

WEEKLY NEWSLETTER (MYANMAR)

20Sep 2014 to 26Sep 2014

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2.1 SHOPPING PLAZA TO BE BUILT IN NAY PYI TAW

Plans have been unveiled for a luxury service building with 114 apartments, plus a shopping centre and the Yoma Bank headquarters, to be built in Nay Pyi Taw early next year.

Kris Plaza will cover prime land in the capital close to government and ministerial offices, the hotel zone, jewellery showroom and Nay Pyi Taw Myoma Market.

The First Myanmar Investment (FMI) and Krislite Lighting Specialist will jointly run the project, which is earmarked to finish in mid-2016.

FMI Co Ltd is has been the developer of some massive housing complexes in Yangon, such as: FMI City, FMI Centre, Pan Hlaing Golf Estate and Star City.

Pre-orders for flats in Kris Plaza will be received until October 30, 2014.

“Nay Pyi Taw is seeing increasing residents and it’s good to have more housing projects,” a resident in the capital said. “But working and middle class people still can’t approach this, as most of serviced apartments are expensive and meant for a certain class.”

With Nay Pyi Taw being where the government office is based, serviced apartments aimed at foreign company officials and embassy staff have been developed recently.

There are plans to build low-cost housing projects in Nay Pyi Taw, but locals have yet to see any sign of such developments starting.

2.2 CAPITAL CITY’S SECOND PHASE KICKS OFF NEXT YEAR

The second phase of the massive Capital City project on Insein Road in Hlaing Township – which will comprise commercial buildings – will begin next year, said Kyaw Zayya, an engineer from Capital Development Company.

Owned by Dr Ko Ko Gyi, a member of the President’s National Economic and Social Advisory Council, the company is a unit of Capital Star Diamond Group, which has expanded swiftly under Thein Sein’s administration.

The Capital City project spreads across 12.7 acres. Its first phase, on track to be finished next year, comprises four condominium buildings and a parking lot on 3.4 acres. The second and third phases comprise commercial buildings, such as offices, serviced apartments and retail centres.



Company marketing executives said that 75 per cent the condominium flats had been sold at an average price of Ks 220,000 (about US\$220) per square foot.

“We will finish the first phase in 2015. The second will start after we get the permit and the entire project will be finished in late 2017,” Kyaw Zayya said.

Capital Development won the tenders for construction of the Shwe Gone Daing flyover and Myae Ni Gone flyovers. According to the website of its parent firm, it is “bidding for more government projects”, such as roads, bridges, schools, government housing and offices.

Its unit Capital Automotive is the representative for Ford Motor Company and sole authorised dealer of Jaguar Land Rover in Myanmar.

Capital Diamond Star’s retail unit includes Capital Hypermarket and a chain of convenience stores it plans to expand to 800 within five years, according to its website. Its brands include Premier Coffee, Armo fertiliser, and Donpyan wheat powder. It has entered the insurance market and trades rice, corn and rubber. The conglomerate is positioning itself as a partner for foreign companies seeking joint ventures in Myanmar, according to its website.

2.3 ILLEGITIMATE CHINESE COMPANIES HOG HOUSING PROJECTS

The majority of housing and residential projects in Yangon, Mandalay and Muse have been dominated by illegitimate Chinese companies.

A local businessperson at the Myanmar Global Investment Forum said: “New Star Light Company, which is currently operating a 300-acre luxury complex in Muse, and the company implementing Mingalar Mandalay housing project in Mandalay are of the same root. They are financially more powerful than Xiao Pan and Xiao San brothers [Chinese tycoons known for trying to undertake a new town plan on prime land in Yangon]. Likewise, Dagon City 1 and Golden City housing projects are also run by Chinese.”

This information was revealed on the second day of the Investment Forum while Cyrus Pun, executive director of Yoma Strategic Holdings, joined the panel discussion.

Cyrus Pun said: “Since three years ago, I noticed that foreign investors have withdrawn their hands from the local business environment. It’s not because they weren’t interested, but because of the spike in land prices caused by speculation. Also, they weren’t satisfied with the competitiveness of government tenders, as local companies won most projects.”

Local entrepreneurs’ investment in the housing sector has accelerated and reached Ks 700 billion [US\$700 million].

