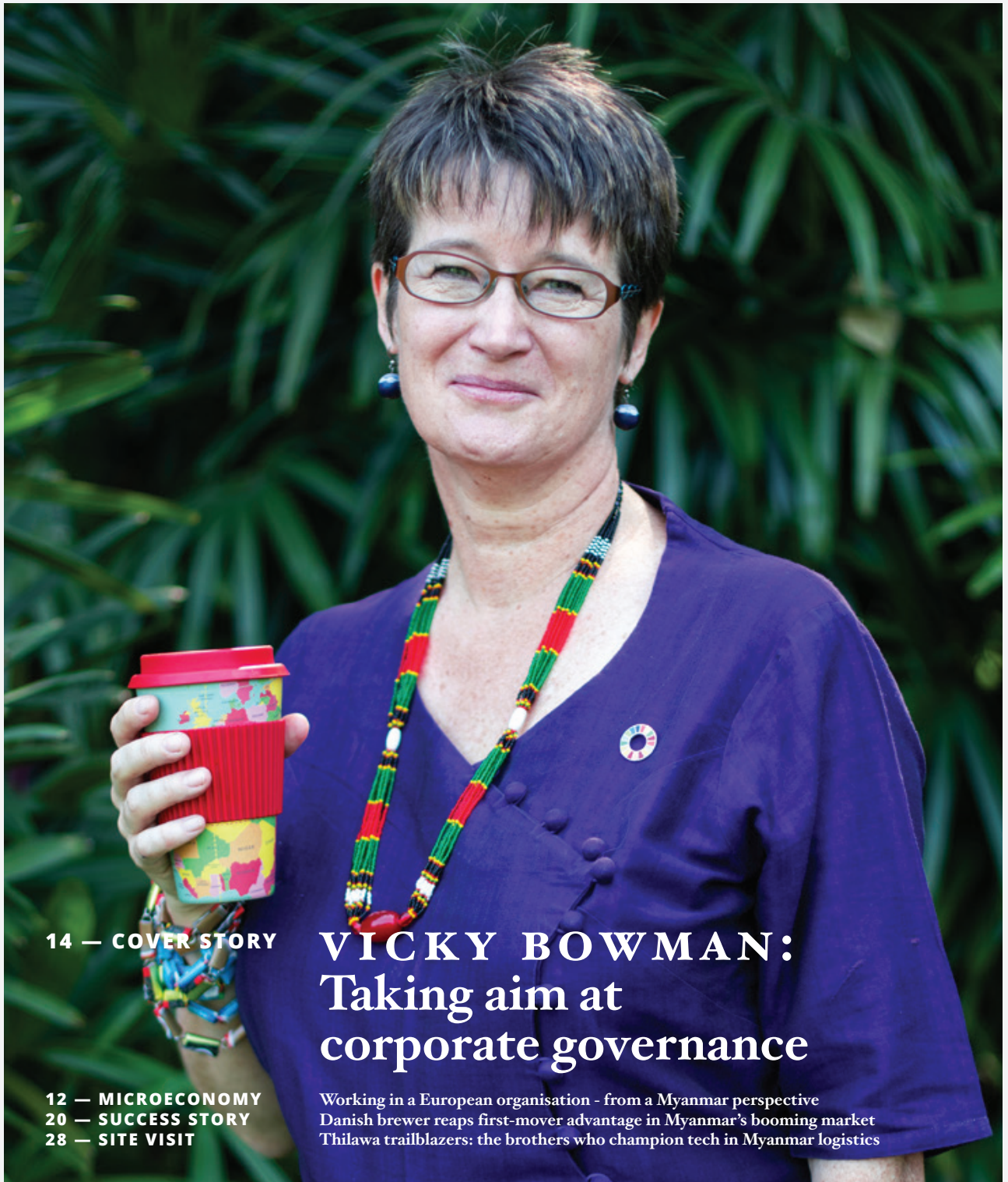


# EuroMatters



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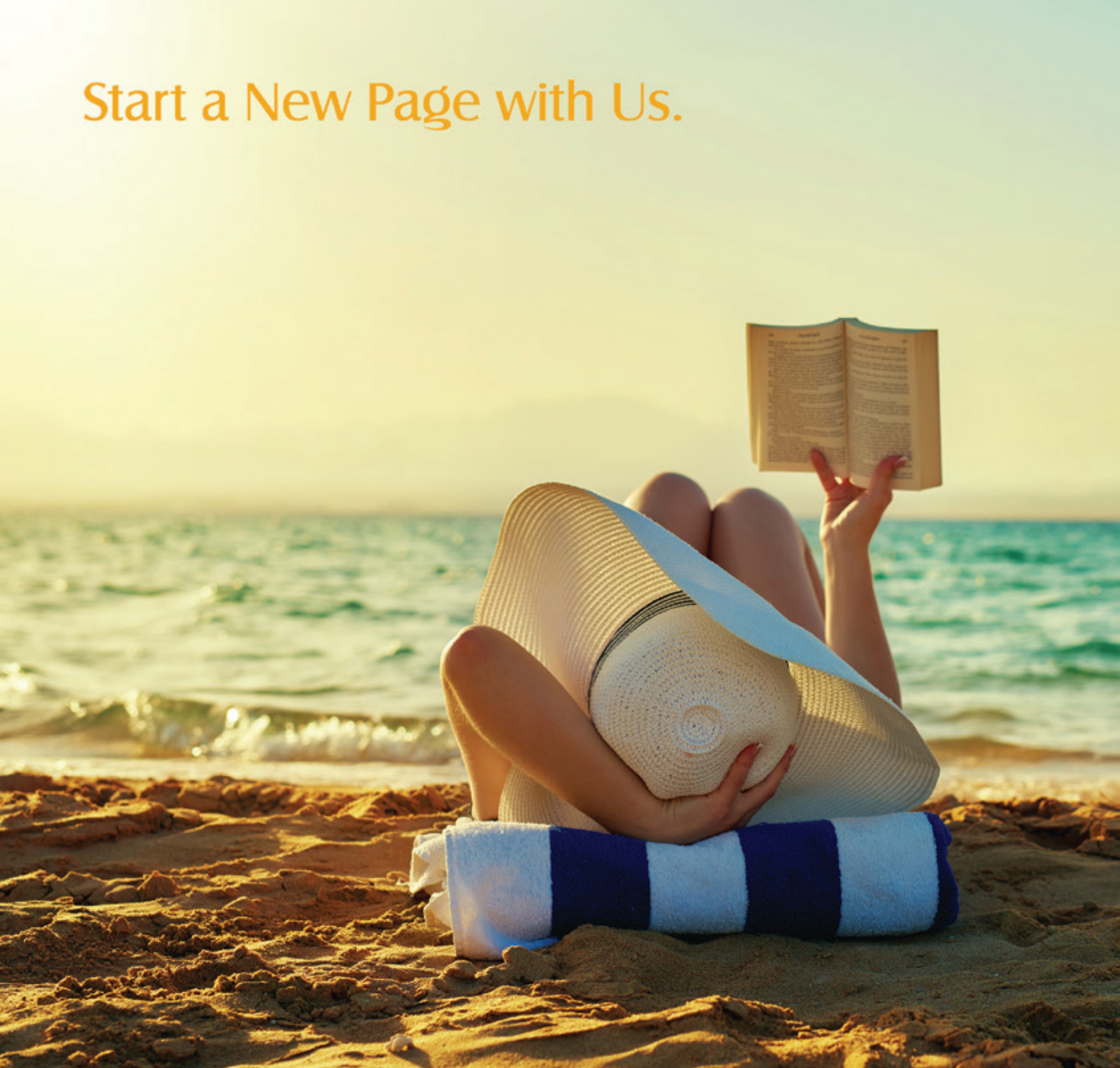
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Working in a European organisation - from a Myanmar perspective  
Danish brewer reaps first-mover advantage in Myanmar's booming market  
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EXECUTIVE DIRECTOR & CHIEF EDITOR

Filip Lauwerysen

DIRECTOR OF PRODUCTION

Laurenne Sautier

CREATIVE DIRECTOR

Richie Chan

INTERNAL CONTRIBUTORS

Amaia Garcia

Marc de la Fouchardière

Roberta Camera

PHOTOGRAPHY

Carlsberg

Daizen

Htoo Kyaw Htet Photography

Kargo

Rhenus Logistics

Win Kyaw Zaw

PRINTER

MCM

Reg. No. 00876

No. 379/383, Bo Aung Kyaw Street

Kyauktada Township, Yangon, Myanmar

ADVERTISING ENQUIRIES

+95 9 25002 0798 / +95 9 45051 8085

[info@eurocham-myanmar.org](mailto:info@eurocham-myanmar.org)

PUBLISHER

Filip Lauwerysen (02375)



**European Chamber of Commerce  
in Myanmar**

271-273, Bagayar Street  
Sanchaung township, Yangon, Myanmar

+95 9 450 582 335

[info@eurocham-myanmar.org](mailto:info@eurocham-myanmar.org)

[www.eurocham-myanmar.org](http://www.eurocham-myanmar.org)

[eurocham.myanmar](https://www.facebook.com/eurocham.myanmar)

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COVER PHOTO

VICKY BOWMAN by 10A

## MESSAGE FROM EUROCHAM

Greetings from **EuroMatters!** The leading business publication  
for executives and investors in Myanmar is proud to publish its  
fourth edition.

This time we will explore the fast-moving world of logistics.  
From roads and railways to ports and pipelines, Myanmar  
has secured exciting progress over the past few years. As the  
economy opens up to the wider world, logistics companies and  
investors are thrilled to ride on the opportunities presented in  
Myanmar connecting the country to China, India and Southeast  
Asia. The articles will look at warehouse reform, investments in  
port facilities and roads, cross-border trade and what European  
companies and other players think of the future.

Our lead story is an exclusive interview with VICKY BOWMAN  
from the Myanmar Centre for Responsible Business, who plays  
a prominent role in promoting responsible investment and  
economic reform in the country. **EuroMatters** also sits down with  
Carlsberg and Daizen Myanmar to talk about their operations  
and assessments.

