WEEKLY NEWSLETTER (MYANMAR)

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1.1 BURMA'S RISING IMPORTS DRIVE OVERALL TRADE BOOST

Burma's total trade volume this fiscal year is expected to rise by least US$5 billion compared with the previous 12 months, government data show, but economists warn that a rising trade deficit threatens to undermine that growth.

In the nine months from April 1, 2014, to Jan. 2, the total trade volume reached nearly $21 billion, according to Ministry of Commerce figures, surpassing the previous fiscal year's $18.6 billion in trade.

Of the total trade, exports decreased slightly to $8.6 billion, while imports increased by $2.5 billion to reach $12.3 billion.

Yan Naing Tun, the deputy director general at the Ministry of Commerce, confirmed the rising import-export disparity but declined to offer a reason for the widening trade deficit when asked by The Irrawaddy.

burma's main imports are electronics, agriculture-based equipment, automobiles, refined oil products, processed foods and machinery, while the country's biggest exports are commodities like rice, timber, jade and gems, oil and gas, and beans and pulses.

Out of last year's total trade, exports accounted for $8.9 billion while imports totaled $9.8 billion. The 2013-14 full-year trade deficit was only $866 million, compared with just under $3.7 billion through the first nine months of the current fiscal year.

Dr. Maung Maung Lay, the vice chairman of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), said the government needed to lower the trade deficit by limiting "unnecessary" imported goods to Burma.

"Actually, for developing countries, the imported products are always higher than exported goods, but the government has to control the trade deficit not to become an extreme amount. If not, inflation will become an issue soon," he said.

"As far as I know, the government is considering canceling unnecessary projects, and trying to collect more taxes to control the trade deficit," he added.

Maung Maung Lay said that in looking for the unnecessary, the government could target high-value imports such as luxury items.

The value of the Burmese kyat has taken a hit over the last year, in part due to the US dollar's resurgence but also potentially linked to the widening trade deficit. The kyat has weakened about 20 percent since it was floated in April 2012, with the Central Bank on Wednesday listing it at 1,025 kyats to the dollar.

"The floating currency rate is a related concern in terms of the trade deficit's impact," Maung Maung Lay said.

He added that if frequently smuggled goods—such as timber, jade and other precious stones—were included in Burma's export total, the trade deficit would shrink considerably.

"It is certain that if these smuggled goods were legal exports, export volume would rise. That's why mobile teams are seriously checking for these smuggled goods now," he said.

Illicit goods including gemstones, timber, wildlife parts and precursor drugs have been seized along the Sino-Burmese border near Muse, with an estimated total value of $27 million over the past two years, Ministry of Commerce officials said recently.

Thaung Win, the executive director of the rice exporter Myanmar Agribusiness Public Corporation, echoed calls for a government role in curbing the deficit.

"With the rice export market, China banned Burmese rice [imports] last year. Export is legal from our side, but not on the China side. That's why there were problems with agricultural products' export," he said.

"But even if we can export rice regularly, the amount of imported goods is increasing—you can see that there are a lot of cars imported, electronics and goods used for construction and factories, so import volume will continue to increase in future."

1.2 'ILLEGAL' SHIPMENTS TO CHINA DOMINATE BURMA'S $340M IN RICE EXPORTS

Rice shipments across the Sino-Burmese border, considered illegal in China, accounted for more than two-thirds of total rice exports over the last nine months, the Ministry of Commerce announced this week.

Though total rice exports reached nearly 915,000 tons from April 1 through the second week of December, overseas exports totaled only 198,698 tons (US$70.1 million), while border exports to China and Thailand reached 716,272 tons ($272.6 million).

Chit Khine, chairman of the Myanmar Rice Federation (MRF), said Burma's rice exports across the Sino-Burmese border constituted the highest bilateral trade total, despite a Chinese ban on Burmese rice imports.

"Rice exports, from our side, are legal, but on the China side these exports are illegal, that's why we're discussing with the Chinese government to legalize rice exports. One of our business missions will go to China in the second week of next month," he said.

Early this year, China officially banned rice imports from Burma, demanding that a trade agreement be signed guaranteeing that most rice is milled and meets certain quality standards. China had long been—and continues to be—one of Burma's biggest customers for rice, much of which is harvested in the Irrawaddy Delta and shipped over land borders in Shan and Kachin states.

According to government figures, rice exports to China through the Burmese border town of Muse to Ruili in China accounted for the vast majority of overland exports, at 700,000 tons, while overseas rice shipments to China reached 11,000 tons.

