



NEW FRONTIERS:

What an executive should
know before landing in
Myanmar

Market overview, industry assessments and challenges ahead
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MYANMAR AT A GLANCE

WHY BOTHER WITH MYANMAR?

- An untapped regional hub in a largely mature Asia
- Wholly new consumer market
- Many promising sectors providing attractive returns
- Large and educated workforce, investment incentives
- Proximity to major Asian markets: shipping, supplies

CURRENT STATE OF BUSINESS

- Lack of responsive, transparent and accountable regulatory framework
- Many major industries still owned by the state; privatization soon underway
- IP protection virtually non-existent

FOREIGN INVESTMENT AND TRADE

- Existing investors: China, India, Indonesia, Japan, Malaysia, Singapore, Thailand ■
- ~60% of Myanmar's exports, ~50% of imports are from/to Asia ■
- Key trade goods: agriculture, timber, and minerals ■



WHAT TO LOOK FOR ON THE HORIZON

- Significant changes in foreign investment law ■
- Creation of Industrial Zones and Special Economic Zones ■
- Privatization of state owned industries ■

REMAINING QUESTIONS

- Will structural reforms be introduced to encourage private enterprise? ■
- Can the country resolve its long-running ethnic conflict? ■
- How will the economy respond to a flood of foreign investment? ■

TELECOMS

Myanmar's information and communications technology (ICT) sector is the most outdated in the ASEAN region. It will soon allow up to 5 licenses for foreign operators.



KEY INFORMATION AND MARKET HIGHLIGHTS

- Low mobile penetration rate of just 1.5% (around 800,000 subscribers), and Internet penetration rate of 0.2% (2012)
- The cost of ICT services is prohibitively high for the average Burmese citizen

OPPORTUNITIES

- Engage the government through training, advisory support, and investment in telecom infrastructure (i.e. mobile towers and broadband)
- The sector's development may create new or greater opportunities in areas like VoIP services, and ICT training
- Demand for telecom services will grow due to young labour force with rising income, new business start-ups and restructuring of the financial sector

GOVERNMENT POLICY AND LEGISLATION

- The sector is largely controlled by businessmen who have close relationship with the former ruling Junta as contracts have been offered on non-transparent terms

CHALLENGES

Unstable politics and bottlenecks, such as:

- High handset prices (US\$45-600)
- SIM registration cost of US \$150-200
- Long waiting period (up to 2 years) and connection hurdles
- Poor network and coverage
- Lack of competition has hampered growth



TELECOMS 2010 -2011

	2010	2011
Fixed-line services		
Total number of subscribers	604,700	620,000
Annual growth	9%	7%
Fixed-line penetration (population)	1.2%	1.2%
Fixed-line penetration (household)	5%	6%
Internet		
Total number of subscribers	30,000	40,000
Annual growth	20%	33%
Internet subscriber penetration (population)	0.06%	0.08%
Mobile Services		
Total number of subscribers	594,000	680,000
Annual growth	18%	14%
Mobile penetration (population)	1.2%	1.4%



International payment cards will replace cash and government to allow joint ventures with foreign banks

BANKING

- The World Bank will provide Myanmar with \$397m loan and \$85m in grants so they can start paying off their debts
- U.S. banks wishing to do business in Myanmar must apply for a “general license” in Washington, which may take weeks or months



OPPORTUNITIES

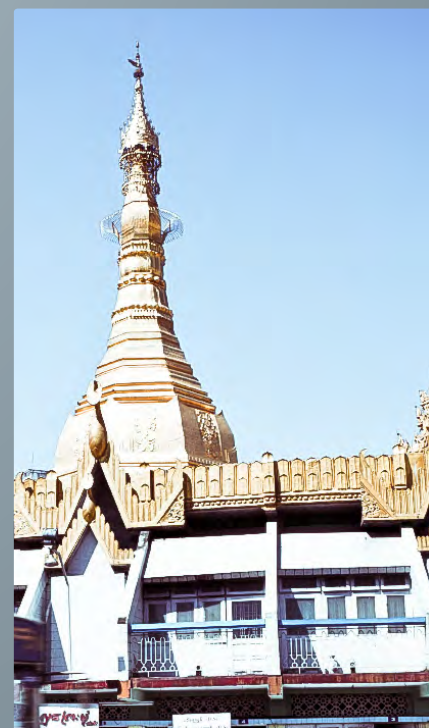
- Foreign banks can work with local banks to offer more services to lift the performance of the financial sector
- Foreign banks may consider securing branch licenses, which could fuel domestic growth by providing commercial and project financing services
- Foreign banks may be allowed to operate fully in Myanmar within the next two to three years. This seems to be achievable given the current rate of liberalisation
- A proposed new foreign exchange law will make it easier for foreign financial institutions to operate in the country. It will provide greater freedom in sending and withdrawing foreign currencies

