

EuroMatters



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COVER PHOTO

SERGE PUN by Kyaw Linn Oo

MESSAGE FROM EUROCHAM

It is with great pleasure that we present you the second
edition of EuroCham's new magazine **EuroMatters**, the only
premium business magazine for executives in Myanmar.

Our first issue focused on the energy sector. This time,
we will highlight different aspects of the developments in the
construction sector, a sector of critical importance to many
European businesses in frontier economies, including Myanmar.
The industry has seen a tremendous change over the last five
years, with a rush of hotels and hospitality infrastructures, a
rise in manufacturing plants and factories and the creation of
sizeable real estate projects. These include a brand new airport
in Yangon, privatisation of Mandalay's airport, international
shopping centres and office spaces such as Junction City and the
first shopping mall in Shan State.

This edition will take you on a journey starting with an
interview with **SERGE PUN**, one of the most recognisable
Myanmar names in the international community. In Myanmar's
story of reform and opening up, **MR PUN** serves as a go-to
partner for international investors. He will share with readers his
extensive knowledge and experience in navigating the country's
construction industry, as well as his vastly ambitious scheme for
Yangon - the New Yangon City - covering a landmass twice as big
as Singapore.

In addition, we will take you through a success story of
architecture consulting firm **Archetype**, which has been very
active in shaping Myanmar's urban landscape, as well as a site
visit to a paint factory of Norwegian **Jotun**, in Bago Region, which
supplies construction players with coatings and paints.

The three feature stories will cover the issue of safety,
standards and design, as well as Yangon's incredible heritage.
Having interviewed investors, academics and managers, we will
look at how the market demands and regulations are changing,
and what role European companies are set to play. •

We wish you an insightful reading.



Filip Lauwerysen
EXECUTIVE DIRECTOR &
CHIEF EDITOR



Laurenne Sautier
MARKETING & COMMUNICATION
MANAGER

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REVELLERS ENJOYING FERRIS WHEEL AT THE PAGODA FESTIVAL IN MANDALAY

This human-drive Ferris wheel is around 20-foot high and can carry around 40 revellers for each 3-minutes long ride. These fairground rides are usually found at the pagoda festival around the country. The photo was taken at the Kyauktawgyi Pagoda festival, one of the most popular pagoda festivities in Mandalay. At the festival, revellers can also enjoy other attractions like carnival tents and traditional opera troupe performances. Every year there are twenty pagoda festivals across Myanmar. •

Photo by
HTOO TAY ZAR

Retail, wholesale sector latest opportunity for foreign players and joint ventures

FOREIGN INVESTORS are now allowed to invest in the retail and wholesale sector, as the government has moved to clarify the policy details.

The commerce ministry issued the Directive 25/2018 on May 9, authorising 100 percent foreign-owned companies as well as joint ventures between international and domestic investors to carry out retail and wholesale businesses. More recently, the government issued a standard operating procedure for retail and wholesale business registrations as well as a list of products allowable for trade. The updates were announced on July 26, more than two months after the original notification was issued.

The list of permitted products provides operational details and specific information on the type of goods allowed to be traded in the country. It covers

consumer goods (including clothes, watches and cosmetics), foodstuff (including agri, fishery, animal, instant products, beverages and domestically produced liquor), household goods, kitchen products, drugs and medical equipment, animal feed and drugs, writing materials, furniture, sports accessories, communications products (including cameras and phones), electronics, construction materials, electrical goods, chemicals for industrial manufacturing, inputs for agriculture, various machineries, bicycles, motorcycles, spare parts for motor vehicles, children's toys, decorative materials for households, souvenirs and handmade products as well as fine art and instruments, according to the commerce ministry.

The standard operating procedure to apply for retail and wholesale

services registration includes specifying the type of company, procedure for retail and wholesale operations, lowest investment amount, land area, whether the business involves opening shops or enterprises and the registration period.

The minimum capital requirements for 100% foreign-owned firms to operate in retail and wholesale industries are US\$3 million and \$5 million respectively. For joint ventures where the local investor has at least 20% equity ratio, the minimum capital necessary are \$700,000 and \$2 million respectively. All capital requirements exclude rental fees. Domestic businesses are exempted from the requirements.

EuroCham said the reform will "invite more competition to bring down consumer prizes and create more jobs for everyone". •

Long-term outlook for Myanmar's construction sector 'robust', Fitch Solution says

THE LONG-TERM growth outlook for Myanmar's construction industry is rated "robust", consulting firm Fitch Solutions Macro Research announced in September.

Fitch Solutions Macro Research, a unit of Fitch Group, predicted that the country's construction industry expansion will be the second fastest in Asia after Cambodia, averaging almost 10% year-on-year up to 2027.

"Myanmar's construction industry remains on a strong growth trajectory. We are expecting construction industry growth to average 9.5% y-o-y in real terms over our long-term forecast period, making it the second-fastest growing in Asia after Cambodia. This is based on the country's pressing infrastructure deficits, including in transport, power, housing and social infrastructure, which the government is committed to addressing," the research firm said.

In particular, transport projects such as roads, railways and airports will drive growth. The transport sector accounts for the largest share of the country's project pipeline as well as foreign investment flowing into the sector. Asian countries including Singapore, China, India and Japan are particularly active in investing.

In addition, FDI to the real estate industry increased by 21% to US\$1.1 billion in the fiscal year 2017-18, showing rising foreign interest in infrastructure assets. There is a total value of \$19.2 billion of infrastructure projects in the pipeline, compared to the current size of the country's construction industry which is worth around \$4.5 billion.

Despite the substantial growth potential over coming years, Fitch Solutions meanwhile has cut Myanmar's short-term growth forecast for the sector in 2017 from 18.5% to 10.3%

y-o-y, noting various potential downside risks, including the Rohingya crisis, political instability in border areas and potential for economic reforms to be stalled. The figures for 2018 and 2019 were also revised down to 13.3% and 13.8%, respectively, from 16.5% and 14.7%.

"Investors are concerned that required reforms to the business environment, such as boosting bureaucratic efficiency, opening up the economy to foreign participation and improving government coordination and capacity, will not move forward as quickly as planned.

"Any backsliding on reform momentum would act as a barrier to foreign investment, which is crucial for infrastructure development in the country," the company stated. •

Third business confidence survey launched

EUROCHAM MYANMAR launched its third Business Confidence Survey on September 3, which will be open until October 9. The survey is a highly important tool to obtain valuable market data and has been endorsed by the European Union. It aims to monitor economic developments and create a more transparent business environment in Myanmar. By collecting factual data, EuroCham Myanmar endeavours to advocate the suggestions of European companies towards the governing entities.

The survey's key objectives include measuring European business sentiment towards the domestic economy, getting an overview of sectoral representation of European firms in the country and investigating the issues and concerns faced by those businesses.

This year the number of responses has already increased in comparison



with last year's. Nevertheless, more respondents will allow EuroCham to secure a more reliable, in-depth overview of the business environment in Myanmar.

Results will be presented in December this year (see page 37).

Findings from last year's survey showed that while European companies in Myanmar concurred that the domestic business environment has deteriorated

in 2017, most see prospects improving over the next few years and almost all have opted to continue doing business in the country. The 2017 survey found that more than three quarters of the 70 European companies active in Myanmar, which responded to the poll, rated the Myanmar business environment as poor or needing improvement, compared to 67 percent in 2016. The companies cited regulatory issues, lack of a qualified labour force and legal uncertainty as the biggest challenges in the country. •

Big step forward for financial inclusion

MYANMAR HAS seen a significant increase in the number of adults with access to financial services, according to the nationwide Making Access Possible (MAP) financial inclusion study. The MAP project is funded by the UK government, the United Nations Capital Development Fund (UNCDF) and Myanmar's Ministry of Planning and Finance's Financial Regulatory Department (FRD).

Based on a survey of 5,500 rural and urban households, the research found that adults with access to at least one formal financial product increased from 30% in 2013 to 48% in 2018, an almost two thirds increase in financial inclusion, against a target set in 2014 of 40%.

The statistics shows that over 6 million more adults have access to formal financial services now than in 2013. Adults with more than one formal financial product also increased to 17%.

Myanmar Financial Inclusion Roadmap (2014-20) was drafted by the government after carrying out the first survey in 2013. Through the Roadmap, one of the targets was to increase formal financial inclusion from 30% to 40% by 2020. But, according to this 2018 survey, the reach has already exceeded the 2020 target.