In addition, we are pleased to introduce the EuroCham  
Myanmar Responsible Business Initiative. This EMRBI project  
aligns with the investment principles held dear to most of our  
chamber's members. It will support Myanmar in its growth  
trajectory, addressing sustainability, communication, equality  
and environmental protection. **EuroMatters** hopes to achieve  
more awareness for these key qualities of European trade and  
investment.

We wish you a happy Thingyan! •



**Filip Lauwerysen**

EXECUTIVE DIRECTOR &  
CHIEF EDITOR



**Laurenne Sautier**

MARKETING &  
COMMUNICATION HEAD

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#### 4 O'CLOCK IN THE MORNING AT THIRI MINGALAR MARKET

When crossing the street at four o'clock in the morning, anyone can be amazed by the energy of the Thiri Mingalar Fish Market.

The diversity and dynamism of the market makes it a really special place - the rich smell, the hawkers, the pedestrians and the bustling activities. Traditions and customs continue. Hundreds of women sit by the roadside, scraping and cleaning fish with their candles, as if one has travelled back in time.

Boats line up and fishermen unload their catch; workers crush the ice and carry tonnes of fish in baskets to individual vendors. This is the Thiri Mingalar experience. The smell and smiles, shops and stores, shrimps and sea creatures linger long after your visit. •

Photo by  
WIN KYAW ZAN

WINKYAWZAN

WIN KYAW ZAN

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## Myanmar partially opens up insurance market

**THREE FOREIGN** life-insurers are set to receive their licences this year, as the Ministry of Planning and Finance has taken steps to liberalise the insurance market.

In addition, authorities suggested that six to eight foreign insurance providers are expected to enter the Myanmar market via joint ventures with local providers, according to local media reports.

The finance ministry issued Announcement 1/2019 on January 2, inviting expressions of interest from companies interested in investing in insurance business in Myanmar.

Life insurance providers will be given two options to operate. The first option allows not more than three licenses for foreign life insurers to operate as 100 percent wholly-owned foreign subsidiaries. The second allows foreign life insurers with a representative office in Myanmar to form a joint venture with a local life insurer.

The January 2 Announcement came right after The Myanmar Times broke the news on January 1 that South Korea’s biggest insurance firm Samsung Life had shut down its Myanmar office. The Seoul-based multinational insurer opened its Yangon representative office in November 2013 and left in August 2018, owing to the delay in the opening up of the domestic market.

The government had committed to liberalising the insurance sector within the first quarter of 2017, but has made concrete moves only very recently. Foreign insurers from 14 countries who have set up more than 30 representative offices still cannot do business in Myanmar, except in Thilawa Special Economic Zone. Foreign businesses, including European, Japanese and Korean representatives, had long urged the ministry to deliver on their promise.

The authorities previously said qualified foreign insurance providers would secure licences to operate by April. But this might be delayed until the autumn season. •

## Economic outlook for Myanmar favourable, IMF says

**MYANMAR’S MEDIUM-TO-LONG-TERM** economic outlook remains favourable and growth is expected to gradually rise, a mission from the International Monetary Fund (IMF) said during its annual visit.

An IMF team led by SHANAKA PEIRIS visited Myanmar from November 28 to December 13, 2018, to conduct discussions for the 2018 Article IV consultations.

“Economic prospects over the longer term remain favourable on the back of Myanmar’s demographic dividend and strategic location between the global growth engines. To harness this potential, Myanmar will also need to secure peace and stability while managing fiscal risks from large infrastructure projects,” MR PEIRIS commented.

The mission emphasised that successful implementation of the Myanmar Sustainable Development Plan (MSDP) will help sustain the growth take-off and achieve the Sustainable Development Goals (SDGs).

“The economy rebounded in 2017–18 but is showing signs of slowing.

Growth rebounded to about 6.8% in 2017–18 from 5.9% in 2016–17 driven by exports and a recovery in agriculture,” he went on.

The fiscal deficit widened slightly to 2.7% of GDP in 2017–18, while central bank financing of the deficit declined. Headline inflation was moderate in 2017–18 (4.0% on average) but has increased from higher fuel prices and a depreciating kyat. The current account deficit widened marginally in 2017–18 to 4.7% of GDP, largely financed by strong FDI inflows (5.4% of GDP) which helped keep international reserve coverage at around three months of imports.

He added preliminary data in the transition budget year (April–September 2018) point to a growth of about 6.2% due to government underspending, waning investor confidence and moderating global demand.

“Going forward, the economy is expected to slightly pick up to 6.4% in 2018–19 and close to 7.0% over the medium. The fiscal deficit for 2018–19 is projected to increase to 3.5% of GDP, providing a modest fiscal stimulus on the back of higher capital spending. A drop in international oil prices and

a gradual moderation in inflation over the near term should support consumer spending.”

Moving forward, Myanmar’s economic growth will depend on the implementation of a second wave of reforms with greater investments, in both physical and human capital, financed by higher revenues and improved spending efficiency.

However, the mission warned that a prolonged crisis in northern Rakhine State and a withdrawal of trade preferences could reduce concessional donor financing and investment, leading to lower growth and significant job losses.

There are other risks. Macro-financial spillovers from banking sector restructuring may be more severe if banks delay recapitalisation. Rising trade tensions and global market volatility, higher crude oil prices and spillovers from a slowdown in China also add to the uncertainty for the economic outlook.

MR PEIRIS said “a faster resolution of the Rakhine crisis” and structural reforms could facilitate external financing, allowing for greater SDG-related spending and a rebuilding of international reserves. •

## Parliament approves new amendments to product labelling regulations

**THE PRODUCT** labelling requirement in Myanmar has changed as amendments to the Myanmar Consumer Protection are now in place, responding to advocacy efforts of EuroCham Myanmar.

The parliament in Naypyidaw, the Pyidaungsu Hluttaw, approved amendments to the Consumer Protection Law at its session on February 26. The bill requires a product’s name, type, size, quantity, and ingredients to be included on all labels in the Myanmar language, jointly or combined with another language. Violations can be punished by imprisonment of six months to two years, a fine of K5 million to K200 million, or both.

The Ministry of Commerce issued the Central Consumer Protection

Committee Notification No. 1/2018 in October 2018 that all product labels are required to include Myanmar language from April 26 onwards. This is designed to ensure the safety of consumers.

The passage of the bill will delay the requirements on labelling of consumer goods for another 12 months.

“Businesses were not in the position to change packages within six months, nor could they write off their stock in the market,” EuroCham Government Affairs Manager KO HTET AUNG KHINE said.

In this context, EuroCham represented the concerns of European businesses and worked with other chambers in early February on a joint official letter requesting the 24-month exemption period.

“EuroCham Myanmar, in cooperation with other chambers, lobbied Parliament in the early February for a delay. The dialogue resulted in a consensus on a one-year late enforcement of the Chapter (18) of the Consumer Protection Law on Standard Labelling Requirements,” KO HTET AUNG KHINE added.

EuroCham’s intervention led to the successful negotiation with the Joint Bill Committee on the timeline resulting in a one-year exemption for all businesses. The ultimate achievement was the approval of the Union Parliament and the President in March on this preparatory period, marking one of the EuroCham’s greatest advocacy accomplishments since its creation in Myanmar. •

## Government sets up online ‘project bank’ to help build infrastructure

**MYANMAR’S GOVERNMENT** is going to launch an online “project bank” to centralise the planning and funding of the country’s infrastructure programmes.

Deputy minister U SET AUNG of the Ministry of Planning and Finance said in January during an investment forum that the project bank will contain priority infrastructure initiatives which have been screened and approved by the government.

The President’s Office issued a notification on November 30, 2018 on the initiative. The primary objectives of the database are to support the implementation of the Myanmar Sustainable Development Plan (MSDP). The centralised and publicly-accessible database will enable the government to coordinate ministries and departments

and prioritise proposals which are in line with the MSDP. In other words, the project bank provides a mechanism to implement MSDP’s 251 strategic action plans.

The notification also stated that environmental and social impact assessments (E/SIAs) and relevant studies for all the proposed projects have to comply with Ministry of Natural Resources and Environmental Conservation regulations. It added that the government will be responsible for compensating and/or resettling communities who are affected.

The initiative aims to align projects with the development objectives of line ministries, and will provide a new framework for public-private partnerships and enable the private sector to invest in state assets. In

addition, a Public-private Partnership Centre will be set up within the finance ministry in order to identify, develop, procure, implement and monitor the PPP projects.

Any unsolicited proposal by a private party to a government agency with a value over K2 billion must be presented to the PPP Centre, with some exceptions in the energy and mining sectors.

Experts pointed out that projects should come “pre-screened” by the Directorate of Investment and Company Administration, Environmental Conservation Department and the relevant ministry to identify whether or not they are in or near protected areas or ones which are sensitive for environmental social or conflict reasons. •



The EuroCham Myanmar Responsible Business Initiative has been created to support sustainability, equality and environmental protection practices. This section aims to raise awareness on these key issues by highlighting sustainable initiatives from our members.



## EuroCham launches responsible business initiative



EuroCham Myanmar participated in the #TrashTag Challenge cleaning up the Botahtaung jetty

THE EUROPEAN Chamber of Commerce in Myanmar launches its Responsible Business Initiative to promote sustainable practices and boost visibility of its members in the local business landscape.

As a frontier market which is opening up, Myanmar is experiencing rapid economic growth but facing a plethora of obstacles. The government has a thankless task of improving the welfare of its people and moving the country forward in its democratic transition amid multiple challenges. It is only by working closely and effectively with partner organisations and stakeholders that the government can overcome these hurdles.

For the sake of its success, the course of Myanmar's economic growth needs to be aligned with social progress and environmental sustainability. Fortunately, businesses are beginning to recognise the role they can play in addressing these challenges and they are increasingly adopting responsible business behaviours.

But do we understand what responsible business practices entail?

Responsible business activities seek to uphold the long-term interests of the nation and its people through investments and operations that comply with the law and international human rights, environmental protection and labour standards. This view is shared by the Myanmar Centre for Responsible Business which states responsible business "requires enhanced due diligence to determine what impacts business activities may have on human rights".

Nevertheless, the majority of local organisations active in the country still see responsible business practices as a form of charity or philanthropy. And those initiatives distinguish themselves from responsible business in a way that they are not linked to the company's core business. However, a few pioneers have incorporated responsible business

practices into their business models and have received positive recognition for their impact on society. They create shared value (CSV) by developing business strategies, products and investments that simultaneously contribute to the profits of the organisation and the social needs of Myanmar.