CHALLENGES

- Companies should be prepared to self-finance investments as financing is limited until sanctions are fully lifted
- Many exporters face issues regarding the strength of Myanmar's currency, which is affecting export competitiveness
- The financial industry is still very underdeveloped due to the government's tight controls

PRIVATE BANKS IN MYANMAR

- | | |
|-----------------------------|---|
| ▪ Myanmar Citizens Bank Ltd | ▪ Kanbawza Bank Ltd |
| ▪ Co-operative Bank Ltd | ▪ Asian Yangon International Bank Ltd |
| ▪ Yadanabon Bank Ltd | ▪ Myanmar Industrial Development Bank Ltd |
| ▪ First Private Bank Ltd | ▪ Sibin Tharyaryay Bank Ltd |
| ▪ Myawaddy Bank Ltd | ▪ Innwa Bank Ltd |
| ▪ Yangon City Bank Ltd | ▪ Asia Green Development Bank Ltd. |
| ▪ Yoma Bank Ltd | ▪ United Amara Bank Ltd. |
| ▪ Myanmar Oriental Bank Ltd | ▪ Myanmar Apex Bank Ltd. |
| ▪ Tun Foundation BankLtd | ▪ Ayeyarwady Bank Ltd |



PUBLIC INFRASTRUCTURE



KEY ISSUES

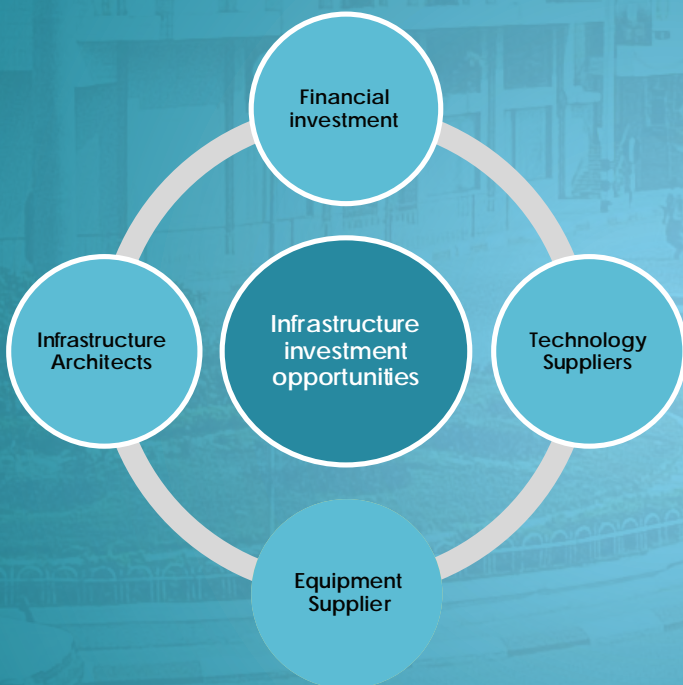
- Significant investments are needed to repair transport, energy and telecommunications
- Severely underdeveloped transport, logistical links, and power
- Ethnic rebel groups continue to attack government infrastructure

GOVERNMENT REGULATIONS TOWARD INVESTMENT

- The Special Economic Zone (SEZ) Law and the Dawei Special Economic Zone Law plan to
- Make doing business easier by offering incentives like tax exemptions
- Basic infrastructure projects with shorter time frame, beneficial to local communities and have less environmental impact face lower regulatory and contract risks. This is in contrast to rail, port and dam projects

OPPORTUNITIES

- Infrastructure development will create opportunities for busses and trains as the country modernizes its public transport systems
- Myanmar welcomes institutions with experience in urban development and planning
- Sustainable urban development can be a differentiating factor for architectural firms
- Foreign investment in infrastructure projects may lead to a boom in the property market



Myanmar's public infrastructure will require tremendous investment, but opportunities for international firms to directly participate may be scarce

Source: The Diplomat

SHIPPING AND TRANSPORT

Using Myanmar as an alternate shipping route can save US\$80,000 per ship.