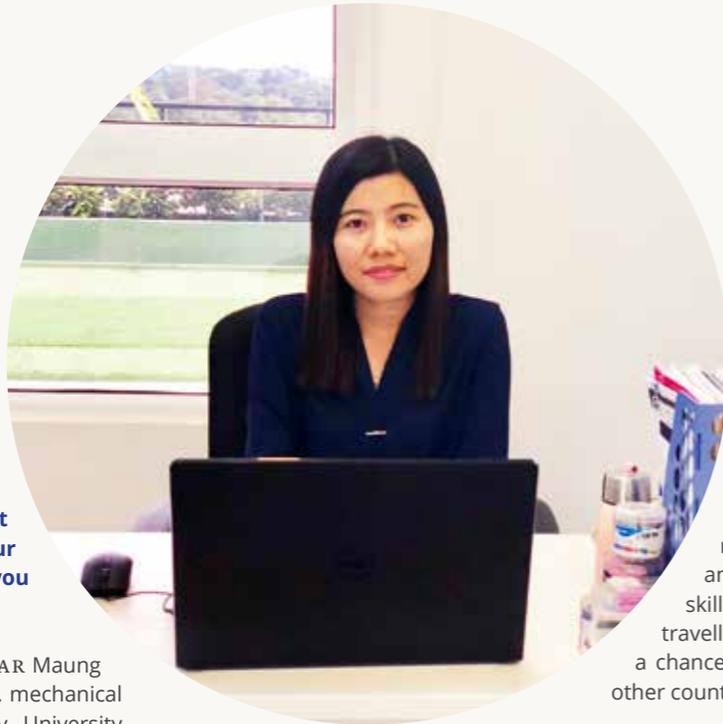
U ZAW NAING, FRD director general, commented that the number

means "Myanmar has improvements in financial sector," while KEITH JEFFERIS from the UNCDF said the progress can be attributed to people's desire to secure loans.

The study highlighted that a major driver fuelling this inclusion was strong expansion in the microfinance and cooperative sectors. PAUL LUCHTENBURG, UNCDF country coordinator in Myanmar, was upbeat about the promising findings. He said that MAP's 2018 findings confirm the multi-faceted developments in Myanmar's financial sector and offer promise for continued financial inclusion expansion as the financial industry gains traction with digital financial services. •

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 company - from a Myanmar perspective



Can you tell us about yourself? What is your background? What do you do in your company?

My name is MS YU WAR WAR Maung and I graduated with a B.E. mechanical engineering from Magway University in 2009. After my graduation, I started working in Yangon and now, I am serving as an assistant for a managing director at a Europe-based company.

How do you find working for a European company?

I find that working for a European company is a fantastic experience. So far, I have learnt a lot by working with a team of colleagues from different cultures. It is a good way to develop professionally.

Did you face any cultural challenges working for a European organisation? How did you overcome them?

I didn't face any cultural challenges because the company has been very supportive. The workplace is like a family and colleagues are warm and kind towards each other.

country is rich in national resources, we need to learn and improve our technical skills so I would like to say that travelling is good for me as I get a chance to know how it is going in other countries.

Do you speak or are you learning a European language?

I speak English and I'm also learning Chinese, though it's not a European language.

What are your interests and hobbies?

I am interested in learning foreign languages and my hobbies include reading, swimming, listening to music and playing badminton.

Where do you like to spend your free time in the country?

When I have holidays, I visit my native town and go travelling with my family and friends to the beaches and other beautiful places in Myanmar such like Pyin Oo Lwin, Taunggyi and Kalaw. •

What have you learned from working for a European company?

I have learnt a number of skill-sets, including time management, organisation skills and how to set up a long-term plan systematically and effectively. I have also grasped the skills on how to schedule my own work priorities and commitments.

Have you ever travelled outside of Myanmar? If yes, which countries and what experiences did you have? If no, do you have any plans to do so?

I have been to China, Cambodia, Singapore and Thailand for work. By travelling to those countries, I found out that our country still needs to improve in tourism, logistics, transportation and many other things. Although our



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SERGE PUN CHARTS BOLD VISION FOR YANGON

At a time when the government is tapping into the business community to provide strong leadership on the economic front, such as the appointment of Deloitte's U SOE WIN as the new finance minister, small wonder that Myanmar's most renowned tycoon is in charge of expanding and upgrading the commercial capital. After all, securing investments and infrastructure for greater Yangon will determine the future of millions of people – and a large part of the national economy – for generations to come.

The son of a Chinese banker who was forced to take his family from Myanmar in the 1960s following a military coup, SERGE PUN (U THEIM WAI) moved to China, and later to Hong Kong, with barely any money. His rise from hardships and poverty to being ranked by Forbes as Singapore's 35th richest man in 2017 is an inspiration for millions of those whose lives remain a struggle in one of Asia's poorest countries.

MR PUN owns and controls Serge Pun and Associates (SPA), a private investment holding company. Yoma Strategic Holdings Ltd (Yoma Strategic), is one of three publicly listed companies that have grown out of SPA, which was originally founded in 1983. The other two are First Myanmar Investment Company Limited (FMI), joining Yangon Stock Exchange's inaugural listing in 2016, and Singapore-listed Memories Group, a spin-off from Yoma Strategic and FMI's tourism assets.

The tycoon is the go-to investor for international partners, counting Mitsubishi Corporation, the International Finance Corporation (IFC), Asian Development Bank (ADB), Yum! Brands, New Holland, JCB, Dulwich College International, Kokubu and JCDcaux among them. Corporate governance is a key factor –

SPA and FMI are consistently ranked among the top 10 in the Transparency in Myanmar Enterprise/ PwintThitSa report, put together by Yangon-based Myanmar Centre for Responsible Business. Meanwhile, Yoma Strategic has been consistently ranked in the top 5% of the Governance and Transparency Index in Singapore.

Yoma Strategic has an extensive portfolio of businesses, notably real estate, financial services, automobile and food and beverage (F&B). Real estate has made significant inroads, including FMI City, Pun Hlaing Estate, StarCity and, most spectacularly, Yoma Central. These sizeable projects reflect the long-term vision MR PUN has in mind. For example, StarCity, in Thanlyin township, is the only large-scale residential development near the Japan-led Special Economic Zone (SEZ), and therefore taps onto the demand arising from investors and managers in Myanmar's only SEZ in operation.

The flagship which stands out is Yoma Central, featuring The Peninsula Yangon located on a 10-acre site and involving more than US\$600 million investment. The project, sealing the fate of the iconic Burma Railways headquarters, is a collaboration between Yoma Strategic, FMI and the Hongkong and Shanghai Hotels together with Mitsubishi Corporation, Mitsubishi Estate, IFC and ADB.

At the same time, Yoma Bank aims to use technology to bring the rural population, hitherto left behind in financial services, on board. One study found that adults with access to at least one formal financial services product increased from 30% in 2013 to 48% in 2018, an almost two thirds increase in financial inclusion. Yoma Bank, as the country's fourth largest bank by market share, plays a huge part in this transformation. The bank is currently in discussions with international payment





networks and regional remittance companies on cross-border remittances.

However, it is Yoma Strategic's F&B business which has the widest reach across the country. The firm boasts a joint venture with Pernod Ricard to manufacture and distribute whisky in Myanmar, and another joint venture with German Metro Group for a one-stop food distribution platform. As KFC's local franchise holder, Yoma Strategic is operating 26 KFC outlets as of now, covering Yangon, Mandalay, Taunggyi, Monywa, Bago and Pyay. International hotspot restaurant Little Sheep is also scheduled to open its first Myanmar franchise soon. The F&B business is targeting to include six brands and more than 125 stores nationwide by mid-2023.

The Pun business empire is not a one-man show. It's teamwork - father and sons. MELVYN, his eldest son, took the reins from him in 2015 as Yoma's CEO after 12 years at Goldman Sachs, while CYRUS is now managing director of Yoma Land, overseeing all the real estate operations. Both of them are active in the business community: MELVYN is a board member of the newly set-up Myanmar Institute of Directors, advocating corporate governance. Compared to many family businesses in Myanmar, the Puns are unusually well-prepared for the eventual succession and leadership handover.

This is not to say that the ventures have been all plain-sailing. After all, Myanmar, despite its huge potential, is a frontier economy. Sales in the group or Yoma Strategic properties in StarCity and Pun Hlaing Estate have not lived up to expectations. Recently, FMI Air had to close down because "operating in Myanmar's aviation sector has become increasingly challenging," in MR PUN'S own words.

The state of the overall economy is not helping businesses. As the new administration reaches midpoint of their five-year term, it is presiding over falling approved FDI, stagnant tourism numbers and slowing reform momentum. The tycoon is also a business leader who regularly weighs into the debates about the economy. In mid-2017, he urged the Myanmar government to give more attention to much-needed economic reform. A year later, in an annual financial forum in September this year, he told the energy minister that universal electricity subsidy is wrong and that the authorities should push for changes in the tariffs.

Whatever the difficulties, MR PUN is determined to see it through. More than that, he has a vastly ambitious programme for Yangon's regeneration and renewal.

The Yangon regional government formed the New Yangon Development Company (NYDC) to develop a landmass twice the size of Singapore. MR PUN, as NYDC's CEO, is at the helm of this. His vision is that the area will be primarily developed based on a Public-Private Partnership model, with businesses contributing in equity investments. The total area of New Yangon City will cover 1,500 km², stretching all the way down to the Gulf of Martaban. The megaproject is not without controversy. But MR PUN insisted that, with a target of creating 2 million employment opportunities, the project must go on.

From construction to digital banking to urbanisation to family, EuroMatters sat down with Myanmar's leading tycoon for a wide-ranging interview.

Yoma Land has an extensive geographical reach in Yangon Region. How is that related to your vision of the city's future?

SERGE PUN • Our real estate development, from the very onset, has a mission to create affordable housings as well as housing of different rates, which was acutely in shortage at that point of time. When I started my first project, FMI City, back in 1995, there was very little private housing available in the country and so we decided to do this large affordable housing project.