It is noteworthy that companies taking accountability into consideration when addressing their social and environmental impact stand to benefit from the emerging class of modern-day consumers, who actively seek to engage with companies that act responsibly. A significant indication of this is the market pressures from consumers through social media.

In Europe, companies must comply with different laws, norms and standards covering a wide range of topics. Directive 2014/95/EU on disclosure of non-financial and diversity information mandates the transparency requirements for large companies, which can in turn be an asset when doing business in Myanmar. Transparency, responsibility, and corporate governance are key to building a solid and sustainable business environment.

EU organisations currently operating in Myanmar are particularly willing to share and transfer their practical expertise and know-how in managing business responsibly. It allows their local partners in the private sector to benefit immediately from this undertaking by avoiding the pitfalls and tapping into international best practices across the various sectors.

Responsible business practices are increasingly becoming strategic business objectives, encompassing issues such as employee management, product quality, and human rights, and it creates a mutually beneficial outcome. Tackling the issues which affect the core business model can deliver substantial benefits, including reputation enhancement and employee attraction and retention. Employees are increasingly looking to be part of organisations that focus on the triple bottom line of "profit, people, planet".

EuroCham Myanmar is well aware of the value European responsible business practices could yield in the country. With this in mind, the **EuroCham Myanmar Responsible Business Initiative** (EMRBI) is introduced. The EMRBI is an ambitious platform that promotes the best of European responsible business practices and values across all sectors.

EuroCham Myanmar aims to raise awareness of key domestic issues and engage Chamber members and the Myanmar community. Objectives include:

- Sharing every member's insights, views and best practices about responsible business,
- Promoting responsible and sustainable operations in Myanmar, and
- Encouraging better integration of sustainability and responsibility in the daily operations.

The Myanmar government has a key part to play in the evolution of responsible business practices and EuroCham is supporting Myanmar in its inclusive, equitable, and environmentally sustainable growth trajectory.

In August 2018, the Myanmar Sustainable Development Plan (MSDP) was initiated by the government to provide a long-term vision for a peaceful, prosperous and democratic country. The EMRBI will strive to support the MSDP's core objectives, thereby supporting the government's implementation of the MSDP.

The Chamber maintains a positive outlook towards Myanmar's development of responsible business practices. We are convinced that responsible business behaviours are needed for sustainable development and growth, and we are proud that this ethos spans our organisation.

EuroCham looks forward to reaching out to its members and the broader community in Myanmar. •

Get more information on [eurocham-myanmar.org/emrbi](http://eurocham-myanmar.org/emrbi).



Every quarter, **EuroMatters** conducts a personal interview with a Myanmar employee working at a European company in Myanmar. They share with us their personal story and life in Myanmar.

## Working in a European organisation - from a Myanmar perspective



MYINT AUNG

### Can you please tell us more about yourself? What is your background?

I'm MYINT AUNG and have been working in this company for over four years. Before joining my current employer, I unfortunately lost my right leg owing to a landmine explosion at Mae Thaw Waw War, Kayin State. Then I bought a ship which could carry 60 tonnes of cargoes and I transported them from the port in Danubyu, Ayeyarwaddy Region.

### What is your role and what is your experience so far working for a company under European management?

I am currently working as a bartender and I am enjoying my time here with my work and my colleagues. At the beginning, I had zero knowledge about my role and no experience at

bartending. But with the support and training from my current employer, I can now manage a big event on my own in terms of bartending. I am glad to say that I feel like I am part of a "big family" thanks to our employer policy. We take care of each other and I am always motivated to try my best at work. Here, everyone is treated equally regardless of who you are and where you come from.

### Did you face any challenges in the workplace? If so, how did you overcome them and how did your employer support you?

My job requires me to memorise many cocktail recipes, but through the training provided by my employer, I am now

completely familiar with international drinks and I have become a professional bartender.

### What do you think Myanmar could do more in terms of disability inclusion?

Our country should support policies and legislation which can allow persons with disabilities to reach the door of career opportunities.

I wish an employment quota system for disabled persons can be established by law. In that way, persons with disabilities can gain access to employment opportunities.

### What do you like most about Europe?

I really admire the development of Europe. I hope my country will reach Europe's living standards. •



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# VICKY BOWMAN: TAKING AIM AT CORPORATE GOVERNANCE

**T**HERE'S NO denying that VICKY BOWMAN is among the most recognisable names in Myanmar's business circles. An avid Burmese speaker and married to Myanmar artist U HTEIN LIN, she is sometimes jokingly called "the Bow-Woman" by members of Yangon's community. When she comes across poor governance or bad practice, whether by business or government, she takes aim with a carefully honed Facebook post, or a barbed panel comment.

After a stint in European Commissioner CHRIS PATTEN'S cabinet, in 2002 she became (at the time) Britain's youngest ever ambassador and the first British – and European – woman ambassador to Myanmar. The ex-envoy returned to Yangon with her husband and daughter AURORA as Director of Myanmar Centre for Responsible Business (MCRB) in July 2013. Before that, she cut her corporate teeth leading mining giant Rio Tinto's policy approach to transparency, human rights and resource nationalism. She has an MA in Natural Sciences from University of Cambridge, is an Honorary Fellow of Pembroke College and in 2017 was awarded an Honorary Doctorate of University of Bradford.

Known for her reforming zeal, Vicky is busy these days helping business to be a driving force in Myanmar's transition. Central to her diagnosis is that rather than being the driver of conflicts, as traditionally has been the case, responsible investment can contribute to their solution.

Business, she argues, may also be the most effective champion of change. Local companies will have to reform as they must respond to market pressure, as well as investors who expect better corporate governance and respect for international standards, including human rights. The government bureaucracy, the military or other influencer such as religious leaders do not feel the same pressure.

Cronies fear her; journalists seek out her soundbites; policymakers turn to her for ideas. Whatever your views are, MCRB has an indispensable role in Myanmar's economic transition, shaping new laws, supporting the anti-graft body and improving corporate communication. The Centre is helping Myanmar promote better business regulation, environmental protection, community participation, disability inclusion, transparency and the fight against corruption.

VICKY can take heart from the way Myanmar's top leadership is now emphasising "responsible business". At January's Myanmar Investment Forum in Naypyidaw, DAW AUNG SAN SUU KYI told an international audience that "We only ask our investors to ensure that their investments are responsible." She emphasised again in February's Rakhine investment fair that only business "implemented with responsibility" was welcome.

But the Rohingya crisis, jailing of the two Reuters reporters and conflicts in the border areas are just some of the grave challenges the country faces in its triple transition of peace, politics, and economics. These all bear on investors, leading to questions in their boardrooms and the media. When European and American businesses decided to seek out a collective dialogue with the Myanmar government on how these challenges affect business's responsibility to respect human rights, they turned to VICKY to help them bridge the interface between politics and the private sector, and international and domestic realities.

What recharges her energy and drives her to continue in midst of the bleak forecasts and apocalyptic narratives? She attributes it to maintaining aim on the future, while being conscious of the past. She knows that 2019 Myanmar already looks very different from the military dictatorship of her diplomatic postings in the 1990s and 2000s, but she wants to contribute to keeping the country making progress.

Myanmar needs help from many quarters to address its many challenges, and a robust and responsible private sector is part of the solution. As one European multinational recently told **EuroMatters** "When we're discussing internally what we need to do to respond to the latest setback, quite often someone will comment 'What would VICKY say?'"

**This is your third stint in Myanmar, after your postings in 1990–1993 and your ambassadorship in 2002–06. How has the country changed?**

**VICKY BOWMAN** • Two big changes – one good, one bad – strike me: more freedom of expression, and a deteriorating natural environment. Sometimes when we sit and get frustrated about political reform and nothing changing, I do a reality check to remind myself what it was like in 1990, when I first arrived, or 2006 when I stepped down as Ambassador. For a start, we wouldn't even have been able to discuss our frustration with politics in public. So that opening up of the space for debate is a major positive.

The change which really concerns me most is the environment. In 1990 everything was green, lush; food was wrapped in banana leaves; no plastic bags, no coffee mix packets. In contrast, now there is serious visible and invisible environmental deterioration. The litter is visible, and it's disgusting. But it's also the invisible changes like air pollution and saltwater intrusion that make me concerned for Yangon's future. I'm asking myself what businesses can do to address it – but the problem goes beyond business.

Of course there is the economic change, which has been a bit stop-start in recent years. When I came back in 2013, due to the liberalisation of the telecommunication sector and the opening up of tourism, there was more of a buzz than we see today.





Recent slowdowns have prompted economic pessimism, as well as political pessimism. But I think 2019 is showing a bit of an uptick on the business sentiment side. And when pessimism strikes, I remind myself of the old days, and step up my resolve to help the country keep going forward.

**You're known as a fluent and enthusiastic Burmese language speaker. How has that helped you professionally?**

**VB •** Obviously, speaking Burmese is an ice-breaker and gives me more credibility as it demonstrates my personal investment in Myanmar. It has also given me access to people who otherwise wouldn't be talking to foreigners. In the old days, I occasionally shared a dinner table with military, for example on upcountry diplomatic trips. I'd see them look alarmed as the foreigner sat down, but reassure themselves that a language barrier would protect them. When I broke that barrier, they looked even more alarmed, but their curiosity would get the better of them. At the end they'd say – as if it was surprising – “You know, it was really good to talk to you.”

In addition, my language knowledge helps me see just how problematic the interpretation and translation barriers are between what the international community is trying to do here and how little is understood by non-native English speakers. Burmese takes one and a half times longer than English to interpret accurately. It's also a lot longer in print. Earlier today, my team had a long debate about how to translate the term “disability confidence”, which refers to how a company is at ease with employing and serving disabled people. If you try and translate “disability confidence” into the Burmese language, it will take you four lines and you still won't get the idea.

So I think less than 20% of most of the presentations made in English by foreign experts are received by the listener, let alone retained. It's really important for the international community, business and development partners, to know this when planning meetings, workshops etc.