“As the Investment Law gives tax-free privileges to foreign investors, officials aren’t willing to hand [housing] development projects to foreigners in case they sell their possessions and flee



from the country. But the Chinese tycoons register their projects under the names of Myanmar citizens, and so their investment is classed as citizens' investment," the local businessperson said.

Since the economic reforms kicked off in 2011, Chinese tycoons and Chinese-backed local business people have surged in and monopolised the property market – making it difficult for other foreign investors to enter.

The Muse Central Business District Project – implemented by New Star Light Company – sits on the Ruili river bank along the Myanmar-China border and encompasses 294 acres of land. It has an economic zone and residential buildings.

Putu Kamayana, an adviser for New Star Light Company, said during the forum: “The Muse CBD Project is interesting. Its location covers 60 per cent of the two countries' border hub and sits near Ruili town – home to 1.5 million people. The project also includes 200 high-rise buildings.”

The local businessperson argued: “The New Star Light Company runs a massive housing project in Mandalay too. I have no doubt the project would raise the living standard of Muse residents. But development is not the main decision factor. For example, the Malaysian government bars Singaporeans from acquiring land in Jaho province – in case real estate is dominated by foreigners.”

After the Chinese government cracked down on corrupt officials in the politburo, Chinese tycoons have reportedly flocked into Myanmar with help of Chinese residents in Muse to run businesses under as local investments.

Some critics believe the Chinese government is responsible and should conduct wide inspections about “malicious” Chinese business owners who have entered the real estate market in Myanmar, because their dealings have the potential to spur conflict which could lead to further geopolitical concerns

3.1 LARGE HYDRO PROJECTS MAY BE DANGEROUS FOR THE COUNTRY

Plans to build large-scale hydropower projects to meet the country's increasing demand for power may be dangerous for the country, according to APR Energy (Asia Pacific).

Speaking at the Myanmar Global Investment forum, a representative of APR suggested that hydropower was suitable for Myanmar, but warned that big hydro projects may be risky.

Critics say the lack of an efficient power supply is a barrier to investment in manufacturing to tackle the country's low level of employment – and the government needs to tackle the problem.

They say Myanmar should enjoy benefits from natural gas projects as part of profit sharing with joint venture companies. But it is impossible to extract natural gas now even though more gas

reserves have been found. In the bid to seek alternative energy sources, some are saying that hydropower is worth trying.

Vikran Kumar, a resident representative from the International Finance Corp, part of the World Bank, said: “Hydro power sector is more suitable for Myanmar. Organisations like IFC and the World Bank (WB) don’t want to provide technical and financial assistance when power generation methods are not based on clean energy.”

Pyae Wa Tun, CEO from Parami Energy Group, said: “The US says big-scale hydropower projects are very dangerous but medium-scale ones are ok. I think we should choose the ones that may have the least impacts on our environments.

“The WB will not provide countries with funding when power generation is based on coal. But some investors implement the projects themselves as they have money. Myanmar has many hydropower sources. But power generation leads to very dirty energy methods instead of clean energy. There may be many people with lung cancer in the country. We don’t like it. The country needs to place more emphasis on hydropower projects in adopting a policy. The projects should not have impacts and dangers. There should be a plan to control damage even when there are environmental impacts. Power generation should be hydropower. But large-scale projects may be dangerous. The medium-scale ones will be ok,” Pyae Wa Tun said.

3.2 MYANMAR EXPORTING FOOD DESPITE FACING SHORTAGES

Myanmar, an exporter of agricultural products in Asean, is facing more food shortages and the worst malnutrition rates within the region, according to a workshop of Regional Civil Society Dialogue to improve Food Security, Agriculture and Rural Development Policies in South East Asia.

project coordinator Dr Ohnmar Khine, from the Food Security Working Group, said: “Myanmar is among the list of countries with food security issues along with Cambodia, Laos and the Philippines.

“Low-level food insecure countries are Cambodia, Indonesia, Laos, Myanmar and the Philippines. Thailand, Malaysia and Vietnam are classified as medium level. Our country is the worst for food security and malnutrition in the Asean region. Vietnam is not included in the list of low-level food insecure countries but they do export rice.

“Although Myanmar is exporting rice, they are included in the low-level list. The Philippines is importing rice. Laos cannot plant paddy enough to feed its people and the same with Indonesia. Cambodia also cannot produce enough rice to feed its people.”