Another consideration is to have some degree of impact. You can't just do one building or a dozen houses - you need to amass sufficient number of units to have an impact on what your mission is. Therefore, the first project we started - FMI City - was 465 acres and today it houses 2,000 units. Pun Hlaing Estate covers 650 acres, followed by StarCity which is more than 400 acres. It is impossible to get such acreage in downtown Yangon, or within the very congested urban areas. You have

to go out and find a piece of land where you can master-plan it, creating a lifestyle and a desirable environment for people to live in. And all that needed is enough space. Hence, we have always been on the outskirts of the sphere of "Yangon proper" due to land availability.

But there's one more reason: we would like to spend a lot of time designing something proper and then be able to replicate that over a long period of time. Take FMI City: it took more than 15 years. Pun Hlaing Estate is 18 years old; StarCity is now going into its 6th/ 7th year, with another 15 years to go. We like to do something which we can do it over a very long period of time instead of a one-off shot.

Speaking of Yangon, the "new city" scheme is the talk of town. What opportunities does that represent for international and European investors?

SP • The most paramount goal for Yangon's "new city" is to create 2 million jobs. Creating 2 million jobs would bring in



benefits for the country and our people in a magnitude that I don't think anyone needs explaining. If the NYDC is successful, we will have 2 million new jobs and income. Now imagine what that does politically, economically, socially. The knock-on effects are too tremendous to explain in a few words. That's the paramount goal for the NYDC.

In that process, opportunities are abundant because we are going to build this under PPP, with equity from the private sector of all countries and we are inviting everybody to join in. We welcome whatever interest you have to invest - no matter where you are from - to fill in the needs of building a new city, be it infrastructure, public transport, service industry, educations and health. Every aspect needs investment.

The conventional thinking is that the government alone is the sole party responsible for building a new city. A lot more can be done if the private sector is allowed to take part, which is what we intend to do. For instance, in Yangon New City, all the basic infrastructure development will be done by private investors, including some services which are traditionally the government's job. Why? Because to service the public in certain services you cannot make money - it's always a money-losing situation and hence the government has to subsidise. Typically, the private sector is not interested in those businesses. But we're trying to create a new model that would attract private players to join by allowing them to make a profit, not necessarily from that business alone but from other means of receiving a reasonable return on their investment.

We would very much welcome European investor interests to take part in the new city's development.

What is the prospect for the real estate industry?

SP • The real estate sector in Myanmar has gone through quite an extraordinary period of growth and, as I've said, in the 90s there was a very scarce amount of supply of private housing. Towards the end of the 90s and also towards the first decade of this millennium, real estate became a booming sector. Particularly, in the first half of 2011-15, we had an extremely hot market.

A lot of it is because of demand, but it is also because there is a scarcity of alternate investment instruments in this country. Traditionally, if people have excess money, they like to buy real estate - land or buildings or homes - or gold, because these are what they consider as hard assets, which are hedge against inflation and currency depreciation. So the market went through a very robust period. It had a distortion that the real estate sector will continue to be buoyant for a long period of time without any correction. That unfortunately was knocked by a rather hard knock in the last two years.

However, what people are not realising is that the softness of the market today is mainly due to the lack of affordability.

If you cannot afford what's on the market, then there's no market. Affordable housing is the biggest challenge in this country today. There's a tremendous amount of demand out there among people who want to own their properties. But that is seemingly out of reach for most people.

That is something we want to address because a high percentage of the population owning their properties, particularly their own homes, is an extremely significant stabilising factor for the society. The mass majority of our population cannot afford a housing that is available on the market today and we want to correct that. I would actually encourage developers to think along those lines - to try to provide affordable housing. If that can be achieved, it is, no doubt, still a very promising sector and will continue to be promising.

Yoma Central secured financing from various international partners. Did corporate governance play a role?

SP • Yoma Central, together with The Peninsula Yangon, is a very high-profile project, due to its location being in one of the most prime areas in downtown Yangon, and that is one factor. There is no dispute about that. I doubt one could find 10 acres of prime land which is in one piece - continuous, not split up, in very good shape and rectangular - in the main intersection of the most important locality in the city. That itself carries a lot of attraction for many people.

The fact that we can attract IFC, ADB, Mitsubishi Corporation and Mitsubishi Estate, as well as The Hongkong and Shanghai Hotels to be our partners has another shade of meaning. It is because of corporate governance. Our corporate values, compliance issues and governance issues have been the bedrock of the group. It is not easy to establish that reputation. It is not something that can be established overnight. It requires many years of constituency in what you do and how you behave. That has been the reason multilaterals like ADB and IFC have been very interested to be our partners, not only Yoma Central but many other projects. We are proud of that. It would not have been difficult for anybody else to attract these calibres of investors if they themselves were the right partner.

Myanmar has gone a long way in digital inclusion. How will this change the game for the banking sector?

SP • Myanmar's banking sector is going to experience a very big change in the coming decades. Conventional banking - as we know it - will be substituted or taken over by a new generation of banking. If you look at this country, as in many other underdeveloped countries, 92-93% of our population has never been to a bank branch. They do not have accounts and don't deal with banks, for many reasons, maybe because they live in remote areas so there's no bank branch to serve them, or they may not have sufficient savings to attract the banks.

Whatever the reason, the fact remains that only 8% of our

populations is banked. But the new concept of banking will change that. Digital banking, to a lot of people, is playing with your phone. It actually isn't. Ultimately, digital banking can supersede conventional banking because it serves a vast percentage of population that has not been served. That's the crust of the issue, not the fancy digital stuff.

Yoma Bank has, since three years ago, committed to achieving that goal of becoming one of the first true digital banks in the country that serves a vast population who has not been served by commercial banks. Our first foray in the first few years is Wave Money, but more is to come. Wave Money is but the precursor of things to happen.

A true digital bank today is judged not by how many branches you have or how much hardware you have - it's judged by how many people you serve. How far can you reach? In due course, people don't need to visit a bank branch to take care of their banking needs. That's what we are working hard towards.

Your children have been proactively involved in the family business. What is your approach in educating and supporting them?

SP • I must say that I'm very blessed to have children who rise up to the challenges of life, but even more so to have children who share your values in life. Just the material nature alone is a blessing, because there is a lot of luck involved.

I have many friends who are extremely good parents but who have a little problem with their children. I had been very lucky. I have four children who have in their own separate ways independently performed very well and they have lived up to my expectations on how to conduct themselves in life. That, I think, is the most important.

Smart children are not the only thing worth looking for. Good children are what we hope for. In that regard - I will repeat - I am very lucky. I don't have any secret formula. I feel that children don't need much nagging or specific coaching or teaching. Children learn and emulate what their parents do.



To bring up good children you just need to set a good example. It is no good if you talk about big theories and then they know you are practicing something totally different.

We talk about governance and corruption in Asian society. Parents may go out and make speeches about how important it is not to be corrupted, to be good, but then in their daily business they will display exactly what they're saying is no good. If that's the case, how can you expect children to believe that corruption is not good? There are other smaller things like how you treat people. It's all good to say that you should be a nice person but when you see your parents treating other people not very nicely or taking advantage of other people, that's where the training comes from. That's basically it. There's nothing special or unique about it.

How important is FDI for Myanmar to develop into a fair, democratic and unified country?

SP • FDI is always very important, and probably the most important factor when a country is trying to come out of poverty. Without FDI, it's probably not possible. So, there is no argument on whether FDI is the most important factor, particularly in developing one's economy. You cannot have a country that has

great benefits for your workers without first making a good success in the economy. How can the poor look after the poor? You have to become rich then you can look after the poor. Hence, FDI is definitely important.

Somehow, particularly in Asia, when you talk about FDI, the first thing that comes to mind is FDI from the West. But, in the future, FDI is principally coming from the East - not the West. The West will continue to participate in the FDI contribution, but the bulk of FDI will come from the East. Therefore, when you are trying to analyse your political future or the sensitivity of politics in this country, you need to also understand how the East Asian, Southeast Asian and South Asian countries view politics, because clearly there is a different way and a different definition between the West and the East. •

This 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.

TOWNS AND TOWERS: SHAPING MYANMAR'S URBAN LANDSCAPE



EDINBURGH IS defined by the majestic Arthur's Seat, Hong Kong has the iconic HSBC complex, and Malaysia prides itself over the Petronas Towers. With Myanmar seeking to develop and modernise its cities, the question residents and tourists have in mind is what and who are shaping their urban landscape.

Yangon has an unusually varied and abundant collection of heritage, and that's not limited to British colonial buildings. One only has to look at the Shwedagon to appreciate what the city can offer. As new skyscrapers and towers rise up and as historical landmarks are renewed and revived, architectural expertise is at the driving seat for Yangon's and Myanmar's regeneration. Archetype Group, a private construction consultancy in Asia Pacific with an extensive presence in the ASEAN region, is one of those supporting this process.

Founded in 2002 by French architects and engineers in Vietnam, the group now has a presence of 1,100 employees in 15 countries with core services in architecture & master planning, building & infrastructure engineering, industrial & process engineering and project, construction & cost management. The firm has been active in Myanmar with an office in Yangon since 2012.

MARK PETROVIC, managing director and architectural design director of Archetype's Myanmar operations, sat down with **EuroMatters** to share his thoughts. MR PETROVIC has been with Archetype in Vietnam since 2006 and first arrived Myanmar in 2002, coming back at the dawn of its opening up in 2012.