**The business community hails the new Investment Law and Companies Law as two major reforms. How far have we progressed in terms of governance and regulation?**

**VB •** With the Companies Law, the more I look at it the more I realise what a radical change both the law and the MyCo Online Register (the new electronic registry

system) presents. We now have accurate official information that was never available before. There were NGO websites such as OpenCorporates.com, but they didn't offer the same degree of access to official corporate information like annual reports and financial statements. These are now required by law to be filed with the companies registry for all publicly-listed and public companies, and therefore available for purchase behind the K10,000 paywall.

It's great that this information is starting to be used by journalists – at least those writing in English – as it helps them back up their stories, and reveal the background and connections of businesses including the bad ones that need to be held to account. These are significant changes.

The Investment Law is also a ground-breaking law globally in terms of references to responsible investment, but it has yet to fulfil its potential. In particular, the transparency provisions aren't being fully implemented, either by business, or the Directorate of Investment and Company Administration (DICA). When I look on the DICA website for what's meant to be published, such as the investment proposal summary before it goes to Myanmar Investment Commission, the information is not there. And after the approval, what information is published is often a badly scanned handwritten documents with much information missing.

Accurate corporate information is essential for good governance and the rule of law. If you don't get accurate information you end up with problems like the journalists from Eleven Media who were arrested because the Yangon Region Government claimed their reporting of the ownership of Yangon Metropolitan Development Public Co was wrong.

But it's the duty of the company – and its owner, the Regional Government – to make accurate information public, and that company doesn't even have a website. That's not the journalists' fault.

**Let's touch on another reform area, the fight against corruption. Where are we now in terms of the anti-corruption drive?**

**VB •** Fighting corruption is very clearly a government political priority and the chair of the Anti-Corruption Commission is keen to act across the board. But probably the most important thing is to have some significant cases successfully pursued – as we've seen with the head of the Food and Drug Administration (FDA) and the Tanintharyi Chief Minister. Those will start to send a signal that things are changing.

International investors are very concerned about corruption because many of them have domestic laws that will potentially lock them up in jail back home should they be linked to corruption here in Myanmar. Those laws have extraterritorial effect. As for Myanmar companies, some definitely want change. But there are those who assume that change will never come, and some who are even happy with how things used to be.

I see scope for a coalition between the international and the Myanmar companies who desire change. It's really crucial that government reformers, and the Anti-Corruption Commission, get more feedback from companies at the frontline, whether it's problems at the tax office, or the day-to-day experiences of companies with immigration, customs etc.

**Why should Myanmar businesses recognise that transparency pays off?**

**VB •** My experience is there are two reasons why Myanmar companies aren't transparent even if they want to be. The first is that they don't have the resources and people to devote to communication and external relations. That's certainly one pushback we get from local business, particularly when the economy is not doing well, like now.

The second and more serious reason is they don't have the information to disclose, because managers don't capture it – like safety incidents – or they have no corporate governance



structures or policies in place, often because they are family companies.

In the end, the value of transparency is wider than disclosure or having a website. It's about the governance and sustainability of the business. Our experience of speaking to companies for the Pwint Thit Sa (Transparency in Myanmar Enterprises) report, which ranks companies against the ASEAN Corporate Governance Scorecard, speaks volumes. Some family company board meetings consist of the family at the breakfast table. But, as a company grows, this a big risk for the business. It undermines their resilience: at some point you can't run a company without corporate governance systems and controls.

We come across companies who are being cheated by their employees, including the owners' old friends. They are made senior managers or directors, but they may be procuring from related parties at inflated prices or claiming excessive expenses. Without corporate governance and controls, the owners can't easily address this without losing friends, so they continue losing money instead. But how will the company survive when the patriarch gets old, or when the battle for talent heats up and your better-run competitors can hire more easily?

**How are competition and protectionism related to modernising businesses?**

**VB •** In my opinion, responsible business in Myanmar comes partly as a result of international investment. The requirements of international companies and international markets for better governance and more responsible practices are a major driver of change. Hence it would be a concern if economic nationalism slows that process down.



But I understand some of the defensiveness from Myanmar companies. They don't have a level-playing field in terms of access to finance or technology, for example. But then one of the limitations on their access to finance from international sources such as private equity, the International Finance Corporation (IFC), foreign investors and joint venture partners – in addition to the 35% equity cap if they want to stay a Myanmar company – is that they lack solid corporate governance. Investors, including banks lending money, will be asking: Does this Myanmar company have effective anti-

first place. For example when a mining company does nothing to prevent their environmental pollution and the health problems it causes for local communities including children, but prides itself on building a school, it would be better if they first addressed the negative impacts on the children's health.

Our focus is always on getting the companies first to assess what their potential negative impacts are and deal with these. Once they've done that, then a company can consider the positive “going beyond” agenda, of social investment or donations. But the company's first priority must be to do no harm.

**The amended Vacant, Fallow and Virgin Lands Management (VFV) Law and new Gemstone Law are not well-received by observers and stakeholders. How should Myanmar improve the process of policymaking and legislation?**

**VB •** The problem is that laws in Myanmar are often made without effective prior consideration of why it is even necessary to regulate. They get developed secretly in departmental silos, and are then passed from the executive to the legislature where they are rushed through without consultation or debate. The solution is that we need early and

corruption controls? Does it have a strategy to manage its risks effectively?

Without addressing those questions, Myanmar companies are going to find it difficult to access finance from international sources and, increasingly, also from their own Myanmar banks, as greater controls are put on non-performing loans by the Myanmar banking sector. In future, Myanmar banks will look to lend to solid businesses which have assessed all of their risks, as they don't want to lose the bank's money.

**Companies are often confused by what corporate social responsibility (CSR) means, and whether it is about donations or responsible business practices. What is the danger of confusing the two concepts?**

**VB •** MCRB avoids using the term “CSR” precisely because of this confusion since many Myanmar companies assume CSR means donations. We talk about “responsible business conduct”. We also are concerned that donations can be irresponsible and a form of corruption.

I think that companies should not be thinking about “giving back” until they've ensured that they're not “taking away” in the

better consultation on draft laws before they are approved by Cabinet.

I would like to see more of a “Green Paper” approach, where the government publishes some broad orientations about their plans to regulate, with questions to the private sector and other stakeholders. The responses they get will allow them to shape better draft regulation. Once the bill is in good shape, they can put it to Cabinet and send it to Parliament.

It's also absolutely essential that as soon as when Cabinet adopts a draft bill and sends it to Parliament, it should simultaneously publish it, to allow media coverage and for businesses, NGOs and others to prepare their commentary and advocacy. That's not the case right now. Some draft bills sit in Parliament for some time before they go on the website. But the responsibility to publish should be first and foremost the Cabinet, when they adopt the draft bill.

At the moment I see far too many laws which do little more than create committees, usually opaque ones, and which then lead to no change on the ground. So greater focus on implementation is essential, but a law will only be implementable if it's been

well-consulted on. If you're an official, you tend only to see your area, like labour or environment. External stakeholders see the whole panoply of laws and how they will affect the farmer or the small company. They can explain to the government how these regulations interact and interfere with one another. That's why draft regulation needs to be put to public consultation, because then officials start to understand the potential for inconsistencies, injustice and duplication. For example, we recently discovered that there are potentially three different laws to regulate e-commerce being worked on by different departments.

**Looking ahead, are responsible investments and good economic governance the answer to some of the burning injustices across the country?**

**VB •** Effective and enforced regulation is the answer to resolving some of the burning injustices, particularly when they stem from environmental pollution, from mines, from factories, causing impacts on livelihoods and health. Public awareness is also a factor, and we also need more data.

For example, we now have air quality data that shows Yangon has serious problems, but we need more data from outside Yangon which is why I now carry a portable air pollution monitor in my handbag. You can see how badly Yangon's air quality is online at PurpleAir.com or using the AirVisual app, both of which collect air quality data from around the world. Yangon is often red, but countries in Europe and Australia, New Zealand are generally green. The main reason for the difference is effective regulation driving behaviour and technological investment.

Another injustice is the sense of natural resources wealth benefiting Naypyidaw at the expense of those in the areas where the resources are located, many of whom are ethnic minorities. This needs addressing through development of the legal and permitting framework, and tax and revenue distribution, but also through investors acting responsibly to maximise local jobs and “linkages” to local SMEs.

**Beyond new regulations and pressure from NGOs and the media, what are the forces driving Myanmar's private sector to become more responsible and transparent?**

**VB •** The main pressure is obviously the government's reform agenda. If it can show that the old ways of doing business

through having cosy relationships with ministers or generals are no longer the winning formula to get a government contract, this will be the biggest driver of change.

Beyond that, it will be market forces. Myanmar companies need money. Those that are reforming and modernising will be more attractive to investors, and we're seeing from our Pwint Thit Sa report that the next generation – the CEOs in their 40s and 50s – understand this, particularly if the patriarch steps back and takes with him the old ways of doing business

under the SPDC (State Peace and Development Council). Those companies who are exposed to the environmental, social and governance (ESG) requirements of the IFC and international investors, like Shwe Taung and Awba, are making changes, and bringing in new ESG management systems. The same is true when it comes to customer demand, where buyers are looking for particular social or environmental standards, such as garments and food products being sold to Europe.

In the end though, the pressure to change will also come from the Myanmar employees. If large companies want to survive, they need to recruit talent, and go beyond their family members to find senior managers and board directors. If that talent has worked overseas, they will opt to work for companies with strong values, strong human resources management, leadership accountability, and a culture of safety. If they don't find the company has that, the talent will go elsewhere, or even start up a competitor organisation. That's why good corporate governance is essential for Myanmar business survival. •

*The interview has been edited for length and clarity.*



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 revealed. 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.

## Danish brewer reaps first-mover advantage in Myanmar's booming market

**C**ARLSBERG GROUP is building a beer empire in Myanmar. As the first international beer company to set up a brewing business here, it is now reaping the benefits of economic growth and fast-expanding consumer demand.

The Danish brewer established Myanmar Carlsberg (MCCL) in 2013 as a joint venture with Myanmar Golden Star (MGS).

The Carlsberg (51%)-MGS (49%) joint venture was a greenfield investment. It set up its operations in Myanmar from the ground up. The core of the investment is a brand new US\$40 million brewery, located in Bago. This Bago facility has the capacity to brew up to 600,000 hectolitres of beer annually. In addition to its head office in Yangon, MCCL has set up a network of 17 depots across the country, each staffed with a team of a dozen people. From these depots, MCCL acquires and supplies customers, be they wholesalers, retailers or consumption places.