A survey of Southeast Asian countries’ food shortages by the United Nation’s Food and Agriculture Organisation found the average malnutrition rate for Asean countries is 10.7. Cambodia has 15.4 per cent, Laos 26.7 per cent, Indonesia 9 per cent, Malaysia under 5 per cent,

Philippines 16.2 per cent, Thailand 5.8 per cent, Vietnam 8.3 per cent, and Singapore and Brunei are zero per cent respectively. Myanmar had not provided data, she said.

“Myanmar has inadequate food production,” Dr Ohnmar said. “The main problem is malnutrition. The government only measured the rate of paddy production but actually a balanced diet is also needed. We can’t eat only rice to have nutrition; we need to eat vegetables and meat. They need money to buy food. People who are poor or farmers need money to buy food if they cannot produce the food themselves. The farmers need income for their social security. We need to help farmers have a good income.”

Dr Soe Tun, who is also a member of the Food Security Working Group and a business person said: “They are thinking about food security so we can’t export food products much. It is wrong. If we don’t export much, the price of rice will go down. If the price goes down, the farmers cannot plant paddy.”

4.1 KOREAN DELEGATION EYES CONSTRUCTION, GARMENT TRADE

South Korean executives have signed a memorandum of understanding (MoU) with the Union of Myanmar Federation of Chambers of Commerce and Industry to invest in construction and other business sectors in partnership with Myanmar entrepreneurs, executives said.

A 30-member delegation from the Korea Chamber of Commerce and Industry that visited Myanmar this week is very keen on construction, garments, stationary imports, restaurants, printing presses as well as manufacturing of its electronic devices, car imports and medicine manufacturing, executives said.

“Myanmar is rich in natural resources. A bilateral agreement between Korea and Myanmar will support more business,” said Choi Jae-young, president of the Seoul Chamber of Commerce and Industry, adding that the delegation consisted of executives from mid and small-sized trading firms.

The MoU will aid the exchange information between Myanmar and Korean businesses and promote bilateral trade and investment, which will spark more economic growth, Choi said.

UMFCCI member Dr Myo Thet said it would promote free trade and increase foreign investment in Myanmar.

4.2 MANDALAY AIRPORT, JETTY ON RADAR FOR ILLEGAL IMPORTS

Mobile inspection teams will expand to Mandalay International Airport and Gaw Wein Jetty next month, according to the Central Committee for Preventing and Controlling Illegal Trade.

“We’ve prepared everything for inspections. We will start from October,” said Lan San Oo, the official who oversees international airports for the mobile teams.

Although it was previously announced that mobile teams would inspect international airports and ports to prevent and control the illegal trade, only the international airport and ports in Yangon were covered due to logistical problems among teams.

Seizures of illegal imports have surged since the mobile teams arrived in Yangon to inspect the airport and five river ports: Asia World, Hteetan, Myanmar Industrial, Sule and Botahtaung.

The Central Committee for Preventing and Controlling Illegal Trade is also inspecting routes in Shan State, Sagaing Region, Bago Region and Yangon Region, including factories and warehouses that store commodities.

As of July US\$17 million in illegal imports was seized by the teams. The Central Committee for Preventing and Controlling Illegal Trade was set up by President Thein Sein in 2012.

4.3 VIETNAMESE ICT FIRM SIGNALS GROWTH IN MYANMAR

Vietnam Posts and Telecommunication (VNPT) Group signed a memorandum of understanding (MoU) to work with four Myanmar companies at a ceremony marking the opening of its representative office in Yangon on September 23, it said.

The group plans to sell information and communications technology (ICT) infrastructure, smart phones and ICT services, it said. This will include international voice and private mobile network services, the group added.

It also plans to sell access to its VINASAT satellite to businesses in communication sector as well as television stations, and is seeking a partner to provide VINASAT satellite direct to home television services in Myanmar.

The group owns two satellites and provides service to 20 million mobile phone users, 5 million landline users as well as broadband users.

Partner companies of VNPT – CT-IN, Kasati, and Vina-OFC – signed the MoU to work with Terabit Wave, Fortune International Limited, A1 Construction and Elite Telecom.

“Vietnam has plans to collaborate with Myanmar and the communication sector is the priority,” said Vietnamese Minister of Information and Communication Nguyen Bac Son.

4.4 TRADE AT MYAWADY SURPASSES US\$130 MILLION

Trade at the Myawady border trade zone through which vehicles, mobile phones and motorcycles are the main imports, rose to more than US\$130 million so far this fiscal year, according to the Department of Commerce and Consumer Affairs.