POTENTIAL FOR MYANMAR'S PORTS

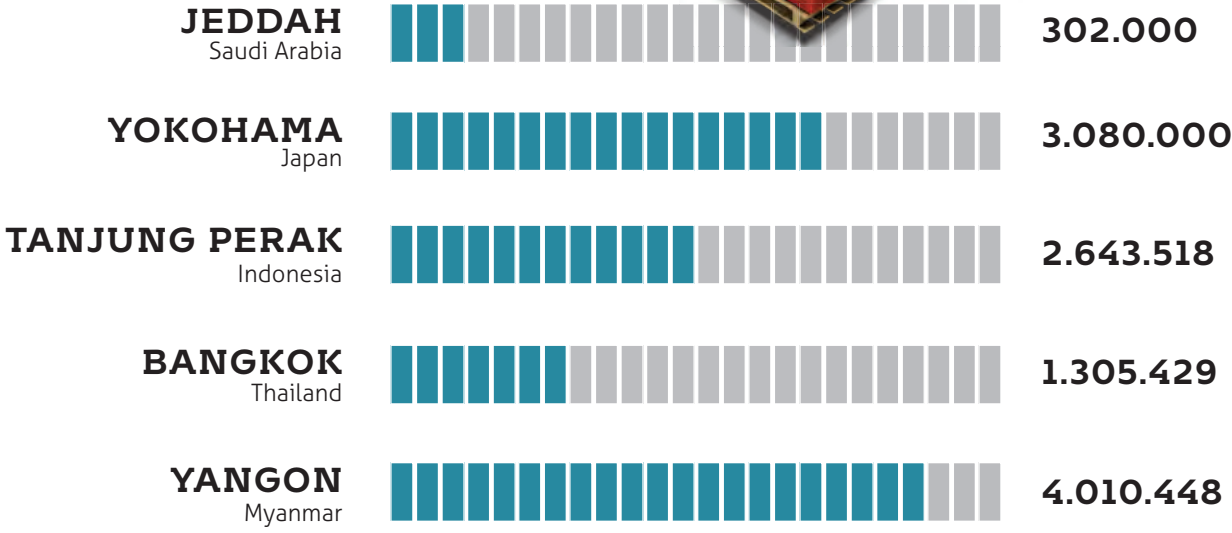
- Infrastructure construction and industrial activity are likely to increase given the demand for bulk cargo and liquid bulk cargo ports
- Inland, there is a need for logistics services, container depots and freight stations. This presents opportunities for companies with operations and management expertise
- The infrastructure construction opportunities will attract interest from engineering, procurement and construction (EPC) companies
- In five years' time, the capacity of Dawei deep sea port is expected to rival the capacity of Singapore

CHALLENGES

- Current port capacity pales compared to the major ports in Asia
- May have difficulty handling deep-sea vessels, and increased economic development will bring additional congestion

Country	Reason for investing in Myanmar	Result
Thailand	Developing deep sea ports and industrial complexes at Dawei	New international trade route
China	Undertaken the deep sea port at Kyauk Phyu and the pipeline to Yunnan Province	New logistics route to supply energy
India	Developing the port of Sittway	Gateway to the northeastern part of India

PORT CONTAINER TRAFFIC (TEUs)



Source: CLSA Asia Pacific Markets



OIL & GAS

Myanmar's gas reserves are relatively small, but privatization of oil refineries will attract foreign investors.





OPPORTUNITIES

- Foreign investors are targeted because local businesses lack experience and technology
- Myanmar has already awarded 10 of its 18 onshore oil and gas blocks
- Development of Myanmar’s energy resources will provide new source of energy for the region. Gas is already Myanmar’s biggest export.

