

WEEKLY NEWSLETTER (MYANMAR)

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1.1 MINISTRY AIM TO CUT RED TAPE FOR EXPORT, IMPORT LICENCES

The Ministry of Commerce is reviewing its policies on granting export and import licences in order to cut red tape, it said earlier this week.

Exporters and importers have complained that the process is unnecessarily cumbersome and time-consuming. The World Bank's Doing Business Report 2014 ranked Myanmar near the bottom of its index, at 182 of 189 economies.

It was the first time Myanmar was included in the index, which ranks countries in terms of the ease of operating a business. The report said that in Myanmar it took nine days on average to prepare documents for export or import, compared to six or seven in the Asia Pacific region and four days on average in the 34 developed nations that comprise the Organisation for Economic Co-operation and Development, or OECD.

The commerce ministry said it would cut red tape for obtaining an export or import licence so that this could be done online within one business day for a cost of Ks 2,500. The ministry said it would also issue a new list of items that require licences for export or import.

A total of 152 export items and 983 harmonised system (HS) codes and a total of 166 import items and 2079 HS codes do not require licences.

2.1 MORE THAN A THOUSAND HOTELS IN MYANMAR

Hundreds of additional hotel rooms have been unveiled in Myanmar in the past four months, through the addition of 59 new hotels, according to the Tourism and Hotels Ministry.

The ministry's data showed that at the end of July, the number of hotels nationwide rose to 1,019, compared with 960 in March. The combined number of hotel rooms also rose from 37,482 to 38,722 in the corresponding period.

Most of them are located in Yangon and Mandalay, the most popular destinations for business and leisure travellers.

The latest data showed that of total hotels, 6 are five-star properties, 17 four-star, 83 three-star, 116 two-star and 102 one-star. The remaining 599 hotels, motels and inns approved by the ministry.

More locals are apparently enthusiastic in investing in five-star hotels, with investment proposals pending for the Myanmar Investment Commission's approval. Much of the investment in the segment has been carried out by foreign investors. Several new projects are also introduced with foreign partnership.

According to the ministry, accumulated foreign investment in the industry has amounted to US\$ 1.85 billion at the end of June. Cumulative local investment reached Ks 667 billion.

The ministry expects the investment momentum to continue, thanks to the growing number of visitor arrivals.

In the first five months of this year, visitor arrivals reached 1.2 million, in line with the official target of 3 million for the entire year.

2.2 IS THE PROPERTY BUBBLE SET TO BURST?

Economists are becoming increasingly alarmed by rising speculation in real estate, saying it will disrupt or undermine the economic progress Myanmar is making.

“Land prices are likely to rise in this time of economic transition. It will stop itself when the time comes. Like a balloon, it swells gradually and when it beyond the limit it bursts,” said Soe Thein, a former chairman of the Myanmar Securities Exchange Centre. He compared the situation in Myanmar now to bubbles that burst in Thailand and Vietnam, the former in 1997 the later several years later.

“This will happen in Myanmar too,” he said. “We just don’t know when.”

Pyae Wa Htun, CEO of Parami Energy Group, agreed that property prices would continue to surge due to rising demand. “But there is no doubt the market will fall when the owners of prime land start selling at prices that undercut the market,” he said.

Some people are borrowing cash to speculate in the hope that the sale price will cover the interest rates accumulating on their loans. “If the property market falls, the entire economy will be damaged at once. Of course those with black money won’t be hurt,” Pyae Wa Htun added.

Soe Thein said the emergence of a capital market in 2015 would prevent speculation in property by providing an alternative channel for investment. “It’ll take time at least four to five years for investment in the stock exchange to accelerate,” he said. “The stock market won’t be able to help reduce land prices in this period, and I think the balloon will burst before its time as current activities seem to have gone beyond the line,” Soe Thein added.

There is plenty of talk that Japanese developers are driving up property prices, but no reliable data backs this up.