MCCL filled the first bottle on March 23, 2015, more than four years ago. The brewery started brewing Carlsberg, Tuborg, and locally developed brand Yoma Premium. Yoma proved to hit the market. MCCL then went on to launch two line extensions, Yoma Special Brew and Yoma Extra Strong.

More recently, the beer maker added its first dark beer - the Black Eagle Stout - to its portfolio of brands in Myanmar. It

contains 8.8% alcohol by volume, giving it a smooth bitter and sweet aftertaste. The brand is now available in draught as well as 330ml cans and 500ml cans.

Other market players include Myanmar Beer, Dutch brewer Heineken, Mandalay Beer and Dagon Beer.

**EuroMatters** spoke to Austrian and French national CHRISTOPH VAVRIK, MCCL managing director, about the journey to date.

"We have been quite successful so far. After only four years of operations, we are hitting 10% market share, and employ more than 500 people directly. 98% of the employees are Myanmar nationals," MR VAVRIK said.

Indeed, MCCL has a nationwide outreach. It sells from its Bago brewery and other depots directly to more than 3,700 customers, and indirectly to an estimated 5,750 outlets. Sales figures have shot up.

"We are growing very fast: we more than doubled our sales in 2018 versus 2017, with all three brands growing."

Myanmar's political transition, economic growth and demographics attracted the Danish brewer to put their confidence in the country.

"The rationale for entering the Myanmar market was simply that following the return to democracy and the end of sanctions, we reckoned that Myanmar offered a good business opportunity: the population is large

and growing, the economy was bound to grow, beer consumption was established."

MR VAVRIK is bullish about the beer market in the next few years, emphasising an expanding economy and room for individual consumption to rise.

"As real incomes move up, I would expect consumers to upgrade from cheap beers to the mainstream segment. Myanmar consumers are very open to trying new brands, new flavours, and even new types of beverages, as our success and also that of some competitors' brands demonstrate."

He sees opportunities in capturing the market growth and driving the market through innovation.

Myanmar is still a frontier economy. As such, doing business is not all plain-sailing.

A particular challenge is the lack of human capital, MR VAVRIK pointed out. This is a result of the military regime's legacy and decades of isolation. Back then, education was de-prioritised by the authorities. This is one of the four biggest impediments identified by the World Bank when it comes to doing business in Myanmar.

Poor transport and electricity infrastructure presents another stumbling block. "The last 1.5km of the road to our brewery in Bago are in such terrible conditions that our trucks, when fully loaded, age as much over that short



distance as if travelling on 400 km of smooth motorway," he said.

There is an urgency to update the "hopelessly antiquated" regulations governing the sales and transportation of beer. Both the companies and the authorities spend an enormous amount of resources ensuring compliance with regulations which are no longer meaningful.

"Some are so impractical that even the authorities don't bother enforcing them. But that is not a solution, since the regulations are still valid. Companies thus face the uncertainty that some authorities, somewhere, may at any point choose to implement the letter of the law, which they sometimes do..."

Illicit trade, in the form of smuggled beer, continues to affect the business. Carlsberg estimates that more than 20% of beer consumption is smuggled,

mostly from Thailand but also from China. Some Thai companies have breweries next to the border that are solely dedicated to smuggling beer into Myanmar.

"The biggest loser is of course the government, as smuggled beer does not pay any taxes. Or put it differently: the loser is the Myanmar taxpayer, who has to make up for the loss of tax income," MR VAVRIK continued. The border law enforcement agencies need to shoulder responsibility for allowing smugglers to operate.

Authorities should crack down on illicit trade by raiding outlets which sell smuggled beer and smuggled alcoholic beverages.

"The authorities would only need to raid 10 shops in any given city, publicly destroy the stocks and advertise the raid.

Then, repeat the action with another 10 outlets a week later. On the third week all stock of smuggled alcoholic beverages will have disappeared," he explained.

His advice to European companies keen to enter the Myanmar market is to choose the local business partner wisely. "Don't rush into a relationship; do due diligence. Make sure the potential candidate has the capabilities and the willingness to contribute his or her part."

Carlsberg's engagement in Myanmar so far has been only a first step. With a commitment to contribute to economic growth and offer "what is probably the best beer in the world", the Copenhagen-headquartered brewer "could, should and will double its investment in Myanmar within the next few years!" the managing director exclaimed. •



## LOGISTICS

# Logistics providers warm to Myanmar as reform gathers speed



Kargo Myanmar

**W**ITHOUT A competitive and thriving logistics sector, Myanmar cannot realise its low labour costs, strategic location and abundant natural resources. Market participants are confident that policy reforms together with the recent overhaul of infrastructure planning could translate into a brighter future for the industry.

There are a number of positive developments under the current administration. The Myanmar Automated Cargo Clearance System (MACCS) led to digitalisation of the customs clearance process. The introduction of bonded warehouse has eased imports. Roads and railways are being upgraded or built, taking the country's connectivity forward.

Among other improvements, using customs resources at bonded warehouses for container freight station (CFS) services, more proportional

penalty for "honest mistakes", as well as exploring the feasibility of e-payment of fees and taxes are all good news, according to businessman THORSTEIN SVENDSEN. By now, foreign companies can to a large extent trade and import their products.

However, the private sector is still waiting for more sweeping reforms that will make a big difference. Restrictions for foreign companies remain in place.

"Much unnecessary bureaucracy adds costs and delays to international freight. There are major restrictions on what cargo can be brought in over a land border versus by sea and the penalties for making honest mistakes within the customs systems are of epic proportions."

MR SVENDSEN'S logistics and warehousing company Nordic Technology Group Myanmar (NTGM) started off as an oil and gas service provider in 2014 and transited via a period as a telecom service provider into becoming a one-stop logistics company.

The government has identified most of the bottlenecks and areas that need to be addressed. The question is whether they can implement the changes.

"Unfortunately, there seem to be little sense of urgency and progress is slow due to bureaucracy and what seems to be difficulties in communication between the involved ministries or departments," he observed. This makes it hard for local and foreign logistics companies in the Myanmar to plan ahead.

Meanwhile, the government has come up with a sector-wide framework. The national logistics master plan was drafted by the Ministry of Transport and Communications and Japan International Cooperation Agency (JICA).

The master plan acts as a macroscopic guideline for how the country intends to cope with the expected growth of freight and passenger transport demand, said TAKAAKI YABE, Japanese logistics firm Daizen Myanmar's deputy managing director.

"For private players like us, the transport-related infrastructure projects to realise the logistics master plan are what we refer to when devising a strategy to capture the opportunities that may arise from them. It helps us with making the right decisions in getting the priorities right when investing."

Businesses have clearer information when choosing office locations and considering warehouse investments and fleet operations, MR YABE added. But MR SVENDSEN urged the authorities to work more closely with industry players on forming the master plan.

Demand for quality logistics services appear to be growing for tech start-up Kargo.

Founded in 2016, the company is an online marketplace connecting truck owners with businesses and individuals for logistics and delivery services.

Kargo founder ALEX WICKS said they work with both multinationals and big local companies. "There is a huge demand for reliable, transparent trucking supply."

International businesses making an entry, or those already here but planning to expand, find Kargo's one-stop quality service very appealing, he told **EuroMatters**.

The startup covers all the orders for a client on one platform, with all the goods tracked and insured and with deliveries done on time. The insurance covered is signed off by state-owned Myanmar Insurance.

Other players are equally upbeat. U MYO AUNG KHIN, general manager of Santa Fe Relocation, said he is "very optimistic" about the prospects in the near future but stressed that customs clearance remains an obstacle.

## Cost and competition

In Myanmar, the traditional focus for logistics has been cost, according to

business information firm Frontier Research Myanmar (FMR). Operators have succeeded by keeping costs low, though this sometimes results in poor quality. Issues such as reliability concerns, backlogs, poor tracking and efficiency and a lack of cold chain stand in the way of trade.

"Over the last two years, we have seen growing demand for higher-quality services. This includes improved cold storage, bonded warehouses, and specialised logistics solutions," FMR's managing director JEREMY MULLINS said.

"In some cases the major domestic players are adapting to the new trends, while in others they are content, and often have successful businesses, continuing with past practices."

In fact, competition is heating up with new entrants. Last year, Japan's largest door-to-door delivery business Yamato started offering warehousing, cross-border transport and freight forwarding services in Myanmar. The delivery giant sees opportunities arising from the country's increasing integration with the regional supply chain.

Also active is local player Kospa, which was founded as a joint venture between Singapore-listed Yoma Strategic and Tokyo-based Kokubu Group. In February, Guangzhou-based SF Holding bought a 25% stake in the joint venture for US\$4 million. The new capital will fund the expansion of its fleet and warehouse capacity.

HOWARD SEARGENT, Kospa managing director, told **EuroMatters** that the firm has set its horizons on the cross-border logistics sector, especially in areas such as cold chain solutions, inventory management and transportation.

He expects border trade with China to rise as a percentage of Myanmar's total trade as the two countries strengthen their economic relations through the Belt and Road Initiative.

Kospa will leverage on SF Holding's technological expertise and widen its service scope.

International players, including European and Japanese entrants, are likely to prioritise higher-value solutions as opposed to competing solely on price. But MR MULLINS said there is room for both models at present and for the foreseeable future.

## Building and planning

In the long-term, the outlook looks bright as the country speeds up building its roads, railways, ports and bridges. The Myanmar Sustainable Development Plan (MSDP) and a "project bank", launched by the government, are set to change the way infrastructure programmes are proposed, determined and financed. The centralised and publicly-accessible database will enable the government to coordinate ministries and prioritise proposals which are in line with MSDP.

Infrastructure improvements are a major focus of the initiative because poor infrastructure means high costs and delays for businesses. MA AYE CHAN MOE, Kargo's operations executive, said the traffic, road conditions and road capacity for trucks still need to catch up.

"Better roads, bridges and ports will help facilitate growth and improve the logistics industry immensely, opening the door to new opportunities for both local and foreign logistics players," MR MULLINS continued.