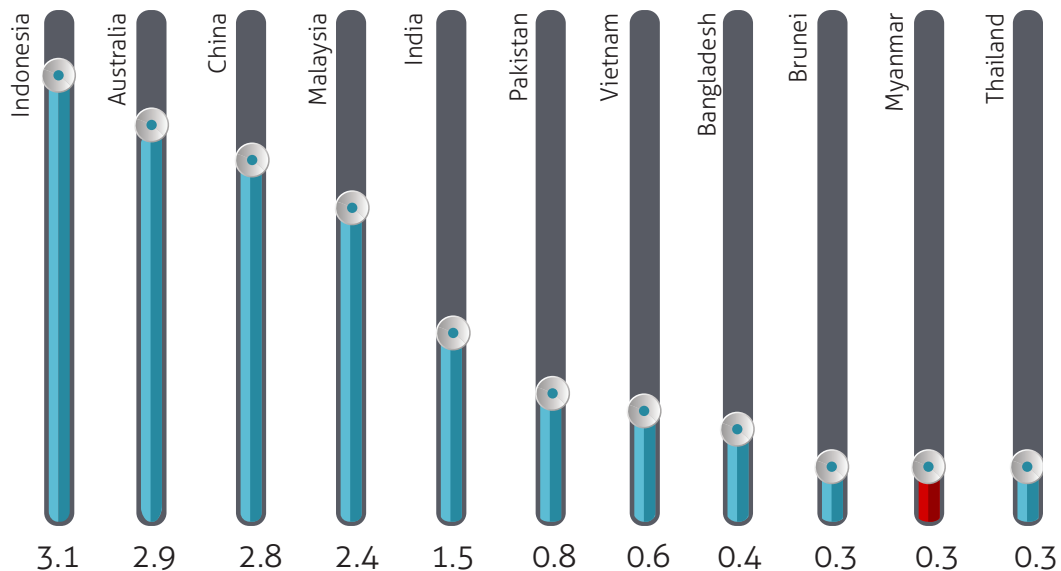
CHALLENGES

- Foreign companies need to create joint ventures with local partners to receive license for exploration
- Offshore operating companies may face political risks when they transfer their product onshore
- Local communities gain no benefits or compensation

GOVERNMENT REGULATIONS

- Foreign companies need to create joint ventures with local partners to receive license for exploration
- Myanmar’s new foreign investment law permits foreign companies to lease land and grant them legal protection in relation to nationalization

NATURAL GAS: PROVEN RESERVES - CUBIC METERS (TRN)



Source: CLSA Asia Pacific Markets

NATURAL RESOURCES

Myanmar's massive mineral and gem resources are valued at billions of dollars



OPPORTUNITIES

- Myanmar mineral resources include tungsten, tin, zinc, silver, copper, lead, coal, gold and industrial minerals. It is the largest jade producer in the world
- Ministry of Mines expected to privatize most state-owned operations
7 foreign companies from Australia, China, Russia, Thailand and Vietnam are already mining for metals

CHALLENGES

- Natural resource control is a major cause of conflict
- Increase in foreign investment could trigger new environmental regulations
- Minister of Energy wants to change the country's foreign investment focus away from oil and gas and towards more job-intensive sectors

REGULATION

- Local companies need a strong foreign partner with a proven track-record of exploration and production in order to secure exploration rights
- Two-tier system: local companies are entitled to exploration licenses that last one-year and require renewal, whereas foreign companies can get up to 5 years exploration licenses
- Nevertheless, the Ministry is unlikely to give licenses to foreign companies that do not have a local partner (minimum 25% equity)

FDI BY SECTOR

Sector	Total Number of Companies	Approved Amount (US\$M)	%
Power	4	14,530	40.3
Oil & Gas	104	13,816	38.3
Mining	64	2,794	7.8
Manufacturing	159	1,752	4.9
Hotel & Tourism	45	1,065	2.9
Real Estate	19	1,056	2.9
Livestock and fisheries	25	324	0.9
Transport and communication	16	313	0.9
Industrial estate	3	193	0.5
Agriculture	7	173	0.5
Construction	2	38	0.1
Other	6	24	0.1
Total	454	36,078	100



Foreign investors will be attracted to this sector due to Myanmar's tax breaks and exemptions

INDUSTRIALS

- This sector accounts for only about 11 percent of the GDP and employs only 10 percent of the total labour force
- It is the goods-producing segment of the economy, including agriculture, construction, fisheries, forestry and manufacturing



OPPORTUNITIES

- The garment and apparel industry is a potential low-cost manufacturing base attracting investors with low overheads and wage rates
- Several industrial laws including special economic zones providing incentives have been set up making operating a business less difficult
- The abundance of low-skilled labour means that investors can expand the sector which, prior to the sanctions, exported US\$860 million of clothing a year at its peak

CHALLENGES

- Much of the industrial sector, especially heavy industries, is still controlled by the government, although the share of private enterprise in this area is steadily growing
- Slowing demand resulting from the global financial crisis has begun to have a dramatic effect on Myanmar's industrial sector
- Job orders from EU market and Japan – which, together with Latin America, normally accounts for all Myanmar's garment exports – are dramatically decreasing

SPECIAL ECONOMIC ZONES

Zone	Target clusters
Dawei Special Economic Zone	Low tech industries: textiles, garments, footwear, furniture, glassware, toys
Kyaukpyu Economic and Technology Zone	Medium tech industries: automobiles, chemicals, machinery
Thilawa SEZ	High tech industries: electronics, pharmaceuticals, biotechnology, precision instruments and aerospace