Soe Thein said the current situation was beyond the government’s control. “It cannot handle the situation in its entirety ... only a competitive market can bring down high prices,” he explained, using the example of the decline in the prices of SIM cards as an example.

“The balloon can burst for at least five reasons. One of them is the increase in the number of brokers. The real estate business should be in hands of professionals, but now many people have gone into this business and invested as much as they can. This leads to an overwhelming supply that outweighs demand. The market is cooled and is likely to collapse soon,” he said.

Surging property prices do not benefit the middle class, but provide a speculative boost to tycoons and brokers, he said.

The government needs a master plan to determine how much farmland can be converted for development, experts have said. They point to studies showing the population of Myanmar topping 100 million by 2040, and say this underscores the need to consider land-use policy very carefully.

The current government’s policies have been roundly criticised.

A former director of the Human Settlement and Housing Development Department said a forward looking approach is necessary. The government is reforming old policies rather than developing new ones, the official said, asking specifically why the Ministry of Home Affairs continues to oversee land.

Recent history has seen prices of automobiles, SIM cards and property surge. Two have already collapsed, the official noted.

3.1 GAS FROM ZAWTIKA SUPPLIED TO THAILAND

Thailand-based exploration firm, PTT Exploration and Production Plc (PTTEP), has started feeding gas from its first gas project in Myanmar, Zawtika, to Thailand.

The feed, kicked off on August 5, reached Thailand yesterday. (August 7).

Nattachart Charuchinda, chief operating officer for downstream business of PTT, the major shareholder of PTTEP and the gas buyer, said that this is in line with Thailand's growing demand for natural gas.

Zawtika is currently ramping up production to a rate of 240 million standard cubic feet per day (MMSCFD). The project began delivering natural gas for domestic use in Myanmar since March 2014, at a rate of approximately 60 MMSCFD.

Myanma Oil and Gas Enterprise (MOGE) holds a 20 per cent participation interest in the project.

"The Zawtika project is the largest overseas offshore producing gas field operated by PTTEP. This success marks as another important milestone for PTTEP in supplying natural gas to ensure energy security for both Thailand and Myanmar," the company said in the statement.

Zawtika is the first project of PTTEP in Myanmar. While in Yangon in February, Tevin Vongvanich, chief executive officer, said that the Zawtika is the largest offshore site among foreign projects of PTTEP.

The company presently has engaged in seven natural gas exploration and production projects in Myanmar – M3, M11, PSC G, EP 2, MD-7, MD-8 and Zawtika.

3.2 FOREIGN FIRMS EYEING ENERGY CONSULTING TENDER

Ten international consulting firms have submitted expressions of interest to the energy ministry's open tender seeking a consultant for the oil and gas business.

The tender, announced in June, seeks a consulting company that can help the ministry create joint ventures for oil and gas exploration, as well as for the construction and maintenance of pipelines.

The foreign firm will be required to form a joint venture with a local firm. That joint venture will provide consulting services to the ministry.

Among those submitting expressions of interest are Jones Day and Berwin Leighton Paisner of the UK, France-based Schlum-Berger Business Consulting, Singapore-based Rajah and Tann, and two Germany-based firms: Fichtner GMBH and Roland Berger Strategy. Vietnam-based EP Legal has also submitted an expression of interest.

4.1 RISING DEMAND FOR TOUCH SCREEN HANDSETS

The demand for touch screen handsets is on the rise after Ooredoo Myanmar offers cheap SIM cards in Myanmar, according to mobile shop owners.

“As Ooredoo introduces its SIM cards, we experience a higher demand for touch screen handsets. They are at affordable prices and they can access the Internet.”

Among touch screen handset brands available in the market are the products of Samsung and Nokia, which cost about Ks 40,000.

Sithu Min added that consumers are waiting for better services and mobile phone operators are improving their services to keep customers.

A sale person from Mobile World said that handset sales of his shop are on the rise since Ooredoo introduced the SIM cards, as new products enter the market.



