanmar lawyers and internationally trained professionals in our office in Yangon, Luther has the competence and expertise necessary to comprehensively assist and advise our clients on all aspects of corporate and commercial law as well as regulatory compliance, including:

- Legal advice
- Tax advice
- Incorporation services
- Corporate secretarial services
- Bookkeeping and Accounting
- Tax Compliance
- HR administration and payroll
- Payment administration

Our Myanmar clients comprise of international and multinational private investors, MNCs and SMEs, Myanmar businesses and conglomerates as well as embassies, state owned enterprises, international development organizations and NGOs.

With 13 European and 7 Asian offices and partner firms, Luther is one of the top addresses among German commercial law firms. Knowledge of the market in which our clients are active is a prerequisite for providing successful advice. That’s why our lawyers and tax advisors, in addition to their specialized legal knowledge, also focus on advising clients from particular industries.