From April 1 to September 12 imports totalled \$8.147 million while imports were \$130.105 million at the trade checkpoint on the Thai border.

“The volume of imports is far higher exports because the Myawady has been a major border trade zone. Mostly, vehicles, including tractors used for agriculture, mobile phones and motorcycles are imported from Thailand,” said the director of the Myawady border trade zone.

Exports to Thailand so far this fiscal year are \$15 million less than during the same period last fiscal year.

Among the seven border trade zones opened for the official trading with Thailand, Myawady handles the most volume.

The official trade volume stated by the Ministry of Commerce for 2013 was nearly four times less than that announced by Thailand. Illegal trade could reportedly be seen. In an effort to stamp out illegal trade and boost official trade, which is taxed, investigations and sudden inspections by mobile teams in border regions began in late 2012. Trade figures have risen significantly since then.

4.5 IMPORTERS HIT BY RAPID RISE OF US DOLLAR

A rapid rise in the value of US dollar against the kyat will hurt importers, benefit some exporters and cause prices of some local necessities to rise, business people say.

“This increase is good for the export business but hurts those who import fuel, cooking oil, medicines, and construction-related materials which have to be paid for with US dollars,” said businessman Dr Soe Tun.

He also said a rapid shift in the exchange rate between the kyat and the US dollar could see commodity prices rise, which will affect consumers, and called on the Central Bank of Myanmar

to detect the reason for the rapid appreciation of the dollar so that it could solve it. The kyat was trading at 998 per dollar on September 23.

“There is at least a Ks 5 difference between the dollar exchange rate today and yesterday. As we have to put more dollars into operating the business compared to yesterday, profits are eroding,” said an executive who used US dollars to operate his business but received payment in kyat.

Exchange rates on September 23 were Ks 996 per dollar for sale and Ks 988 per dollar for purchase at Theinphyu exchange counter. The rates were Ks 998 for sale and Ks 993 on the black market.

The Central Bank set a reference rate on September 23 of 988 kyat per dollar, up Ks 5 from the day before, and continuing a slide that began in the middle of this month.

The exchange rate averaged 969 kyat to the greenback in May, and 972 in July and August. The rate fell to 973 on September 15 and its slide has continued daily since then.

The rapid increase in the value of US dollars is hitting importers the most, as the volatility makes it difficult for them to plan and set prices.

On September 22 the US dollar was selling for Ks 990 at Theinphyu exchange counter, which was purchasing the dollar at Ks 983. On the black market the dollar was selling for K. 993 for sale and was being bought for Ks 989.

4.6 KYAT WEAKENS ON MULTIPLE REASONS

The kyat has weakened against US dollar in recent months, in light of the greenback's appreciation against other currencies as well as Myanmar's widening trade deficit.

From 970 per dollar on September 10, the kyat has weakened to 988 today, according to the reference rates set by the Central Bank of Myanmar. On Monday, the buying/selling rates at the Theinbyu currency exchange centre stood at 983/990, close to the black market rate of 989/993. Foreign exchange centres normally quote the selling rate 0.8 per cent above the official reference rate, while authorised dealers charged extra 0.3 per cent.

“We are concerned with the sudden change. In particular, this could pose problems to enterprises doing business in the foreign currency,” said a local businessman.

The dollar appreciated to 977 in September from 973 in August. The kyat averaged 935.81 from 2012 until 2014, reaching an all time high of 989 in December of 2013 and a record low of 847.95 in October of 2012.



The greenback's upward momentum started in July when the US Federal Reserve hinted that interest rates could rise further than expected when they are eventually hiked, probably in mid-2015. Last week, the dollar hit highs above 109 Japanese yen, the level unseen since August 2008.

Meanwhile, Myanmar has experienced the widening trade deficit. Though exports have risen in line with economic growth pace, imports have also advanced – prompting the higher demand for the greenback and putting pressure on the local currency.

Myanmar's trade deficit has seen a new record high at US\$ 2.65 billion because of stronger imports in the recent fiscal year 2013-14, according to the Ministry of Commerce.

Myanmar's total exports in 2013-14 amounted to US\$ 11.1 billion while the total imports figured at US\$ 13.75 billion. Both show an increase compared to US\$ 8.97 billion in exports and US\$ 9.06 billion in imports in 2012-13.