He said that while 3G handsets from China without touch screen feature now cost between Ks 27,000 and Ks 45,000, while touch screen handsets are priced up to Ks 100,000.

“The demand for 3G touch screen handsets is very high. The prices of some models of Huawei handsets which are popular among the users have risen a bit,” said the sale person.

Telenor Myanmar will start introducing millions of K 1,500 SIM cards in September, which can be used with all GSM handsets. “Telenor SIM cards support 2G as well as 3G networks,” Sithu Min said.

Telenor’s entry will boost competition in the telecommunication sector, which had been monopolised by Myanmar Telecommunications Corporation (formerly Myanmar Post and Telecommunications). The other players are Yadanapon Teleport Co. Qatar-based Ooredoo is the first foreign player in this market.

4.2 NEW INDUSTRIAL ZONE PLANNED FOR EASTERN EDGE OF YANGON

The planned Kyisu Industrial Zone will be built to international standards on a 125-acre zone on the eastern outskirts of Yangon for both local and foreign businesses, the vice president of the Yangon regional government said.

A proposal for the project was presented to Vice-president Nyan Htun at the forum on industrial zones held earlier this week.

The zone, which will be located in eastern Dagon Myothit Township, is one of several in the pipeline that aim to encourage domestic and foreign investors to set up factories in the region. Industrial zones face several challenges in terms of infrastructure and management, the forum was told. These include waste disposal, sewage systems, and lack of electricity. Officials told the forum that the main purpose of the zones was to create employment.

“The major investor for the Kyisu project will be selected soon as the zone is earmarked to be built this fiscal year,” an official said on condition of anonymity. “We’ll do our best to provide a decent sewage system and waste management,” the official added.

There are about 4,000 factories at 29 industrial zones in the region. The industrial sector generated an estimated 36 per cent of the region’s gross domestic product.

4.3 PLANNED STOCK EXCHANGE STILL MISSING A WATCHDOG

Authorities have yet to set up a Securities Exchange Commission, despite suggestions that the watchdog necessary for the stock exchange planned for next year would be established last month, leaving economists disappointed.



According to the Securities Exchange Law passed at the end of July last year, the SEC must be created to monitor transactions on the planned bourse.

The SEC is also responsible to implement the SE Law. Japanese experts advising officials on the establishment of a new stock exchange previously said the SEC would be launched by July, while government officials have denied talk that the bourse will be delayed.

“The stock exchange has not been stalled, progress is steady. The SEC is also on its way. We’ve submitted the proposal. I think it will be passed next month,” Maung Maung Thein, deputy minister of finance, said in May.

The SEC should be set up as soon as possible to prevent the public from being cheated or misled in share sales, experts say. Companies are also required to get permission from the SEC before they can sell shares on the upcoming exchange.

4.4 OOREDOO PLANS TO SELL 1 MILLION HANDSETS THIS YEAR

Ooredoo Myanmar plans to sell 1 million premium handsets with a price tag starting at US\$50 apiece this year, executives at the company said.

It has signed agreements with HTC and Samsung to make handsets, and has a memorandum of understanding with Huawei Company for a mobile network.

Than Tun Aung, a director at the Directorate of Telecommunications, said Ooredoo was working with plenty of manufacturers to make handsets for its latest market. He said cheaper phones would not work on its network but that Ooredoo would provide premium handsets at \$50 apiece. “Ooredoo will sell premium, quality handsets at a cheap price,” he said.

Ooredoo Myanmar plans to manufacture its own handsets at a low price, said its public relations manager Thiri Kyar Nyo. Demand is high for 3G handsets, with prices ranging from \$50 to \$100, staff of mobile phone shops said.

4.5 ECONOMIC NEEDS ON ASEAN AGENDA

Myanmar's future economic needs will be discussed at the meeting of ASEAN economics ministers later this month, said U Tint Swai, chief executive officer of the ASEAN Business Council.

One of the topics of the August 25 to 28 meetings in Nay Pyi Taw will be cooperation for development between the government and the private sector.