“That is why the business delegation from the MRF and the government will talk with the Chinese government next month to buy our rice legally over the borders,” Chit Khine said, adding that he expected the legalization of rice exports to China would further accelerate export growth.

A bilateral agreement on rice standards would allow the MRF to legally export about one million tons of milled rice to China, starting in January.

Dr. Soe Tun, chairman of the Myanmar Farmers Association, said that China would continue to hold its position as the No. 1 buyer of Burma’s rice next year.

He added that a China Certification and Inspection Group would open an office in Rangoon soon, pending its obtaining a company license from the government, and will serve to monitor the quality of Burmese rice before exporting to China.

“We expect that the rice export volume will reach 1.5 million tons in this 2014-15 budget year. We expect 2 million tons for next budget year,” he said.

Burma’s rice exports totaled 1 million tons in the 2013-14 fiscal year.

Rice prices are also on the rise, with the grain selling for $400 per ton, up from $350 per ton last month, after a heavy monsoon season lowered yields in Burma.

In October, the MRF reached an agreement with Indian rice traders to supply two states in northeastern India with 240,000 tons of rice per year at $400 per ton, although Burmese traders will incur all costs for transporting the goods to the Indian border.

Paddy yields in Burma are among the lowest in Southeast Asia, at 2.5 metric tons per hectare. Most rice mills used outdated machinery that produces rice with a high portion of broken grains, making it unsuitable for high-value foreign export markets such as the European Union and Japan.

2.1 YANGON'S FUTURE PROMPTS EXPERT CALL TO ACTION

There is no question development is arriving in Myanmar's largest metropolis. The swift pace of change has already begun reshaping Yangon, and the city is teeming with more people and buildings than ever before.

Urban areas are bursting at the seams from this influx, which shows few signs of slowing down. Questions swirl as to whether the city will be able to cope as it continues to grow.

Yangon has about 5.2 million people – meaning about 10 percent of people in Myanmar live in the city. Around one-third of all Myanmar residents of urban areas come from Yangon, said Daw Hlaing Maw Oo, an urban planner from the Department of Housing Development and Human Settlement.

Yangon's initial infrastructure was based around the six downtown townships. It has since expanded to 33 townships, in every direction from the original city.

Population density is already high in the city, and it shows no signs of slowing down, she said at the 'Save Yangon Forum' held at the end of December.

In 1989, downtown Yangon had a population density of about 450 people per hectare (1 hectare is about 2.47 acres). By comparison, Bangladesh's capital Dhaka is one of the most densely populated cities in the world, with 555 people per hectare.

Even the more remote Yangon townships boast these kind of population densities, while some of the densest communities now have over 1000 people a hectare.

"We have been conducting conservation work on Thiri Street in Sanchaung township," said Daw Hlaing Maw Oo.

"The population density is horrible – in one particular hectare there are 1452 people. This is much worse than Dhaka. Among the townships in Yangon, Sanchaung is likely the worst."

growing population density not only can make living uncomfortable, but causes stress on the infrastructure supporting the city, such as roads, sewers and electricity.

One particular danger is the density of buildings. Yangon is increasingly crowded, but new buildings are not being added in a systematic way, said Daw Hla Su Myat, executive from the Association of Myanmar Architects.

Government rules call for inclusion of empty space around buildings, particularly high-rises. However, often these provisions are avoided, meaning buildings end up too close together.

"That can cause more danger from fire and traffic jams," she said.

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There is also a problem of rapidly disappearing public space. Land is often being set aside for high-rise buildings and retail shops, leaving little room for citizens to exercise outdoors.

EcoDev Myanmar director U Win Myo Thu said shrinking public space negatively affects public health.

"Children under five are showing rising incidents of breathing trouble. It's a sign we need to correct urban living before it gets worse," he said.

Water supply also continues to be a challenge. Salt water often seeps into those relying on wells, given Yangon's proximity to the ocean, said Daw Than Than Soe, a retired urban planner. She pointed to Hlaing Tharyar township as an area particularly afflicted by the problem.

Yangon may be rapidly expanding, but experts agree there are a host of problems afflicting the city. Solutions won't come easy, and will require close work between citizens and the government.

Still, experts say they have a common message –"Please save Yangon".

2.2 LOCAL FIRMS ANGLE FOR SKYSCRAPER KNOW-HOW

The trend for large-scale construction projects continued to alter Yangon's skyline in 2014, with work on many tall buildings now under way and dozens more in the planning stages.

There will be more skyscrapers added in 2015 and beyond, as developers build upward as well as outward to accommodate the city's expanding population and growing demand for homes.