In Myanmar, Archetype Group has a diverse portfolio of projects, ranging from tourism to heritage building to industrial complexes to real estate. For hospitality and commercial buildings, the 96-room 5-star Sanctum Inle Resort

in Inle Lake, southern Shan, stands out in its charm and colour. More recently, the Yangon Excelsior Hotel has finally opened. The building originally housed the headquarters of the conglomerate Steel Brothers. Archetype was in charge of the architectural design, the whole engineering (Excelsior) and project management for these two iconic landmarks.

Well known to every businessman/woman in the commercial capital is the Le Planteur Restaurant in Inya Lake, north of Yangon, another project done by Archetype, which designed the entire renovation and extension kitchen, cellar, basement as well as the exterior. Also crafted by the firm is the Pun Hlaing Lotus Garden master plan including its villas.

In addition, industrial projects the company has been involved in are Jotun paint factory, Coca-Cola's Myanmar factory, Crown Myanmar factory, German Stada factory and DKSH distribution centres.

But, for both Archetype and the country, the best days lie ahead.

Among the projects the company has been tasked to design are the visionary Yedagon Taung master plan, and the highly ambitious Yoma Central as executive architect. These ventures span from downtown Yangon to Bago to Mandalay and Inle, stretching across the country.

Evolving along the way

MR PETROVIC talked at length about his work for the Yangon Excelsior.

Renovating the building for Excelsior was a long and complicated process, where Archetype was instrumental in moving the project forward.

"The Excelsior is a long process. We started back in 2012 because there was a government tender by the Ministry of Trade and Commerce. During the tender there were a lot of participants who wanted to be involved in the renovation of the building. We went through all the different rounds of selection and did the feasibility study; I went to present the proposal several times to the authorities," he remarked. It wasn't a mere design suggestion. The proposal covered all the financial set-up and the business rationale done by their client.

Having been awarded the project in 2013, Archetype started the design, architecture, structure and other aspects of planning.

"We did all the necessary surveys for the building - the structural survey, architectural survey - we worked closely with the Yangon City Development Committee [YCDC] and the Yangon Heritage Trust [YHT]," the architect explained.

The Excelsior renovation took place within the framework of a Conservation Management Plan drawn up by the YHT. The framework provided a very detailed plan on how the developers would work on the building and how the historical components would be preserved.

"During construction and demolition work, we discovered some new bracing beams in the building. We modified the part of the design in order for the hotel to showcase those steel element structures."

The investor was keen to convey the hype and style of the American Industrial Revolution, polishing and presenting an industrial theme and mood. "Hence, we minimise the demolition as much as possible and we keep the facade exactly as it was. We use the location of the windows to create the grid of the rooms. The project took a long time because of the very complex renovation - we often discovered surprises during



construction, and had to adapt and amend the drawings. The designs evolved along the way," MR PETROVIC continued. The space within the building was also very tight and presented challenges for the developers.

"But, finally, it is a success story. It is like giving birth to an existing but revived building. We are tremendously happy and proud of this project and we hope everybody will enjoy it," he exclaimed.

Vision for Mandalay

Moving forward, **EuroMatters** asked about the Yedagon Taung Mandalay, an urban project located in Yedagon, 3.8 miles east of Mandalay city. The scheme comprises 680 detached villas and a 36-hole golf course, as well as a 3-star as well as a 5-star hotel.

"We started to work towards the end of 2015, looking at the 555 acres articulated around 27-hole golf course. The project was aiming to expand the 27 holes by 9 more holes to reach a 2x18 golf course.

"Centring on this, we want to design a small town which offers residential apartments, villas, an international-standard hospital, an international school, shopping malls, shop houses and a water park," the architect said.

Since 2015, Archetype has been working on the master plan, including the infrastructural drawings, which has already been approved by the Myanmar Investment Commission.

"We finalised, a while ago, the infrastructure documentation for construction, meaning all the roads, systems, the network, power supply, water supply for the project are covered. The documentation is ready for construction."

When completed, that will attract the growing domestic affluent class as well as tourists, golf-lovers in particular. After all, Mandalay's cool season is longer than Yangon's. The northern hub already boasts a few golf courses, with one - Mytho Golf Club - set to open in December.

Human capital is identified by the World Bank as one of the four key factors for Myanmar's economic success. Making good use of international architectural expertise is critical to the country's urban regeneration in a way which accommodates both the old and the new in a commercially viable, sustainable and inclusive manner.

Looking at Archetype's involvement, the best days are still to come for Myanmar's urban landscape. •



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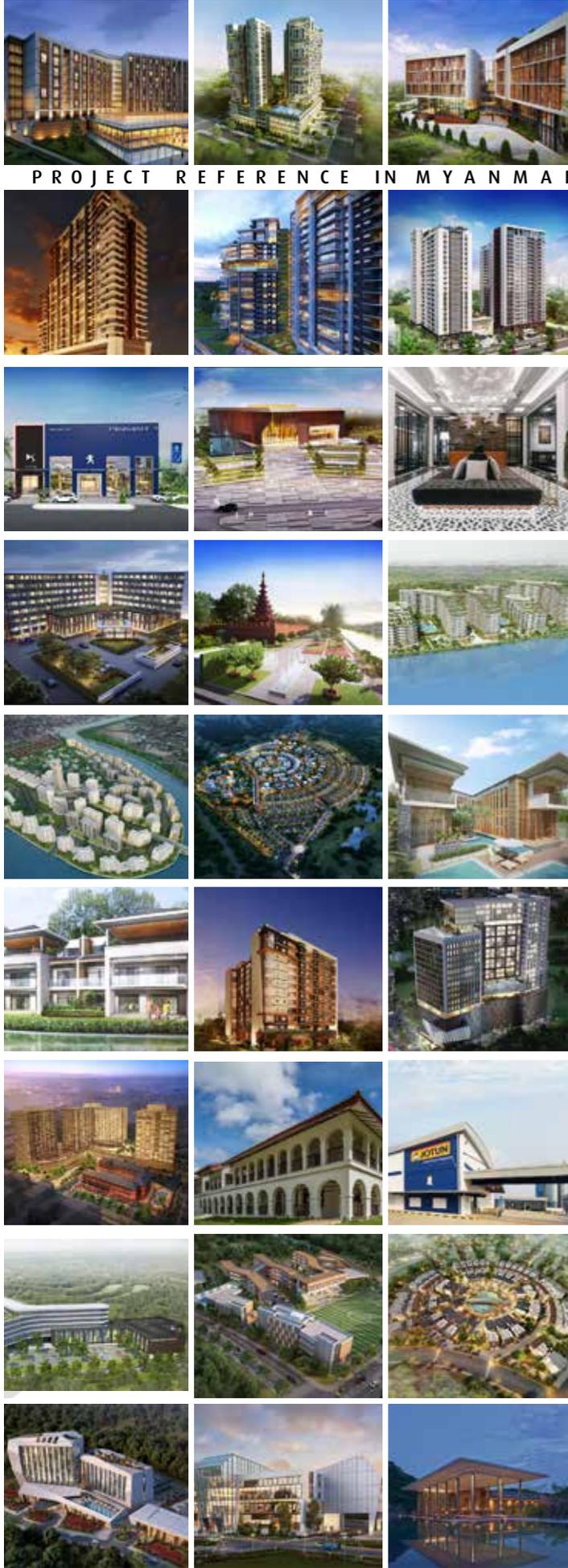
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HERITAGE AND CONSERVATION

Yangon takes centre stage in the race to become Southeast Asia's heritage darling



Yangon Excelsior

MYANMAR'S COMMERCIAL capital has a uniquely valuable plethora of heritage which can play a vital part in its municipal evolution. As the country opens up to investments and visitors, putting conservation management at the heart of Yangon's urban development presents an excellent opportunity to boost the city's tourism, real estate and cultural industries.

In Yangon, most large-scale heritage work is geared towards hospitality. Examples include the Peninsula, Rosewood Yangon, the Excelsior and the Strand. Firms working on a smaller scale for individual use, community space or restaurants tend to be social enterprises or NGOs like Doh Eain's colonial home restoration projects or Turquoise Mountain's work on the Ministry of Hotels and Tourism Building.

Conservation work occupies a small segment of Myanmar's construction industry but is conspicuous in the urban

landscape. For CATHERINE HENDREN, research analyst at Yangon-based FMR Research and Advisory, the initiative and energy for heritage is moving in the right direction and more of these projects will be expected in the future.

One of the imminent projects is Rosewood Yangon. Situated in a building which was constructed in 1927 as the New Law Courts, the restored hotel will be managed by Rosewood Hotels & Resorts, under Hong Kong-based New World Development. The property was the first building to receive approval

from Yangon Heritage Trust (YHT), founded in 2012 by Myanmar historian and writer DR THANT MYINT-U.

Also at the city centre lies the 10-acre project site of the US\$600 million luxury hotel venture The Peninsula Yangon, as part of First Myanmar Investment's real estate megaproject Yoma Central. Designed by Sri Lankan-British architect, CECIL BALMOND OBE, the proposed development will feature The Peninsula Yangon hotel by renovating the old Burma Railways headquarters, together with luxury residences, two office towers, a business hotel and serviced apartments. The project is a collaboration between Singapore-listed Yoma Strategic, the FMI, the Hongkong and Shanghai Hotels (HSH) and other investors.