The ASEAN Business Council is chaired by the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), which will be reporting to the ministerial meeting.

The ministers are also expected to discuss the connectivity of the economic corridor, the information technology system, and the role of special economic zones up to and beyond 2015.

“We can advise on creating more space for women in the economic sphere, and on the expansion of small and medium enterprises,” said U Tint Swai, adding that the council had discussed advice to young entrepreneurs making their way in the regional and global economy.

“The ASEAN economic community will succeed only if we see growth in the private sector, including SMEs,” he said.

UMFCCI vice-president U Zaw Min Win said Myanmar should take full advantage of its time as ASEAN chair because of the importance of the upcoming entry into the ASEAN economic community.

The Foreign Economic Relations Department (FERD) has been conducting a detailed survey of SMEs since early 2014, examining their economic growth as well as their cooperation with government departments, said director U Kyaw Soe Thein

4.6 TRADE FINANCE PLANS STALLED

CB Bank is keen to start a program where the Asian Development Bank (ADB) guarantees some of its trade finance lending, but is still waiting for higher-level approval, said CB managing director U Pe Myint.

Trade financing is in its infancy in Myanmar, with few loans being given for trade, generally leaving exporters and importers to pay at the same time as shipment.

Rather than paying immediately, many businesses would prefer to import and export through a letter of credit system, where a bank guarantees the seller of goods will receive its payment from the buyer on time. The bank is then on the hook if the buyer fails to pay, but by having this arrangement the exporter is able to ship products before receiving payment.

“Normally foreign banks do not accept offers for letter of credit transfers from CB Bank because they don’t know it well,” said U Pe Myint.

The agreement with the ADB will see the development bank guarantee CB’s letter of credit for trade, making CB’s letters of credit more acceptable internationally, he said. He added the ADB will step in if CB is unable to meet its trade obligations.

However, the program is being held up on the ADB side, as it waits for government approval to proceed, said U Pe Myint.

Ministry of Commerce trade department director U Than Aung Kyaw said the letter of credit system has been approved since May 2013 for imports and only recently for exports.

He added the ministry is on the lookout for firms undervaluing their shipments when applying for import or export licences in order to avoid paying taxes.

Businesspeople told The Myanmar Times they are keen to take part in more sophisticated trade financing arrangements.

Rice trader U Soe Tun said improved financing will make it easier to export, but not fully remove all problems. Current trading often ties up large amounts of capital, making it difficult to expand business, he said.

“Even if Myanmar traders use the letter of credit money transfer system, however, trades will continue with artificial prices through Singapore,” he said. “There are so many problems that still need to be solved to promote Myanmar’s foreign trade.”

[4.7 NEW CENTRE OPENS AT YANGON AIRPORT TO WELCOME MORE PRIVATE JETS](#)

Myanmar MJETS Business Aviation Centre (MMBAC) was unveiled at Yangon International Airport on August 2 to take advantage of the rising demand for chartered flights and private jets in the country.

The centre will not only fill a gap but elevate Myanmar's aviation industry into the next chapter of development and modernisation, said Ohn Myint, founder and chief executive of Wah Wah, a family run enterprise that has a 50 per cent stake in the business.

"There have been many wealthy and discerning aircraft owners requesting VIP treatment at Myanmar airports, which I could not provide because facilities like those that MMBAC has built simply did not exist," Ohn Myint said. "Customers can have chartered flights and ambulance services at MMBAC. Currently, the chartered flights usually fly to Bangkok and Singapore".

According to Oh Myint, Myanmar will welcome more private jets, mostly via Yangon, due to the country’s reopening. The country is attracting growing numbers of top officials from international governments and foreign missions, corporate executives, billionaires, celebrities and even honeymoon couples who travel on private jets.

"When I entered the ground handling business for private jets in Myanmar 16 years ago, there was only one aircraft a year, rising to five in the second year and 15 in the third year. This year we will have 300 flights," Ohn Myint said.