In the first four months of the 2014/2015 fiscal year, starting from April, trade deficit has amounted to \$1.63 billion.

4.7 SMID BANK TO LOAN Ks 20 BILLION TO SMALL BUSINESS PEOPLE

The Small and Medium Industrial Development (SMID) Bank will loan Ks 20 billion to 60 small-and medium-sized business people by the end of this month after a meeting of its board of directors, the bank has said.

The SMID Bank started giving loans to entrepreneurs at the end of August. Currently, the bank has provided loans to 12 small-and medium-level business people.

SMID Bank chairman Dr Than Htun said: “The government approved a Ks 20-million budget for loans to small and medium enterprises (SMEs). This month, we are going to give loans to 40 to 60 entrepreneurs. Now, the Appraisal Team is securitising to give the SME loans. After checking the team, we are going to provide loans to business people.”

Entrepreneurs who want to borrow loans from the government need to get a certificate from their respective state and regional government committees.

Moreover, SMID Bank can only give a loan of up to Ks 100-million as its largest amount for a person, depending on what items they may seek to pawn.

“We [SMID Bank] designated loans of Ks 100 million per person. However, the respective state and regional government committees only supported borrowers for loans of Ks 50 million per person. Due to these facts, we have already lent the money – Ks 50 million each – to 12 business people with an interest rate of 8.5 per cent,” Dr Than Htun said.



The SMID Bank lent loans totalling Ks 10 billion to 62 small-and-medium-scale business people last year. At present, the bank will be extending loans totalling Ks 20 billion.

There are more than 120,000 SMEs registered in Myanmar.

4.8 FOREIGN BANK LICENCES STILL COMING THIS MONTH: U SET AUNG

The process to licence foreign banks in Myanmar is on track, according to U Set Aung, deputy governor of the Central Bank of Myanmar.

Local media has reported the process to award licences to between about five to 10 banks had been delayed, with some reports citing U Set Aung.

However, he told The Myanmar Times that he had not told anyone the selection process would be delayed.

“The rumours about the possibility of the selection process to get delayed are not true,” he said.

Earlier this year, officials set a deadline of the end of September for awarding the licences.

Myanmar formally began the process to provide restricted licences to a handful of foreign banks earlier this year. In June it released a list of 25 foreign banks that could progress in the competition, from the 42 foreign banks with Myanmar representative offices.

The decision to licence foreign banks has proven controversial, with some local bankers saying they risk being out-competed.

Central Bank officials say the licensed foreign banks will face restricted licences, with constraints such as being limited to one branch and barred from retail banking in Myanmar.

4.9 NESTLÉ PRODUCTS TO BE MADE IN MYANMAR

Nestle will partner with Myanmar Distribution Group (MDG) to distribute its made-in-Myanmar products by the end of 2016, according to company officials.

The Swiss giant plans to start working on its factory in Dagon Seikkan Industrial Zone within two months, pending approval of the venture by the Myanmar Investment Commission, said U Aung Maw Thein, MDG managing director.



Nestlé will initially make its 3-in-1 coffee products at the factory, though has plans to later move into other areas like dairy, ice cream and chocolate, said Suphavat Khamijoun, coffee brand manager for Nestlé Myanmar Ltd.

While the initial phase will see an investment of about \$25 million to produce coffee, “the amount for the second phase will be much bigger as investment is not ending with Nescafé [coffee products],” he said during a company press event on September 19 in Yangon.

Nestlé products are a common sight in Myanmar, though are presently imported from Thailand.

Nestlé Myanmar country manager David Pettinari said investment will total about \$50 million over the next five or six years. The firm will try to source locally, but much of its raw products will be imported for the time being.

“At the moment there are very limited raw materials we can buy from Myanmar,” he said. Mr Pettinari added the firm will work with local businesses such as dairy farmers to get their production to acceptable levels of quantity and quality.

U Aung Maw Thein said that coffee seeds currently being tested in Bago Region near Taungoo may have the quality Nestlé needs for its products.

Nestle will own the majority share of the joint venture, while MDG will be in the minority – though the exact size of the stakes has not been decided.

“We will try to distribute our products within 18 months – we will start operating the factory at the end of 2016,” said Mr Pettinari. He added Nestlé is committed to Myanmar, and is keen to partner with MDG and its extensive distribution network.