The fate of the old Burma Railways headquarters, dating back to the 1880s, had been the talk of town owing to its enormous potential as a tourist attraction, its historic significance and its central location. CLEMENT KWOK from HSH said last year that the project will "truly reflect the heritage and beauty of the city" and "become an iconic landmark that locals can be proud of, as it brings a new level of distinction to the Myanmar hospitality scene."

Having a viable economic case for heritage matters. If there is a business argument and sustained demand for these types of spaces, then there will be more interest, MS HENDREN said. Currently, heritage work is quite a niche area of the construction industry because it requires highly skilled labour, technical expertise, and innovative design, which are scarce domestically. "As far as I can tell, many local firms don't yet have the desire or the capacity to execute large-scale heritage projects without some help from international partners. We might see more partnerships where local firms team up international players that have the required skills and technical capabilities," she explained.

A lot to offer

Yangon's rich collection of heritage buildings bodes well for the property market and should reinforce the city as a key destination in the region, according to Colliers International Myanmar. In downtown alone, where many of these preserved and architecturally well-curated colonial buildings stand, their rehabilitation and eventual conversion will definitely boost investments and tourism.

"When implemented with well-defined conversion techniques and guidelines, supported by proper planning, infrastructure and effective branding and identity, the potential is high and could be at par with similar-themed heritage destinations in the region - Singapore, Malaysia and Vietnam to name some," KARLO POBRE, Colliers' deputy MD in Myanmar, told **EuroMatters**.

Similarly, Southeast Asia-focused Archetype Group is impressed by what Yangon has in store. The construction consultancy has been involved in numerous major projects in the country, including Yangon Excelsior Hotel, the iconic Yoma Central and Jotun paint factory in Bago Region. The 74-room Yangon Excelsior, which recently opened its doors, is a renovation of a British colonial heritage which traces back to the 19th century.

"It is unique [for downtown Yangon] to have so many cultural heritage in such a concentrated area," MARK PETROVIC, MD of Archetype's Myanmar operations, said, stressing that the city should consider "making use of this opportunity" because not many places in the region have so much to offer. Conservation will "make downtown Yangon a unique place in Southeast Asia, showcase its cultural heritage and enhance all these heritage, which suffered a bit in the past."

MR PETROVIC praised the YHT and Yangon City Development Committee

as "doing an impressive job", and emphasised that sustainable heritage development requires the "joint efforts" of the government and the private sector.

Yet, if conservation efforts are to succeed, the socio-economic benefits of the country's cultural heritage need to be made clear to the public and private sectors. Funding issues present a key difficulty given the time, expertise and cost needed for restoration, MS HENDREN added. MR POBRE concurred: rehabilitation of a heritage building is capital-intensive and the possibilities for its optimal uses has to be thoroughly identified. Incentives from the government is essential to attract foreign investments. While the majority of local companies are not focused in this area, some have started to take an interest in heritage work, such as KT Group's Pegu Club.

In Myanmar, the culture ministry shoulders the responsibility of protecting and preserving the heritage buildings in coordination with central and regional authorities. Several laws regulate the sector heritage and one of them prohibits commercial use of historic buildings.

For NISHANT CHOUDHARY, co-chair of EuroCham's legal advocacy group, this "boils down to the implementation issue". Furthermore, an amendment to restriction on use of historic buildings for commercial purpose should be necessary and a policy of how that could be achieved would be helpful.

Given the lack of local knowledge on the execution of heritage projects, European firms have been making inroads in the sector, importing the know-how and techniques.

Making inroads

Dutch Royal Haskoning DHV has been present in Myanmar since 2013 and



The Strand Yangon

been involved in two conservation and heritage projects so far.

According to METHI PIEPER, its resident director, a client requested RHDHV to design a new container terminal at Sule wharf, which would require demolishing colonial warehouses. "RHDHV challenged the client that if we could designer a terminal to the specifications of the client and using less land, we would like to propose an alternative solution for the remaining wharf. Having achieved a highly efficient design, we made a design in cooperation with the YHT to renovate the remaining warehouses into an entertainment area similar to Asiatique in Bangkok," he explained. Unfortunately the client did not choose the solution. Inspired by this example, RHDHV was requested to make a similar design for Botataung Wharf, which is still under consideration.

Meanwhile, Saint-Gobain is busy with a growing clientele. The 353-year-old glass company, headquartered in France, is in the process of supplying fire-rated glass for a renovation project,

mouth-blown glass imported from France for another one and clear solar control for the third.

DAMIEN BUSSON, Saint-Gobain's development manager in the country, estimated that 30% of the renovation projects in the pipeline are related to conservation.

"Yangon has a tremendous architectural legacy, and many actors are engaged in reclaiming this heritage by restoring buildings nowadays. Renovating buildings implies paying a tribute to the past by respecting the original building's design," he said.

Using building materials with thermal or acoustic performance allows the building to be rehabilitated and become comfortable, safe and "usable" with efficient material. Often, existing glass is replaced by new glass during renovation. Buildings from the 19th century and pre-WWI era relied on non-tempered 2mm/3mm/4mm clear glass. "To replace this glass we have to think first about the design: It was clear glass. So we do not want to

use highly-reflective modern glass and use a neutral glass. Secondly, it was non-tempered glass which is not very safe for residents in the buildings," MR BUSSON explained.

Besides, increasing the thickness or employing double glazing products can match both the heritage aspect as well as energy efficiency. Coating on the interior face blocks solar heat while allowing natural light to get through. This will increase reflectivity but in a decent amount so as to not denature the building.

MR BUSSON said Saint-Gobain's Verrerie de Saint-Just factory, which specialises in renovation, manufactures products for renovating Louvres Museum, The Palace of Versailles and other projects in continental Europe. As people are increasingly aware of the importance of conservation for tourism, real estate and the urban development, Yangon's rich colonial heritage will surely find help from this aspect of sophistication. •

SAFETY AND PROTECTION

Safety in Myanmar's construction gradually improves



HEALTH AND safety standards in Myanmar's construction industry are unsurprisingly lacking, since the country was isolated for decades. But as more European firms join the game, industry players hope an upcoming legislation and international best practices will raise the bar and offer workers better security.

There are several laws in Myanmar which are very old and do not address the changing work environment.

The existing occupational safety and health laws such as Factories Act, Oilfield Labour and Welfare Act and Shops and Establishment Act are in process of being replaced with a new Occupational Safety and Health Law (OSHL), according to NISHANT CHOUDHARY, co-chair of EuroCham's legal advocacy group. A draft of the new law was shared last year but the update isn't yet available.

The new legislation aims to improve and integrate existing occupational safety and health standards spread among the varying pieces of laws. After the draft OSHL is passed, it

will apply to construction sites. The proposed law imposes obligations on employers, employees and those who design, manufacture, import, sell, install or demolish machinery and equipment which may cause risks to safety or health. Besides, there will be wide-ranging penalties for violations such as fines from K1 million to a maximum of K5 million, as well as up to three months of imprisonment or both.

"The urgency is with regard to consolidating various laws. This is creating a lot of concern with all the employers," the lawyer told **EuroMatters**.

For Yangon-based Myanmar Centre for Responsible Business (MCRB), the lack of legally established safety standards for the construction industry and, in particular, construction workers poses a serious issue.

Until the draft OSHL is adopted, MCRB director VICKY BOWMAN said, the writ of Ministry of Labour, Immigration and Population's labour inspectors doesn't extend to the construction sector.

"We observed this gap in our research on the ICT sector-wide impact assessment [SWIA] where safety in the construction of the telecoms tower was in effect entirely outsourced to the telecoms companies and their subcontractors, some of whom took it more seriously than others. This means companies have to set their own standards, and ensure that subcontractors comply, including through on the spot checks," she observed.

The MCRB's 2015 ICT SWIA underlined that the rush to expand the telecoms network meant many companies and their local subcontractors were learning on the job, some of whom do not operate any systematic safety procedures. The human rights impacts observed during the research were "in some cases quite visible", particularly in tower construction and laying fibre, including safety violations.

In the absence of national standards, the MCRB recommended that companies apply international standards such as the Environmental Health and Safety Guidelines from the World Bank/ International Finance Corporation.

Regional lessons

In early 2017, local magazine Frontier Myanmar reported that it is "so common" for construction workers not to follow a safety standard that seeing them not putting on helmets or belts has "almost become a norm in Myanmar". A construction worker was quoted saying that safety standards in Bangkok, the Thai capital, were higher: "When I worked in Bangkok they cut a third of our salary if we didn't wear a safety suit ... We only wore it to make money - not for safety."

PIETRO BORSANO, lecturer at Mandalay International University and Shinawatra International University in Bangkok, confirmed that it is common practice for Thai construction firms to deduct a worker's salary when he does not adhere to the rules.

"While this shows that many Thai employers do not pay a meaningful effort to promote safety awareness and Thai laws prohibit deduction of wages, such a penalty is in fact very effective," the academic explained. Such "illegal measures" are mostly the result of the "massive presence of international investors in Thailand in the field of construction", which compelled Thai employers to comply, at least on the face of it, with higher standards.

Criminal and civil liabilities for employers in the case of accidents are a consideration for companies. Thai employers can be criminally charged for negligence and also be found responsible by civil courts, when the victims and/ or their relatives seek a compensation. "This obviously forces employers to take some actions to tackle reckless behaviour at work," he suggested.