Wah Wah’s partner in the venture is Thailand’s Mjets, which is owned by Minor International’s founder William Heinecke and Kirit Shah, the entrepreneur behind Precious Shipping. The joint



venture has won support from Myanma Airways, the national carrier of Myanmar and Myanmar's Department of Civil Aviation.

MJets owns and operates a fleet of Gulfstream GV, Cessna Citation CJ3, Cessna Citation X and a Cessna Citation Bravo with an optional medical configuration. Moreover, MJets is currently managing six executive jets of customers, a Gulfstream G650, two Gulfstream G550s, two Gulfstream G200s and another Cessna Citation Bravo.

MJets executive chairman Jaiyavat Navaraj said that the company would introduce similar services now available at Don Mueang International Airport. He expects private jet flights passing through Myanmar, especially Yangon, to double to 600 in the third year of MMBAC's operation.

Ohn Myint estimated that about 10 per cent of the total traffic at the centre will be for air ambulance — mostly patients from Myanmar seeking medical treatment in neighbouring countries like Thailand and Singapore. At present, Myanmar citizens charter the flights usually once a week and fly to Singapore and Bangkok for medical treatment. The new centre also has customs and immigration counters and offers one-stop services for visitors with private jets.

4.8 IMPORT EXCEEDS EXPORT IN CURRENT FISCAL YEAR

Myanmar sees the international trade through land and sea routes amounted to US\$7.8 billion from April 1 to July 25 with about \$1 billion trade deficit, according to the Ministry of Commerce.

The trade volume increased \$1.9 billion in comparison to the same period last year.

The country earned \$3 billion for exporting agricultural produce, marine products, livestock, wood products, manufacturing products and other materials. Its imports of raw materials and consumer goods totalled \$4 billion.

To facilitate the trade sector, the ministry will form the information network system to ensure the accuracy of trade figures, establish the import-export bank, extend the joint trade committee, open trade training school, trade representation offices and wholesale centres.

The establishment of MYAN TRADE is on the drawing board for boosting exports. The ministry is studying to emulate on export promotion strategies in regional countries

4.9 EYEING THE MOST POPULAR ELECTRONICS

Robust quality is crucial for domestic electronic consumers, say shop owners.

“People coming to our shop are mostly looking for quality. If they see something that’s affordable, they buy it,” said U Saw Moo Ler Htoo, assistant manager at Technoland computer sales.

Buyers of most electronic rarely upgrade, he said. They often purchase products with plans to use them until the end of the device’s lifespan – though mobile phones are the exception.

Chinese firm Huawei currently dominates sales at the Technoland shop, with Samsung in second by volume, he said.

One reason is that customers are keen to change their handsets at a minimum of once a year, meaning they need affordable products,

Samsung is the second-most popular due to its brand value.

Although U Saw Moo Ler Htoo has a relatively small sample size at his shop, his findings are backed up by a survey conducted by local firm Catalyst and its international partner GfK.

The firms’ recent retail audit in Myanmar says Huawei is the most popular brand of phone and people are price-conscious when buying electronics.

GfK Thailand managing director Craig Griffin said that more mature markets such as Singapore are reaching saturation for electronics, but Myanmar offers lots of long-term growth opportunities.

Smaller retailers will likely continue expanding into chains, he said.

“The concentration of retail outlets will take place over a period of 10 to 20 years,” he said. In Philippines, Vietnam and Indonesia the top three to five electronics operators are local firms that started as independent shops.

“The opportunity is there for the local guy to become huge,” he said.

GfK Asia regional retail director Lawrence Yeow said the aim of its recent audit into electronics is to assist businesses with making proper decisions.

The firm also called its work an audit rather than survey, as it collected sales data rather than simply surveying companies, he added.

[4.10 THAI INVESTORS EYE OPPORTUNITIES](#)

Thai businesses are continuing to eye Myanmar opportunities, downplaying concerns the country’s political situation may slow investment here.