The key to this is to open up for involvement by the business players in the logistics market, foreign and local alike, MR SVENDSEN urged.

"We all have a mutual interest in making Myanmar succeed and become a major force in the region, so doing this together is the way to go. All speaks for success, given the location Myanmar have, its vast natural resources and growing competency of its large and hardworking workforce." •



## LOGISTICS

# Myanmar's warehouse modernisation takes off

**M**YANMAR IS expanding and modernising warehouses across the country in a bid to boost trade. The smooth and orderly movement of goods will help the country position itself as a regional logistics hub in an ever more interconnected world.

In late 2018, the finance ministry announced the introduction of bonded warehouses. The move is to align local customs warehousing procedures with international standards and reduce import restrictions on Myanmar goods.

Already, in 2017, Thilawa Special Economic Zone (SEZ) launched SEZ warehouses, with functions of both general and free zone warehouse. According to Thilawa-based Daizen Myanmar, Myanmar's first operator of such services, the measure has provided benefits for both importers and exporters. For importers, import of goods with much shorter lead time has become a reality, improving cash flow of local businesses. For exporters, export is possible from factories based in Myanmar to SEZ warehouse, allowing manufacturers to quickly collect payment from the buyer based outside of Myanmar; the buyer then has the options to sell to multiple overseas markets.

TAKA AKI YABE, Daizen's deputy managing director, said Myanmar's free zone warehouse reform will significantly boost maritime and cross-border trade. "Daizen's SEZ Warehouse License has a combination of general and free zone warehouse section. The free zone warehouse section is what makes SEZ warehouses unique, technically different to bonded warehouses."

Bonded warehouses allow storage of foreign cargo owned by locally

registered domestic businesses, whereas free zone warehouses also allow storage of foreign cargo for non-resident companies registered outside the country, a service termed "non-resident inventory programme".

"The non-resident inventory programme opens up the SEZ warehouses for any companies, regardless of where they are based, to store, manage, manufacture and assemble dutiable goods without payment of duty that can either be brought into Myanmar or be re-exported," he highlighted.

The implication of this reform is huge for Myanmar, which has hitherto restricted foreign players from doing trading businesses.

Across the country, there has been major investments into new dry ports, distribution centres, general warehouses, bonded warehouses and container freight stations.

The DIL container depots in Dagon Seikkan, Yangon and at Myawaddy next to the Myanmar-Thai border represent good options for distribution and cater for the growing cross-border traffic with Thailand.

Due to Yangon's current trucking limits, those new facilities speed up customs clearance of CFS export cargo and in particular garments. Trucks can spend less time at the main ports by dropping off cleared and sealed containers, easing traffic in the city.

## Cross-border logistics

In 2017, Malaysian company Overland Total Logistic and Daizen conducted a pilot project using semi-trailer swapping with bonded cargo. The cargo was transported and safely stored in

Thilawa's free zone warehouse for a week as "foreign cargo" and then the importer cleared the customs.

The result was convincing: the trial halved the time needed to reach the Myanmar SEZ from Thailand compared to conventional road freight.

"SEZ warehouse and semi-trailer swapping combined presents an attractive alternative to ocean freight for a wide range of international and regional suppliers," MR YABE explained. It is time-efficient and resolves the issue of uncertainty and time cost which customs clearance brings.

Some hurdles remain, managing director of Rhenus Myanmar Andreas Grob noted. Thai trucks still cannot enter Myanmar except for a small distance from the border bridge to the Myawaddy Trade Zone, while Myanmar trucks cannot go into Thai territory at all.

Myawaddy currently has put in place several transloading facilities, such as container lifters and stackers. The volume of containers being used from Thailand to Myanmar is growing by the day.

Containers allow for a door-to-door delivery from a factory in Bangkok to Yangon in less than 48 hours, said THORSTEIN SVENDSEN from Nordic Technology Group Myanmar. The timeframe opens the door to "just-in-time" deliveries of raw materials for factories and takes up less storage at those manufacturing units.

NTGM and partners currently have close to a 100 containers in circulation between Thailand and Myanmar via Myawaddy and MR SVENDSEN said they "are getting increasingly busy also on the export side from Myanmar to Thailand."



Daizen Myanmar

Trade between Thailand & Myanmar is "still a very much a one-way affair" because there are many more imports into Myanmar than exports, MR GROB observed. It does not appear that it will be possible in the near future for Myanmar and Thai trucks to operate freely in the neighbouring country. In particular, customs processes for cargoes through official procedures are cumbersome and time-consuming.

Tech-based logistics startup Kargo's CEO ALEX WICKS said the "one-way affair" could be mitigated by optimising the routes - aggregating all the goods from different clients to send trucks up north, and endeavouring to fill the trucks before they come back.

Infrastructure is a critical factor. Major revamp of the road between Yangon and Myawaddy is ongoing. The last few kilometres of mountain road between Kawkaik and Myawaddy are still accident-ridden and some of the road sections between Hpa An and Kawkaik need to be upgraded.

Weight capacities of some bridges are insufficiently small - one bridge at Kondoe last year had to be closed for several days due to flooding. Nine

smaller road bridges are currently being re-built. In addition, a major border bridge at Myawaddy-Maesot was opened for cargo traffic in March. Other roads will be repaired but the process takes time.

Part of the challenge, MR SVENDSEN observed, is that roads are in many cases under "private ownership", where there seems to be little commercial incentive to upgrade. "This have to be addressed, since the road conditions are taking a major toll and cost on the aging and new fleet of vehicles operating in Myanmar."

In northeast Myanmar, road expansion connecting China via Muse is happening. A new road and bridge near the existing Goke Hteik railway viaduct is also under construction.

For JAMIE ROBINSON, Kargo's chief financial officer, opening up the Yangon-Mandalay Highway to trucks and containers will make the industry a lot more competitive.

## Infrastructure upgrade

Cross-border infrastructure may receive a real boost with the official Myanmar

Sustainable Development Plan (MSDP) and the "project bank" for infrastructure proposals.

The 30 projects showcased at the government's investment forum in January include a new Muse-Mandalay railway and a new Mandalay-Tigyaing-Muse expressway through Tigyaing and Sagaing Region. They are bound to transform the ease of trade in the two countries.

Currently, all cargoes have to be physically transloaded from Chinese trucks to Myanmar trucks and vice versa at the border. The Myanmar Automated Cargo Clearance System (MACCS), which has started operation in Myawaddy checkpoint, has not been adopted in Muse. These are required to modernise.

E-commerce is another game-changer. BarLoLo.com, a Yangon-headquartered online marketplace for small merchants, said that a few e-commerce players have started to provide logistics in house. Chief operating officer U MIN MIN said the likes of Magnate Group Logistics are setting their eyes on more cross-border e-commerce opportunities. •



## LOGISTICS

# Port expansion accelerates Myanmar's trade boom



Rhenus Myanmar

**EXPORTS TUMBLLED** for a number of major economies in Asia at the beginning of 2019, as a result of China's economic slowdown and the ongoing trade war. Amid these uncertainties, Myanmar's trade appears to have a robust start.

"The January readings for the Nikkei ASEAN manufacturing purchasing managers' indexes [PMIs] showed that the country-specific indexes in the Philippines, Vietnam, Myanmar and Thailand remained in expansionary territory," the Economist Intelligence Unit noted in February. In particular, Myanmar's growth path is likely to be sustained, with "massive infrastructure works and investment in the energy sector bolstering levels of activity."

Infrastructure programmes include maritime facilities. In recent years, the private sector and multilateral institutions have invested considerably in expanding and enhancing the ports across the country.

KM Terminal & Logistics (KM), a joint venture between Kerry Logistics

(70% stake) and Mother Logistics (30%), started operating Myanmar's first dry ports, located in Yangon and Mandalay, in 2018. The investment exceeded US\$50 million. The plan is to run freight trains between the two dry ports.

Meanwhile, Myanmar-owned Resource Group (RG) also officially opened its dry port in Ywar Thar Gyi, Yangon, last year. A dry port is an inland intermodal terminal directly connected by road or rail.

In southern Yangon, river ports are upping their game. The International Finance Corporation, World Bank's investment arm, announced in March 2018 that it is providing long-term financing of \$15 million to a \$65-million bulk terminal near Thilawa Special Economic Zone. Lluvia, a domestic agri-processing company, and Japan-based Kamigumi jointly established International Bulk Terminal (Thilawa) Co to take charge of the greenfield bulk terminal. It is among the first providers of bulk cargo handling here, with a capacity of more than one million metric tonnes.

These initiatives will lower cost and time needed for transporting goods and thereby make Myanmar's supply chains more competitive. In the long run, port expansion could help Yangon develop into a regional trans-shipment and logistics hub.

Yangon's ports remain the gateway for the country's trade, according to JAMIE ROBINSON, chief financial officer of start-up Kargo. From the river ports, fast-moving consumer goods are transported by road from Yangon to Mandalay, where they are distributed across wider Myanmar. Meanwhile, agricultural produce is moved via Mandalay and surrounding hubs to the commercial capital for exports. Two-thirds of goods transported in Myanmar are moved along the main Yangon-Mandalay freight corridor.

ANDREAS GROB, managing director of Germany-based Rhenus Myanmar, added that, for now, business opportunities are mainly in the greater Yangon area as cities benefit from better investments.

The dry ports are very helpful for container traffic, for instance, through

their proximity to the Yangon river ports and the ability to ship by rail to Mandalay, Frontier Myanmar Research's research manager CHRIS MARKEY commented.

But non-European players may rise to challenge Yangon's pre-eminence after a few years. There are much bigger projects in the pipeline elsewhere. Myanmar and China's state-owned Citic Group signed a framework agreement on a proposed \$1.3 billion deep-sea port in central Rakhine. The Kyaukphyu project is a core part of the regional connectivity envisaged by China's flagship Belt and Road Initiative. India, Myanmar's western neighbour, has also inked a deal with the transport ministry to appoint a private operator for Sittwe Port, near Rakhine's state capital.

## Potential and hurdles

"The potential for growth in Myanmar's international trade is huge and we expect to see increases in both volume and value during the coming years," HOWARD SEARGENT, managing director of local logistics firm Kospa, observed.