MR CHOUDHARY said that the Myanmar Penal Code, among others, provide for criminal liabilities for negligence and reckless actions. Meanwhile, an action under the Code does not preclude the victims to bring a civil suit for compensation. Both the criminal and civil proceedings can run simultaneously and are distinct and with separate parameters of adjudication.

Despite the legal provisions, the lack of awareness regarding the liabilities contributes to the poor standards in the country. "I guess this is due to lack of awareness and it cannot be discounted that some employers may be taking a conscious decision to not spend on the safety measures," the co-chair commented.

While some lessons on safety awareness could be drawn from Thailand, MR BORSANO stressed that the private sector in Myanmar should focus on how multinationals, such as Valeo or Toyota, develop a real safety culture at the workplace. These MNCs are able to pass on this awareness and standards to their local suppliers. "The shortcut for Myanmar to improve its H&S standards is to appeal to more construction multinationals and European contractors who plan to invest in the country with a long-term perspective. Their best practices will be shared along the supply chain."

Indeed, one example is Swiss LafargeHolcim, a merge of Lafarge and Holcim, which operates a 20,000-tonnes cement terminal in Myanmar through its local subsidiary Thilawa Cement and Building Materials Ltd (TCBM). Then-Lafarge opened a cement re-packing and storing factory, involving US\$10-20 million in Thilawa Special Economic Zone (SEZ) in 2014 with domestic firms Aung Myin Thu and My Associates.

HARI KRISHNA REDDY, TCBM's CEO, said the firm implements all the group's "H&S Standards and Guidelines" for its workers at the factory.

For road and other sites, TCBM has an H&S manager who is involved in every business decision to ensure safety checks from project stage. At LafargeHolcim, all the managers and employees are trained regularly on safety topics and are given "Direct Responsibility for Safety" performance. "We even train employees of our customers on safety standards," he remarked.

"Myanmar has weak laws for workers safety and for compensation when they are killed or injured. A mere K9,000 maximum is paid on a monthly as social security contribution from which they get paid in case of a mishap, which is nothing actually," MR REDDY

said, adding that there is a lot for the government to do in this regard.

Insurance

Workers at TCBM has medical insurance - a rare exception in a country where the insurance sector is sealed off from foreign insurance providers. The only exception is Thilawa SEZ, where three Japanese insurance firms are allowed to operate.

There are healthcare insurance options offered by state-owned Myanma Insurance. But it is little used. According to Methi Pieper, co-chair of EuroCham construction advocacy group, this is due to the fact that those insurance benefits are minimal and they are only sufficient for low-income workers.

There isn't third-party insurance, accident or construction all-risk

insurance in the country yet. "These need to be bought abroad and re-insured via a Myanmar insurance company. The only place this can be done directly is in Thilawa," he told **EuroMatters**. The lack of options means construction employers cannot insure the workers, which can result in high costs if the former do compensate out of their own pockets. It also means many companies can't be compliant with company requirements or need to pay a lot to be compliant. Moreover, many international construction contracts can't be used without being heavily amended for this.

For MR BORSANO, opening up the insurance sector will go a long way not just in promoting safety, but in attracting foreign investments. "Awareness also plays a crucial role - do local construction workers know what the term insurance means and what it implies? I am doubtful," he observed. •

Students visit a Valeo factory in Thailand



STANDARDS AND DESIGN

Raising the game with Myanmar's construction standards and materials

THE LAST few years have not been easy for Myanmar's construction businesses. Changes to the regulatory framework and budget deficits have had an impact on real estate projects, whereas plans to upgrade the country's infrastructure have faced economic and political constraints.

This does not mean that the sector is at a standstill. Quite the contrary, buildings are rising across Yangon's skyline and elsewhere, from downtown to Pun Hlaing in the west of the city to StarCity near the first Special Economic Zone, located in Thilawa township. And these are only a small part of the story. For example, Mottama Holdings, owned by Myanmar-Chinese entrepreneur U YANG HO, has nine major projects in the pipeline, valued at US\$1 billion and expected to be all completed by 2022.

But the economic setback does have a direct impact on the standards in the industry.

For CATHERINE HENDREN, research analyst at FMR Research and Advisory, the lack of formal regulations and enforcement mechanisms in Myanmar has made the market susceptible to sub-standard construction material. While there is growing demand for better materials, how quickly that demand grows depends on how the construction industry does overall.

"The adoption of a coherent building code and transparent, rules-based approach to development and building approvals is at the heart of encouraging steady industry growth," she told **EuroMatters**.

In particular, the commercial capital is experiencing the detrimental effects



from poor construction practices, such as pollution and energy wastage. These issues could grow into serious problems if not tackled soon.

"I think the authorities recognise the issues, but they also face significant challenges such as the lack of funding and manpower to carry out regulatory changes," she continued.

International certification

Those who are present in the country since 2012 include French Bureau Veritas, an internationally recognised certification and verification body established in 1828.

AGUSTIN GAYUBO-GIL, its industry and construction services manager in Myanmar, said most of their clients are big players in telecoms, construction, retail and manufacturing sectors. For example, they provide surveillance services to Telenor.

Increasingly, local businesses are concerned with building structure and how the projects affects the urban environment in terms of noise, vibration and air pollution. Hence, Myanmar Bureau Veritas serves as an international third party to confirm the quality and test environmental parameters.

For example, the firm works with BYMA - a joint venture between Dragages Singapore Ltd and Singapore-listed Yoma Group - to build the Peninsula Yangon. Besides, retailer factories hire the company to assess and audit their safety, fire prevention, electrical safety and structural facilities. This is a requirement of some international brands such as Belgian fashion chain C&A. City Mart, in comparison, secured a loan to develop a project and needed an international third party to certify the suitability and set up a project. Currently, all the requirements come from the private sector. In the long run, government departments will hopefully

follow suit with regards to standards and regulations.

While the construction ministry has not given a timeline on the release of the Myanmar Construction Code, industry players hope this, when enforced eventually, will spell changes for the standards in materials, products and building solutions.

MR GAYUBO-GIL suggested that if there is a genuine interest in following up on the Code and related regulations, Myanmar should consider adopting international standards, in the same way the oil and gas sector has done.

Not all gloomy

Right now, unclear and incoherent regulation or standards, lack of access to finance, external pressures such as fluctuating exchange rates and the absence of an efficient, transparent and affordable permitting system are

Pun Hlaing Estate - Lotus Hill



all hurdles facing the industry. The rise in expenses has not been met by a simultaneous increase in consumer prices, according to MS HENDREN. The real estate market is still sluggish, and developers are forced to lower the rates, even as the cost of inputs is increasing. But there is light at the end of the tunnel.

"Though the construction sector has experienced some turbulence in recent years, opportunities in the country are vast. Sustain economic development, clear regulation and the overall need for infrastructure and housing indicate the sector will continue to grow," she noted.

At the same time, as the local construction industry lags behind regional standards, international firms are key to filling this gap.

"In Yangon, we have seen a rise in demand particularly for on-going real estate projects. Requirements come in various stages of the construction - belonging to new projects as well as new phases leading to the operation phase. We have seen projects using different materials such as a steel structure.

"This technique is new in Myanmar and local workers are not experienced in large-scale projects, thus that requires specialist foreign firms to train the local companies," NEIL BROWN, director for property management at Colliers International Myanmar, explained.

Colliers observed that there is a trend of development for large-scale mixed-use developments which is "sure to spur demand" for construction-related services. This isn't limited to the commercial capital.

"Outside Yangon, Mandalay is likewise delving into large-scale developments including commercial, residential and tourism-related projects. Although at a nascent stage, the prospects are promising especially with China's Belt and Road Initiative comes

[coming] into play," MR BROWN went on.

The number of Western tourists has been going down for the last three years. For the tourism market to pick up, Myanmar has to develop the infrastructure, including the roads, airports, bridges and power supply. More recently, U ZAYAR MYO AUNG, director of the hotel ministry's Tourism Promotion Department, said Naypyitaw would turn into the next tourism destination based on MICE (meeting, initiatives, conferences and exhibitions). While the capital has a plethora of big and small hotels available, the rest of the infrastructure - from hospitality entertainments to commercial attractions to theme parks - is non-existent. This represents a huge opportunity for quality construction businesses.

Reviving renovation

For French Saint-Gobain, renovation represents a growing and robust industry.

"I'm thinking about the Yangon Excelsior, the Peninsula, the National Library and the Burma Tourism Building..." DAMIEN BUSSON, the firm's development manager, remarked.

Doing business in Myanmar, which is a frontier market, is inevitably not a walk in the park. Companies have trouble paying upfront 100% of the cost for building materials and loans/ letter of credit are not widely used.

As with other emerging economies, the domestic market usually values price before quality, including glass. Glass is a material that connects people from the inside to the outside and vice-versa. It's a construction material that allows natural light to penetrate the building, which is key to health and well-being. But with light comes heat. Hence, glass with its characteristics and fragility carries risks, which should be addressed for any construction work.

Significantly, the industry in Myanmar is becoming more aware of the importance of glass quality, MR BUSSON said. Glass surface in building designs is increasingly popular compared to the past. Designers, architects and developers began to realise the importance of natural light for residents and end users. "For example, more and more curtain-walls are deployed rather than just windows," he added.

Meanwhile, average glass thickness for buildings is also going up, reflecting an awareness for safety, thermal and acoustic insulation. Many businesses also opt for a glass that is more neutral in colour, compared to highly-reflective blue or green glass that used to be installed extensively in the early 2000s.