TRADING

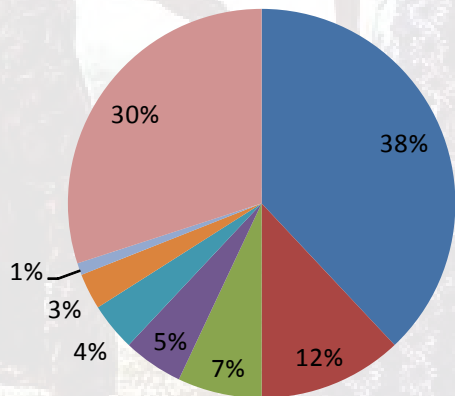
Myanmar sells resources and low value-added materials to import oil, machinery, and electronics.

- Shipping, logistics, infrastructure and hospitality will all benefit from the additional trade that is expected to come from Myanmar's opening
- Myanmar imports from China, Thailand, Singapore, South Korea, Malaysia and Indonesia (in declining order)
- Its export partners are: Thailand, India, China, Japan, Malaysia, the EU, South Korea and Vietnam (also in declining order)





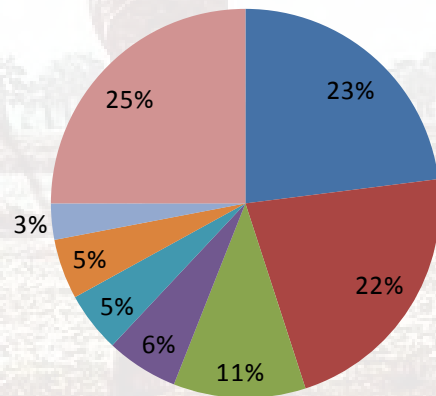
EXPORT PRODUCTION BY VALUE



- Gas
- Wood
- Rice & Maize
- Rubber

- Pulses, beans & seeds
- Garments
- Seafood
- Others

IMPORT PRODUCTION BY VALUE



- Oil & coal
- Manufactured goods
- Electronics
- Fabrics

- Machinery & transport eqpt.
- Chemicals and plastics
- Vegetable oils
- Others

Source: Eurostat





NEXT STEPS

Chief consideration: economic growth vs. industry opportunity.

Investment can skyrocket and manufacturing can boom but economic development takes many years. Is there actual demand for your products and services in Myanmar or is it merely potential? Search for evidence of growth in similar industries like commercial legal services or trading companies. If those industries are growing, it is likely demand for other services is growing as well.

Smart investment requires more than a growing macro environment in an emerging economy.



BEFORE INVESTING, HAVE YOU...

... LEARNED THE RELEVANT REGULATIONS?

- What is the process for making a foreign investment?
- What incentives are available for foreign investment today?
- How might a foreign company do business in Myanmar without establishing a presence there?

... CONDUCTED A FEASIBILITY ANALYSIS OF YOUR IDEAL SECTOR?

- Time: Slow or delayed ROI
- Human resource: Limited talent pool
- Bureaucracy: Welcoming to your industry
- Culture: Language barrier
- Communications: Poor telecom connectivity hinders relationship with HQ

... FOUND RELIABLE PARTNERS?

- Strategy consultants
- Lawyers
- Ad agencies
- Governmental lobbies
- Accountants
- Existing businesses
- Cultural guides



WHEN THE TIME COMES, CONTACT US

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ABOUT SOLIDIANCE

What We Do

We help multinational clients understand the Asian market landscape by profiling industries and competition, sizing the markets, segmenting customers, analyzing distribution channels, determining the best locations, preparing investment feasibility studies, identifying suppliers, reviewing potential joint ventures or acquisitions, and delivering market entry and growth strategy in Asia.

What We're Focusing On

Our industry experience is centered on industrial

applications, green buildings, cleantech, technology, and healthcare. Our Asian market entry and growth strategy services provide the required insights and the necessary roadmap to capture a profitable market share in the region.

Specialties

Asia marketing & competitive strategy, Asia innovation consulting, Asia market intelligence, Vietnam market research, Indonesia market research, Asia market entry & growth strategy, Asia B2B research, Asia pricing &

distribution strategy, Asia M&A due diligence.

Additional Details

Solidiance has offices in China, India, Indonesia, Malaysia, Myanmar, Cambodia, Singapore, Thailand and Vietnam. We are fast expanding and always on the lookout for exceptional people.





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