Kospa, a joint venture between Singapore-listed Yoma Strategic, China-based SF Holding and Japanese Koboku Group, sees the growth in trade to be driven by the country's economic boom and significant infrastructure programmes linked to the China-Myanmar Economic Corridor (CMEC).

Apart from the proposed Kyaukphyu port, he highlighted the Kyaukphyu-Kunming Railway, upgrading of national highways and CMEC's industrial zones as catalysts.

This will not only lead to a rise in imports from China but also enable Myanmar to increase its exports. For example, significant opportunities exist for Myanmar to scale up agricultural and fisheries exports to China.

"I believe the logistics industry has a big role to play in helping to facilitate this trade growth and, with the upgrading of technology, has the potential to become

a major growth sector of the Myanmar economy," MR SEARGENT went on.

Despite the progress, Myanmar is still a long way behind the standards and capacities of some regional economies. Port logistics remains inefficient owing to operational challenges and red tape, industry players say.

The largest ports in Thailand and Vietnam can already accommodate vessels of around 12,000 TEU, MR MARKEY explained. This amount is six times larger than the capacity of Myanmar International Terminals Thilawa, currently Yangon's largest container port terminal.

## Deep-sea port

At the core of the debate is whether Yangon should build a deep-sea port and, if so, where it should be located.

A white paper drafted by the European Chamber of Commerce in Myanmar (EuroCham) in 2017 called for the establishment of a sea port together with a new SEZ at the delta region to cater for increasing maritime activities.

"For the time being, the current main terminals are all river terminals which means that shipping lines are unable to bring in larger-sized vessels," the publication stated.

MR GROB told **EuroMatters** that there is a need for "a real deep-sea port in the greater Yangon area with good road, rail and water connections to the main industrial areas in the Yangon area."

Japanese businesses are also reportedly in favour of the idea. But location will be a heated issue.

If built, the facility will be situated in the area where Yangon River meets the Gulf of Martaban. Whether it will be constructed on Thilawa's side or the opposite has been a subject of intense interest among investors from different Asian countries.

Thilawa SEZ, covering Kyauktan and

Thanlyin townships, is on the east side of Yangon River. Meanwhile, South Korean businesses have been lobbying to build an industrial complex in Dala township, on the river's west side. Korea firm GS Engineering & Construction Corp is also negotiating with the regional authorities to construct a bridge linking Dala and the city's downtown.

Frontier Research Myanmar said a deep-sea port in the delta would be "hugely beneficial", but such feasibility is under question.

Obstacles abound. For one, the depth of the delta region makes such port less competitive than regional players. Yangon River has a depth of 9 metres, allowing vessels of around 1,000 TEUs. The delta region has a depth of 10 metres with a potential capacity for 2,000 TEU vessels. This is still significantly shallower than other ports in ASEAN, with some catering for 5,000 or even more than 10,000 TEUs.

"I understand the challenges are around the practicalities of a project from an engineering and finance perspective, but if they can be overcome it would be very welcomed," said MR MARKEY.

There could be alternative sites for the port which involve fewer impediments in terms of engineering and finance. There have been discussions on having one in Mon State or Ayeyarwaddy Region. But the analyst cautioned that these options present other complications, such as the time cost to Yangon, resulted from poor road connectivity.

For all the debate, MR MARKEY emphasised that a deep-sea port is not "a magic bullet" for the country's logistics woes. Notably, access to the ports "continues to be a headache."

The urgent priority, businesses say, should be to have in place proper and efficient customs processes to allow cargoes to move between ports, dry ports and bonded warehouses. •





## Thilawa trailblazers: the brothers who champion tech in Myanmar logistics

An hour and a half drive away from the sprawling Yangon city across Bago River will lead you to an industrial hub full of factories, trucks and trailers.

Within half a decade, the Thilawa Special Economic Zone (SEZ) has transformed the area from little more than swampy grassland on the banks of Yangon River to a bustling 6000-acre hive of industry, home to manufacturing plants, warehouses and the leading bulk terminal in Myanmar.

Initiated by then-President U THEIN SEIN and led by Japanese investors, the Thilawa SEZ in southern Yangon Region has attracted more than US\$1.5 billion worth of foreign investments to date.

As the government's handling of the economy has come under increased scrutiny, Thilawa found renewed favour by the current administration led by DAW AUNG SAN SUU KYI. She recently said "Thilawa SEZ has become a crowning success in a very short period of time".

Behind perhaps Myanmar's foremost success story stands two brothers from Japan.

TOMOAKI YABE came to Myanmar in 2013, hoping to ride on the country's economic liberalisation. The elder of two brothers, TOMOAKI - who graduated with an MA (First Class Honours) and MChem from the University of Oxford previously worked in England and Japan. He is now settled in Yangon with his newly wedded wife CHIE. In 2016, he was joined by younger brother, TAKAAKI YABE, who graduated with an MEng from the University of Edinburgh followed by a stint in Yokohama and Thailand.

At the time, the family business, Fukushima-headquartered Daizen, was looking into expanding across Southeast Asia. Myanmar's opening up provided a window of opportunity.

"Having discussed with senior representatives from one of Japan's leading trading houses, we in 2015 picked Thilawa as our first investment in the ASEAN region," said TOMOAKI YABE.

"Six years since we first came to this country, Daizen has started to secure vibrant international and domestic clientele. With the warehouse reform, investment in ports and roads, and companies like us, the best days for Myanmar's economy lie ahead - on that I am 100% certain. Logistics and Thilawa are helping Myanmar to define its new role in the world of growing trade and commerce."

In 2017, Daizen became Myanmar's first ever bonded warehouse operator. Last year, the company was appointed as a member of the Myanmar Business Initiatives under Myanmar's top business body - the Union of Myanmar Federation of Chambers of Commerce and Industry - to advise the government on logistics and customs policy reform.

Work is growing busier day by day. MR YABE said they are working with a Dutch paint multinational, Southeast Asia's largest packaging firm, a leading tyre manufacturer and a Tokyo-based speaker producer, among others.

Bonded warehousing represents a major step forward for the logistics

industry, in a country where the sector is hobbled by crumbling land and maritime infrastructure after decades of neglect. As first-mover, Daizen consolidated its lead as Myanmar's logistics pioneer.

With its freezone warehouse services, the company is now channelling its efforts to ramp up cross-border trade in Myawaddy. Goods transported by Daizen can go straight into Thilawa from Thailand, without the need to undertake customs processing at the border. This new approach, MR YABE emphasised, saves a lot of time for clients and ensures that customs are done in Thilawa under international standards of certainty and transparency.

Daizen is also hoping the launch of the 2nd Thai-Myanmar Friendship Bridge on the Kayin State-Thai border, opened recently amid much fanfare, will further strengthen cross-border trade between the two neighbours.

"The launch of the K190 billion bridge is a big boost for transport connectivity between Thailand and Myanmar, and strengthens Myanmar's involvement in the Mekong-Japan Cooperation scheme."

The company is setting up an office on the Myanmar side of the bridge in Myawaddy, Tanintharyi Region, to facilitate cross-border logistics, and is mulling to branch out to Mandalay next year.

"Daizen's service coverage in Thai-Myanmar border and Yangon will suit businesses in Mandalay who want to import or export their products," MR YABE added.

But more than anything else, it is in technology where Daizen Myanmar leads the way. All of its logistics operation ranging from freight forwarding, customs clearance, transport to warehousing are all tracked, secured and centralised in the company's digital platform, "eDaizen".

This online, cloud-based system developed internally and specifically to

suit the Myanmar market, aggregates and shares all the key operational information, not only within and between different teams, but also with the customers. Through eDaizen, all the staff members managing the project, as well as the clients, have access to real-time cargo tracking, invoicing process and management of key performance indicators (KPI).

In particular, the platform provides employees with a paperless solution to settle operational expenses with the company's finance department, allowing accumulation of data that can then be used to manage our expense. This eradicates the risks of corruption, which is a key concern among international investors.

"The transparency allows us to track the expense and ensure the whole process is clean and the client is getting what he asks for."

In order to improve the quality of services, Daizen Myanmar monitors KPIs to track its services, such as delivery lead time for customs clearance or "on-time in full" (OTIF) delivery for transport services.

Two biggest issues are the high transport cost and enormous uncertainty in delivering the right products to the right place at the right time in right condition, when compared with other Southeast Asian markets.

MR YABE attributed this to excessive regulatory restrictions and the lack of road and maritime infrastructure which needs to be addressed by the authorities.

"We know life is sometimes difficult for businesses. We know things can be slow here. But, the ultimate reward for our patience is Myanmar's vast potential in trade and commerce. This is a 'long-haul' investment. Rome wasn't built in a day."

With such entrepreneurialism and resilience, little wonder that DAW AUNG SAN SUU KYI called Thilawa "a success story" between the government and private investors.

"Investing in Myanmar means we chose the future and not the past," MR YABE concluded.

Indeed, technology and data are Daizen's vision for its Myanmar expansion. A combination of technology and logistics, spearheaded by the two brothers, will set Myanmar on the path to being a great trading nation, marching towards the broad, sunlit uplands of trade and commerce. •

*The Site Visit provides an overview of the daily operations of a business in Myanmar, speaking with the chief executive along the way.*







## EVENTS ON REVIEW

EUROCHAM MYANMAR, together with leading European companies represented in the Construction and Infrastructure Advocacy Group, organised the first **EuroCham Construction Forum** at Grand Mercure Yangon Golden Empire Hotel in Yangon on January 22, 2019. The forum's theme was **"Moving Forward: Sustainability & Innovation in Construction"**.

The aim of the forum was to advocate for higher standards in the construction industry, to present an update on how the construction industry in Myanmar is developing, and to discuss the importance of sustainable and innovative approaches in supporting this transition. Moreover, it served to raise the concerns of the European business community to relevant stakeholders and the media.

Following a welcoming speech by EuroCham's Executive Director FILIP LAUWERYSSEN, U MIN HTEIN, Director General of the Ministry's Department of Urban and Housing Development and U KO KO GYI, Vice President of Myanmar Engineering Society, emphasised the importance of local architecture, heritage and sustainable development in Myanmar.