Several Thai business delegations visited Yangon last week looking to expand in the fast-growing economy, though some experts added further reforms in Myanmar are required to attract investment.

Thailand investment will reach US\$100 billion in the next 15 years through projects in a number of sectors, said Thai Ambassador Pisanu Suwanajata at a seminar hosted by Bangkok Bank on July 18.

“Myanmar needs to ensure political and economic [reforms] carry on, and constraints on doing businesses in Myanmar must be eliminated,” he said.

Thailand was the second-largest source of approved foreign investment in Myanmar as of the end of June, worth about \$10 billion or 22 percent of the total, with much of the total thought to be from PTTEP’s offshore oil and gas projects. China was the largest, with approved investments of \$14 billion.

However, Thai investment in Myanmar has been diversifying. Siam Cement Group announced plans for a \$400 million cement factory in Mon State last week. Several Thai banks are also still in the race for foreign banking licences, while garment and footwear factories are looking to set up shop, drawn partially by lower labour costs.

Thailand has been run by a military junta since a May 22 coup. Ousted Prime Minister Yingluck Shinawatra visited France last week, where she met with her brother Thaksin, while military official General Prayut Chan-O-Cha is still in control in Bangkok.

The coup has been blamed for slowed border trade, which pushed up local prices for imported goods like liquefied petroleum gas (LPG) – the main fuel used in Myanmar’s kitchens – though Thai officials said border trade continues as normal and it is only illegal trading that has been limited.

Thailand Department of Foreign Trade official Akarapong Dipavajra said trade flows to the border are continuing as usual, though added there had been a crackdown on illegal border trade.

Prices may have risen for Thai-made goods such as LPG, but the hikes are temporary and will soon return to normal, he said.

He added that businesses in Thailand are operating normally, and are interested in expanding in several sectors in Myanmar. While China is the largest source of approved investment in Myanmar, Thailand investors are interested in a wider variety of sectors.

Large Thai-based cement maker Siam Cement Group announced plans for a \$400 million cement plant in Mon State’s Kyaikmayaw township last week.

SCG president and CEO Kan Trakulhoon said the factory will be able to produce about 1.8 million tonnes of cement annually when it is completed in 2016, with excess demand met from imports from Thailand.



The firm has been importing cement to Thailand since 1997, and has seen demand increase on an annual basis, he said.

“Our brand can compete locally because we can offer very good quality,” he added.

Meanwhile, four large Thai banks are among the 25 foreign banks still competing for banking licences in Myanmar.

The Central Bank of Myanmar officials have said between 5 and 10 foreign banks will be selected to begin operations this year, though the winners will face a number of restrictions.

Bangkok Bank executive vice president Chaiyarit Anuchitworawong said the bank aims to focus on areas that domestic banks find it hard to reach, and would also like to finance the agricultural sector and provide long-term SME loans – if the Central Bank of Myanmar allows foreign banks into the sectors.

“We want to encourage SMEs from start to end as we have experience in the sector in our country,” he said last week at a conference the bank hosted in Yangon.

“We will operate as the central bank permits, especially in connecting globally [in areas] which domestic banks currently cannot perform,” he added.

Bangkok Bank, Kasikornbank, Siam Commercial Bank and Krung Thai Bank are all still in the hunt for a licence, according to a July 15 statement from the Central Bank of Myanmar.

Meanwhile, Thailand’s Department of Foreign Trade also assisted in bringing garment and footwear businesspeople for a Myanmar business matching event last week.

“Thailand’s footwear is a very strong industry,” said Mr Akarapong. “We export a lot of footwear to many countries.”

However, some Thai business are interested in setting up in Myanmar, attracted partially by labour costs that are about a third of Thailand’s.

Expensive land and challenges with laws and regulations are hurdles to investment, he added.

“As well, business operation costs for foreign investors must be properly controlled,” he said. “Myanmar needs macroeconomic stability together with its growth and regulatory reform.”