How will the sector regain its momentum?

TORSTEN NOWACK, general manager of Swiss company Sika Myanmar, commented that the construction market has an oversupply of luxury real estate with low quality but high pricing - this has to shrink back to a normal level.

The way he saw it is that there must be more real estate developments for the middling sort. In fact, Yangon-listed First Myanmar Investment (FMI) announced that the firm would prioritise affordable housing to offset falling revenue from its construction businesses.

Despite the lacklustre outlook, there are concerted efforts to improve building quality and standards. European contractors are following international standards. But manpower, not technology, will be prevalent as long as labour costs remain low in the country. •

PAINTING MYANMAR'S NEXT WAVE OF INDUSTRIALISATION



A SCANDINAVIAN paint maker is riding on Myanmar's construction of new factories and buildings with a fully-fledged production plant in Bago, 91km northeast of Yangon.

Jotun, a privately-owned Norwegian paint manufacturer, opened a K14 billion factory in Bago Region in late 2017. Located in the Bago's industrial zone, the 4-hectare plant provides paint manufacturing jobs for more than 60 employees.

The Sandefjord-headquartered chemical multinational first entered Myanmar in 2013. Subsequently, they secured an investment license from the Myanmar Investment Commission to build the plant in 2014. Globally, the company has 64 subsidiaries and 40 production facilities, present in over 100 countries.

Jotun chair ODD GLEDITSCH said at the factory's opening ceremony that Myanmar presents "an attractive market" for the firm. "With its strategic

location in the centre of Asia's rapidly growing countries, abundant natural resources and a sizable 53 million population, Myanmar has all the right bases for strong economic growth," he commented.

"The new factory will strengthen our presence in the country, by building confidence with our existing and future customer of Jotun as their preferred paint partner," VO CHI LINH, Jotun's general manager, added.

EuroMatters talked to VISHAL MORE, operations manager of Jotun in Myanmar.

The Bago factory produces decorative paints, marine coatings and protective coatings - three of Jotun's four main segments - to protect and decorate surfaces in the residential, shipping and industrial markets. In Myanmar, the company operates through subsidiary Jotun Myanmar Co Ltd.

The paint maker set up their business here in 2013, bringing materials from their sister companies and distributing them across the country. In June

2017, the factory started commercial operation, with 5 million litres per annum at full capacity.

The company undertook a study to evaluate the best location for the plant in 2012-13, and chose Bago because of its location and support they received from the regional authorities. "We did receive very good support from Bago's regional government," he said.

A significant number of garment factories and manufacturing plants are either established or in the pipeline in Bago. International brands include Danish Carlsberg, Japanese Nissan and Hong Kong-listed Lee & Man Paper Manufacturing. More recently, Yangon-based Hantharwady Development Public Co. began the implementation of the proposed industrial park in Bago Region, alongside an "eco-resort" and urban complex. The industrial area, including residential, manufacturing, logistics and other components, will cover around 2,500 acres and is located in Inntagaw township.

Northeast of Yangon, Bago Region enjoys geographical proximity to the

commercial capital and therefore the country's biggest municipal market, while its location makes it easier to reach out to major hubs in northern Myanmar, such as Mandalay, compared to areas like Dala and Kyauktan.

Double-digit growth

The factory has been in operation for over a year now. MR MORE was very upbeat about the market demand and prospect.

"We always see two-digit growth in our sales since we started. The market is growing, and our estimation is that the paint demand will grow by 15% per year in next couple of years," he predicted. The main clientele for their paints and coatings system includes commercial, residential and industrial purposes.

With a paint plant established in the country, Jotun is well-positioned to ride on the rising demand on all fronts. Industrialisation has been prioritised by the government, with factories and manufacturers springing up not just in Yangon's industrial zones but beyond. Thilawa Special Economic Zone, the only SEZ in operation in Myanmar, has seen over 90% of land in Zone A and 50% of land in Zone B sold as of March. Meanwhile, Mandalay's Myohta Industrial Park and the vastly ambitious New Yangon City have been under investor spotlight. These major projects are set to attract a new wave of industrial sites as well as residential buildings.

All production from Jotun is for domestic consumption. In the future, if the manufacturing capacity scales up, the company will consider exporting to other markets in the region.

"Economic reforms and modernisation will definitely help us to promote and sell high-quality products from our global product range in the local market," MR MORE went on.

Logistics difficulties

As Myanmar is a frontier economy, operation has not been without difficulties. For Jotun, import process,

skilled labour shortage as well as the transport infrastructure present key challenges.

The import process, especially with regard to new raw materials, can take up to five or six months. Hence, the government should consider modifying the procedures to reduce the time cost and smoothen the process, which will enable the factory to become more efficient in its production. Securing skilled workforce in Bago is also a difficulty, as Jotun had to recruit labour from Yangon and elsewhere.

Moreover, the underdeveloped transport infrastructure puts the company in a risk of leakage and spillage of the paints during deliveries. In fact, road conditions and traffic have been a major source of complaints among other businesses. For the logistics sector, it is difficult to provide secure, safe and on-time delivery for manufacturers and clients.

Jotun is one of the three leading Norwegian investors in Myanmar, the other two being energy multinational Statoil and telecommunications giant Telenor. Furthermore, the Ministry of Industry is in discussion with Oslo-headquartered Energeia Asset Management to build a solar power plant in the Eco-Industrial Park located in Mon's Thaton township.

Going back to paint manufacturing, Jotun is now enjoying a first-mover advantage. When many factories are still under construction in Thilawa SEZ and industrial zones, when others are still mulling whether to come in, the Norwegian firm already has the entire plant up and running, supplying customers not just in the south but also in the north, where a fair share of prosperity lies. With such readiness, Jotun definitely has what it takes to succeed in this frontier market. •



POSITIVE DEVELOPMENTS DESPITE PRESSURES AND UNCERTAIN OUTLOOK FOR MYANMAR CONSUMERS

MYANMAR HAS had among the higher GDP growth rates in the Southeast Asian region during the period 2012 to 2018 and this has had a mostly positive impact on individuals and households with rising incomes and opportunities. However these positive shifts are being offset with rising cost of living and uncertainties for the near future.

Since opening to the world in 2012, Myanmar consumers have changed, notably as a result of changing economy, infrastructure and subsequently lifestyle and income growth with average personal incomes increasing from US\$122 (2014) to \$219 (2018) per month*, a greater exposure to overseas trends via mobile internet and contact with people from abroad, and the influx of international brands and products.

Household incomes are also continuing to rise with 38% of households now declaring incomes above K500,000 MMK, compared to 12% in 2015.

Increasing household expenditure

Overall households are spending, excluding any investments such as gold and savings, 29% more than they did in 2015. Compared to 2015, households in 2018 are spending an increasing proportion of total monthly expenditure on groceries (23.9%, up from 20.8%), housing (14.5%, up from 11%) and education (11.6%, up from 10.4%) indicating these are the priority areas for households.

Household leisure activities (entertainment, travels/ holidays and eating/ dining out) have seen a decrease in overall proportion of total monthly expenditure indicating that these expenditure areas are less essential for households, despite still spending more in each respective area in 2018

than they did in 2015. It is unlikely that these categories of expenditure will see a turn around until consumer confidence starts to rebound. *See side story.*

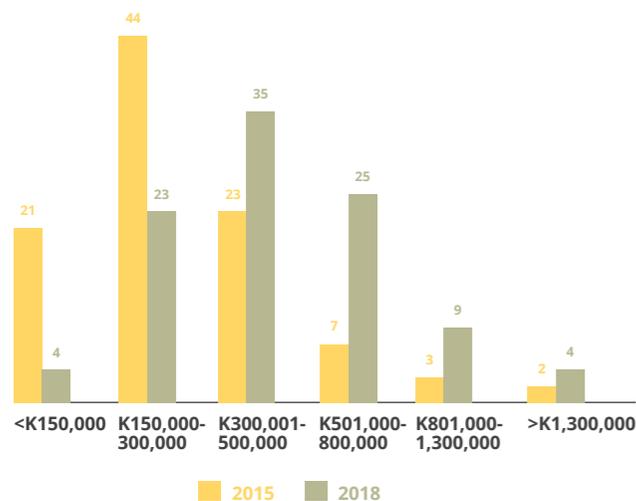
How consumers are changing

Myanmar consumers are becoming relatively more discerning, making more informed purchase decisions as brands and products are more clearly understood and differentiated (e.g. ingredients and source).

Myanmar people can be surprisingly progressive and involved in positive social causes aimed at developing their community (and the country) – individuals and groups feel a strong sense of community responsibility and collectivism.

In a relatively short amount of time markets have developed from basic, with few products to choose from, little differentiation and often low quality, to

MONTHLY HOUSEHOLD INCOMES - TOTAL (%)



MONTHLY HOUSEHOLD CATEGORY EXPENDITURE CHANGES

Category	Change (2015-2018) (%)
Household groceries	54%
Housing	76%
Education	50%
Household travel / holiday	3%
Household entertainment	-20%
Household transportation	34%
Household healthcare	49%
Household eating / drinking out	14%
Household communication	29%
Household utilities	39%
Household toiletries	23%
Total household expenditure (excluding investments)	26.1%

more variety in products, brands and quality levels.

Increasing access to smart phones and the internet has made a strong impact on product understanding, expectation and brand perceptions.