MR JOHANNES GOLÜKE, senior consultant of Roland Berger, presented the outlook of transportation infrastructure needs in Myanmar, elaborating on the challenges and opportunities that investors face in the country. Following this, the first panel discussion focused on the topic of **infrastructure development**, and was discussed by U KYI ZAW MYINT, Dept of Highways, NEVCAN GÜNGÖR, Chief Investment Officer for Shwe Taung and U SAW HTWE ZAW, Central Executive Committee of MES, analysing the correlation between economic development and Foreign Direct Investment (FDI). The panel highlighted the importance of coordination between government and private sectors and its pivotal role in Myanmar's sustainable development.

# 22 JAN • TUES • YANGON EuroCham Construction Forum 2019

A discussion of **building technologies**, was introduced by MR LUU LE MINH KHAI, EcoBuilding Director at Schneider Electric Vietnam, MS ANNA CHOI, Head Digitalisation at Schindler and U THANT HTUT, Assistant Manager at Jotun Myanmar. Later the panelists - DAW MYINT SEIN, Director of Dept of Buildings, LUU LE MIHN KHAI, ANNA CHOI, U SAN KYU, Central Executive Committee of MES and U YE LIN, Joint General Secretary MCEA & MD of Dana War Yar Construction Co, focused on the importance of implementing digital technologies such as the "Internet of Things". The panel concluded that the most efficient way to promote new technology was through standards and regulations.

The third presentation was presented by MR CLAUDIO MURA, Architectural Design Manager - Archetype Myanmar, MR TORSTEN NOWACK, General Manager of Sika Myanmar and MR MATTHEW REUTER, General Manager at Stonewest Hong Kong. The following discussion theme was **heritage preservation and sustainable construction**. The panelists included CLAUDIO MURA, MATTHEW REUTER, DANIEL WEST, Managing Director at SPA Design & Project Services, DAW MOE MOE LWIN, Director and Vice Chair - Yangon Heritage Trust and U KHIN MAUNG MAUNG, Central Executive Committee Chair, who explored not only the current challenges regarding social awareness of heritage construction but also the advantages of sustained preservation of old buildings.

DAW SANDAR AUNG REBIERE, Co-Chair of EuroCham Construction and Infrastructure Group, concluded the ceremony by outlining the importance of EuroCham in promoting compliance and transparency in sustainable development, saying "Knowing is not enough, we must apply. Willing is not enough, we must do". •





# 2019

## WHAT'S ON

In this section, the most notable events of the upcoming quarter are highlighted. From the Joint chambers networking to the MM-EU economic forum, be sure not to miss out on these essential events in Myanmar.

More information on our website:  
[eurocham-myanmar.org/events/upcoming](http://eurocham-myanmar.org/events/upcoming)

### Energy workshop

The EuroCham Myanmar Energy Advocacy Group, representing the European companies in the energy sector in Myanmar, will hold a two-day workshop with several key ministries to share its perspectives on the current regulatory issues related to electricity generation, power agreements, upstream sector, and liquified natural gas. The objective of this event is to address the energy issues that currently constrict the development of Myanmar.

Please note that this workshop is by invitation only.

### EU Day celebrations

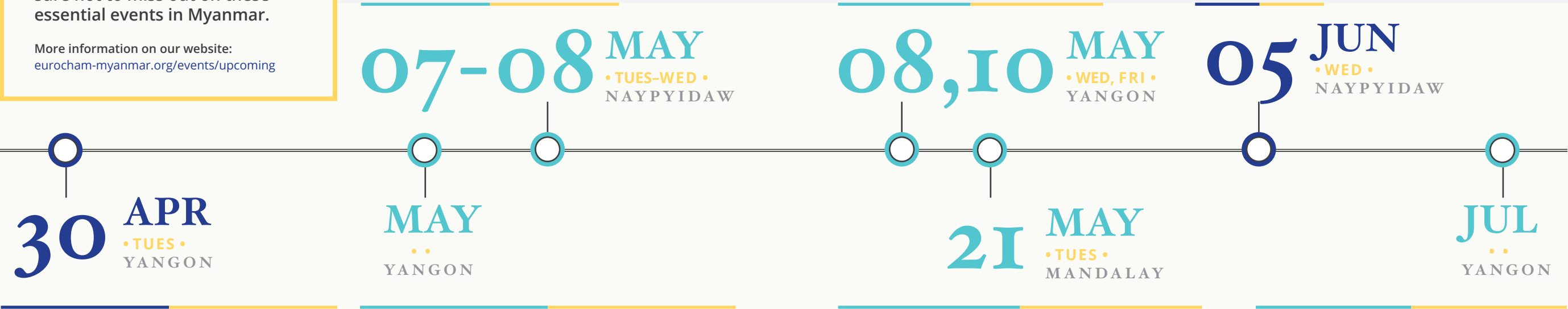
The delegation of the European Union to Myanmar will host **two events** to celebrate EU Day (official date on May 9). There will be a formal reception in Naypyidaw on Wednesday, May 8 with government and parliament representatives and on Friday, May 10, a concert open to the public at the Strand Hotel in Yangon.

For more information, please visit [eeas.europa.eu/delegations/myanmar-burma\\_en](http://eeas.europa.eu/delegations/myanmar-burma_en) and [www.facebook.com/EUinMyanmar](http://www.facebook.com/EUinMyanmar).

### Myanmar EU Economic Forum 2019

The Myanmar-EU Economic Forum in Naypyidaw on June 5, 2019 will be the third edition of EuroCham Myanmar's annual signature event on advocacy. The forum hosted by EuroCham Myanmar will provide a platform for business leaders and policy makers from Myanmar and Europe to interact and debate key business and trade issues. Over 500 guests are expected to attend, representing political and business interests from Europe and Myanmar.

For more information and to register, please visit EuroCham's website.



### Joint chambers networking event

The seven European business groups - 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 third edition of the Joint European Chambers Networking event on Tuesday April 30 from 6.30pm to 8.30pm at Pullman Yangon Centrepoint.

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.

To register, please visit EuroCham's or one of the other 6 chambers' websites.

### Series of legal and tax breakfast talks

Starting from May, EuroCham Myanmar will organise together with the Legal and Tax Advocacy Group a series of seminars every two months.

The first one will focus on **"Upcoming changes in the Tax Law"**. Speakers will present the upcoming changes in the tax law, including the tax reform plan published by the Internal Revenue Department (IRD), the change in the fiscal year and applicable to private taxpayers, Draft Tax Administration Law and the issuance of several Interpretation and Practice Statements by the IRD in the past few months.

More information to come soon.

### Business climate in upper Myanmar

Mandalay is located in Myanmar's heartland and is the economic centre of upper Myanmar as well as the second largest city with a population of 1.2 million people. Since it was established in 2017, the Mandalay Investment Commission has approved five domestic and five foreign investment proposals, totalling 10 investments within nine months, according to the regional Directorate of Investment and Company Administration (DICA). The forum will focus on policy and regulatory constraints European companies based in Mandalay are facing and how to overcome them.

For more information and to register, please visit EuroCham's website.

### EuroCham Automotive Forum 2019

EuroCham Myanmar, together with leading European companies represented in the Automotive Advocacy Group, are pleased to announce the upcoming EuroCham Automotive Forum. The forum aims to bring together key figures in the automotive industry from both private and public sectors to discuss the topic **"Driving green mobility: new technologies and current challenges"**. Different panels will address ways to improve the diffusion of electric and hybrid vehicles, potential issues that could arise and the benefits of developing greener vehicles in the automotive sector.





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271-273 Bagayar Street  
Sanchaung township, Yangon, Myanmar



+95 9 45058 2335



info@eurocham-myanmar.org

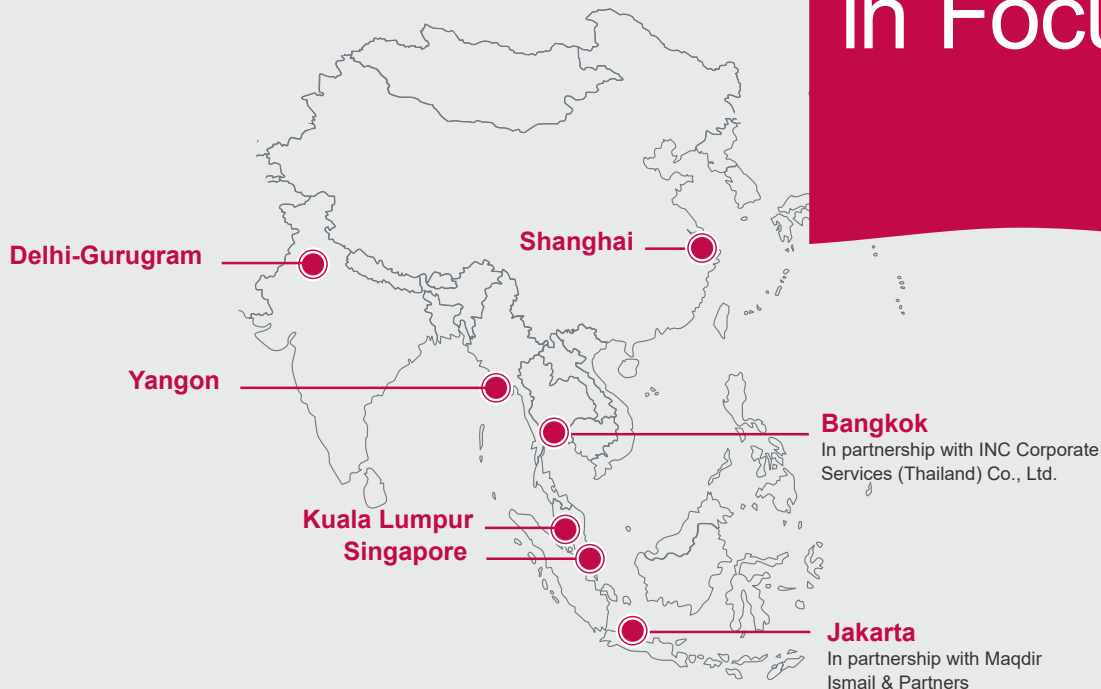


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Uniteam Marine Office Building, Level 8, Unit #1, 84 Pan Hlaing Street, Sanchaung Township, 11111 Yangon, Myanmar  
myanmar@luther-lawfirm.com | myanmar@luther-services.com | Phone: +95 1 500021 | Fax: +95 1 502852