When citing sources of information about brands, events and trends, internet and digital platforms have increased from 19% (2015) to 45% (2018). However traditional word of mouth and the influence of local opinion leaders has also remained strong, (and potentially disruptive), increasing from 14% (2015) to 22% (2018).

Growing role of brands in Myanmar

Myanmar's "brand curiosity" is increasing and consumers are open to trying new things with nearly half of consumers stating, *I switch brands a lot just to try and I often try new products before my friends do.* We can look to the success of Wave Money and brands like Royal D that have found open consumer minds to their propositions. Ownership of branded goods and material is increasingly seen as a way to showcase personal success with consumers increasingly saying they *prefer to buy well-known brands and like to use a brand which "shows my success"*. More wealthy individuals are *willing to pay more* for higher quality brands.

The following trends information has been compiled from MyLife, an annual Kantar TNS Myanmar survey of at least n=1,000 people across metro, urban and rural areas of Myanmar to assess changing lifestyles and patterns of behaviours and attitudes to brands and consumption each year.

* Note that MMK to USD exchange rates as equivalent rate at time of survey.



COUNTRY LEADER
Jason Copland

KANTAR TNS

KANTAR: INSPIRATION FOR AN EXTRAORDINARY WORLD

Kantar TNS one of the world's largest research agencies with experts in over 90 countries. With expertise in innovation, brand and communication, shopper activation and customer experience, Kantar TNS helps clients identify, optimise and activate the moments that matter to drive growth for their business.

As with the global health and wellness trend, and especially amongst consumers aged 30 years and above there is greater *preference for a brand which has a health focus*, be it mental or physical support and especially relevant in metro Yangon.

Communicate local care and attention

Response and decoding of communications is also becoming more sophisticated as Myanmar consumers become more exposed to more and higher quality executions.

Advertising research reveals that attractive communication are still those with a practical, functional focus, within a more realistic context relatable to average day-to-day life (which is often focused close to home). However there is also stronger emotional connection created with the utilisation of key cultural values around kindness and generosity, respect, togetherness and community and appreciation, strongly influenced by a Buddhist foundation.

By tapping into Myanmar's optimism for stability, happiness and peace (after a long period of uncertainty) advertisers can deliver an emotionally resonant message for domestic consumers. •

Consumer Confidence dropping

SIDE STORY

Consumer Confidence:
An indicator for how optimistic consumers feel about the state of the economy and their financial situation which will affect their economic decisions - primarily their spending, and saving.

Key aspects that contribute towards the index include employment, the value of the Myanmar Kyat, the cost of living, Myanmar's economy and my personal standard of living.

Despite the introduction of the new Myanmar Companies Law and other regulatory reforms, the humanitarian crisis in Rakhine State and associated international headlines, as well as conflicts in Kachin State and northern Shan State have resulted in deteriorating consumer confidence since 2015.

The positive sentiment score (far better, a little better) outlook over the next 12 months has dropped from 50.3 in 2015 to 45.5 in 2017 to 31.8 in early 2018.

Although household incomes are increasing across metro, urban and rural locations, positive confidence is diminishing across a range of areas since 2015. Notable key areas of concern were personal standard of living, employment, Myanmar's international image and progress on roads and transport infrastructure in the next 12 months.

Diminished consumer confidence is likely to affect domestic personal and household consumption as households prioritise lower spending decisions and strive to save more in expectation of the rising cost of living and the decreasing value of the Myanmar Kyat. Sectors such as travel and tourism and restaurant and entertainment venues may find this to be especially challenging in the coming 12 months.



EVENTS ON REVIEW

05
SEP

• WED •
NAYPYIDAW

Anti-Illicit Trade
Forum 2018

THE FIRST Anti-Illicit Trade Forum, hosted by EuroCham Myanmar in partnership with the Transnational Alliance to Combat Illicit Trade (TRACIT), took place on September 5, 2018 in Naypyidaw. The objective of the forum was to improve the knowledge and understanding of the regulatory environment and economic circumstances which enable illicit trade.

Following executive director FILIP LAUWERYSSEN'S opening speech, HIS EXCELLENCY U AUNG KYI, chair of the Anti-Corruption Commission, gave the keynote address. Afterwards, MARIE PEGIE CAUCHOIS, UNODC's deputy country manager and anti-corruption adviser, and JEFFREY HARDY, director general from TRACIT, gave presentations on illicit trade data and on the Global Illicit Trade Environment Index respectively.

The panel discussions comprised leading private sector representatives, high-level government officials and key experts from international organisations and academics. An overview of the Index results for Myanmar was presented by different expert panels:

During the **VIP Roundtable on Policy Developments**, the prevalence of illicit trade in Myanmar was discussed, with the economy of illicit trade exceeding Myanmar's total GDP. This problem was attributed to border-control corruption, poor law enforcement and taxation barriers.

The second panel discussion, **Enhancing an Investor-friendly Environment**, focused on the uneven playing field caused by illicit trade which deters investors. Illicit traders can undercut legitimate businesses as they do not incur the costs associated with tax and regulations.

Smuggling was identified as possibly the most prolific illicit trade activity during the **Illicit Trade Patterns: Counterfeit, Smuggling & Parallel Trade** discussion. The lack of data surrounding illicit trade has proven to be a barrier to combatting the issue.

Discussing **Challenges to Public Health**, the panellists explored how counterfeit products such as foods, cosmetics, pharmaceuticals and pesticides pose a threat to consumer safety.

During the **Enforcement and Control Mechanisms: Sharing of Best Practices** panel discussion, current efforts to tackle illicit trade were explored. Myanmar's Customs Department is set to employ modern technologies to facilitate customs clearance.

The panellists underlined that, while the government is taking steps to tackle illicit trade, it is also an international issue harming all the economies globally. There was a consensus that information-sharing and cooperation among law enforcement officials at a regional level should be adopted. •

2018

WHAT'S ON

In this section, the most notable events of the upcoming quarter are highlighted. From joint events with bilateral chambers to the business guides launch, be sure not to miss out on these essential events in Myanmar.

More information to come on our website: eurocham-myanmar.org/events/upcoming

Myanmar insights: overview of the investment landscape in Myanmar

There have been many changes in the regulatory and investment climate in Myanmar over the last several years. In this event organised in cooperation with EuroCham Myanmar, the European Union Chamber of Commerce in China aims to provide prospective investors with an overview of the investment regulations in Myanmar, as well as an introduction to investment incentives, taxes and business regulations.

Get more information and register on EuroCham website.

Business opportunities in Myanmar market

Eurocham Myanmar is organising with Eurocham Singapore a seminar on business opportunities in the Myanmar market.

A presentation will be given on the business climate in Myanmar, with tangible advice on how to successfully enter the market.

The country presentation will be followed by a legal presentation from Luther on Investing in Myanmar and the new Wholesale & Retail Regulations.

Business confidence survey and business guides launch

The third Business Confidence Survey will be presented on December 12. Feel free to join the event and discuss the latest findings on the perspectives of European investment in Myanmar. We will also present our new Business Guides 2019 - general and six sectoral guides on agriculture, consumer goods, energy, garment, health and manufacturing. These will provide up-to-date, entry-level information to European companies planning to invest in Myanmar.

EuroCham Myanmar thanks all the respondents for their input to the survey and is looking forward to presenting the results on December 12.

19 OCT
• FRI •
SHANGHAI

03 DEC
• MON •
SINGAPORE

12 DEC
• WED •
YANGON

09 OCT
• TUES •
YANGON

05 DEC
• WED •
YANGON

JAN
YANGON

Joint chambers networking event with all European Chambers

This event organised by 7 European Chambers, BritCham, CCI France Myanmar, German Myanmar Business Chamber, EuroCham Myanmar, Chamber of Commerce Italia - Myanmar, Norwegian Chamber and SwedCham altogether in the presence of H.E. KRISTIAN SCHMIDT, EU Ambassador to Myanmar, will be a great occasion to network while enjoying food and drinks.

Come along and join us for a great evening while meeting ambassadors from member states, trade counsellors, business leaders and professionals enjoying Yangon's skyline from the terrace of Le Cellier Wine Bar & Restaurant of Novotel, our event sponsor.

Joint networking event between Japanese Chamber of Commerce and Industry and EuroCham

Japan Chamber of Commerce and Industry and EuroCham Myanmar are pleased to invite you to their joint networking evening at the Lotte Hotel on December 5 from 6.30 to 8.30pm. This first edition will be a great occasion to expand your network with business leaders and professionals and enjoy the evening catching up with peers. A variety of canapés will be served, along with your choice of wine or beer to drink.

Get more information and register on EuroCham website.

EuroCham Myanmar Construction Forum 2019

EuroCham Myanmar, together with leading European construction companies represented in the Construction and Infrastructure Advocacy Group, are pleased to announce an upcoming forum representing a wide range of construction practices in Myanmar. The Construction Forum is aimed to be held in January 2019 and will take place in Yangon.

Stay tuned on soonest updates and expect insightful panel discussions, expert presentations, and a wide representation of local and international key players empowering the Myanmar Construction Industry.



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With a team of more than 50 European and Myanmar lawyers and internationally trained professionals in our office in Yangon, Luther has the competence and expertise necessary to comprehensively assist and advise our clients on all aspects of corporate and commercial law as well as regulatory compliance, including:

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

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

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



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