Yet many local firms don't have the experience or capital necessary for constructing these skyscrapers. They are increasingly turning to foreign partners to assist them with financing and constructing these larger projects, often on land that is first secured by the local firm.

"There is a lot of [undeveloped] land still owned by the government and Yangon City Development Committee [YCDC] in Yangon, along with all the new projects that are cooperations between foreign and local firms," said U Yan Aung, manager at Asia Builders Construction.

Although there have been some foreign companies involved in the domestic property market for some time, interest has picked up significantly in the past few years.

Yangon's swath of new skyscrapers are often presented "international standard" in their promotional campaigns, highlighting the expertise the foreign developers bring to the project – though representatives from local firms say they are also trying to learn from these foreign firms.

"Foreign developers should be cooperating with two or more local developers on a project," said U Aung Min, director of Myat Min Construction.

"Local developers are often not familiar with large-scale developments, but it's important to gain this knowledge because large developments can be ready in a short time,

with many rooms to sell."

Myanmar Construction Entrepreneurs Association vice president U Tha Aye said it is too early to say Myanmar has turned the corner on

improving its construction sector, though many projects have been added and business is growing.

"It is important the construction sector develops with the correct rules and regulations," he said.

Myo Thant, vice secretary of business association UMFCCI, said the Myanmar Investment Commission assists with striking a balance between foreign and local participation in projects to ensure both sides benefit.

2.3 YANGON REGION UNVEILS LOW-COST HOUSING PLANS

Yangon Region has set aside K100 billion (US$97 million) to build 10 affordable housing projects in the 2015-16 fiscal year, according to a senior official from the Department of Human Settlement and Housing Development.

The funds are to be combined with other capital to build lower-cost housing developments in Yangon as well as Pathein and Mawlamyine cities.

Plans – including building designs and cost estimates – are already in the works, and private companies will be invited to participate in an open tender in the next few months.

"It will adhere to a policy of 'No profit – no loss' from the government's side," he said. "Actually, the funds will not cover all 10 projects, which will create a total of 18,000 affordable units. We will build a few buildings first and sell them, using the funds to build the next one," he said.

Each project should take about two years to build, with seven of the projects in Yangon and the other three in Ayeyarwady Region and Mon State.

It is too early to decide the exact price the units will be sold at, though the projects will be on government land, so land prices won't be factored in.

Prices will be determined from the construction costs as well as water and electricity supply charges, aiming for an affordable price that ensures the government also doesn't lose money.

It is likely the units will be sold for about K10 million each, as construction is anticipated to cost about K7.5 million per unit and infrastructure hook-ups an additional K2.5 million.

The move to build these units follows a mid-2014 announcement from the Ministry of Construction that it aimed to address a shortage in low-income units, not just in Yangon but also regional cities.

The department claims to have completed 98 affordable housing projects in Yangon from 2013-14, with another 294 under way in Yangon and 79 in Mandalay, Monywa and Magwe cities.

The official said there are plans for hundreds more projects, targeting middle-income people, such as civil servants and staff workers.

"There will be more affordable housing in the future," the official said.

Interested buyers will be called once the projects are completed.

Generally, large numbers of applications are accepted, with a lucky draw determining which applicants will be able to purchase a unit, the official added.

3.1 OIL PRICE PROMPTS PTT PLANS TO CHANGE

Thai state-owned energy firm PTT Exploration and Production has changed how much capital it will spend on projects over the next five years, according to a statement.

The firm has adjusted its five-year investment plan as the world oil price fluctuates. International benchmark Brent crude fell to US$50.52 a barrel on January 6, the lowest since April 2009.

PTTEP says its revised plan calls for about $24.3 billion in capital and operational expenditures over the next five years. Investment will reach $4.8 billion in 2015, with 80 percent flowing to projects in Thailand and the rest of Southeast Asia. Some 20pc of the total is to fund Myanmar projects.

"The fluctuating global oil prices have inevitably impacted our operations, forcing us to adjust our 5-year investment plan," said PTT president Tevin Vongvanich in a statement.

PTTEP plans to spend on existing and new projects in Myanmar. It aims to invest to maintain production levels of its Zawtika project and develop block M-3, as well as study three onshore blocks – PSC G, EP-2 and MOGE-3 – and offshore blocks MD-7 and MD-8.

"We will closely monitor movement of crude oil prices. If prices fall below our projection, we have a room to adjust investment budget downward in order to maintain our liquidity and performance," he said.

PTTEP has been in Myanmar for 25 years, operating a number of oil and gas projects. A press release last year said it planned to invest $3.3 billion in the next five years in Myanmar.

Although PTT has adjusted its investment plans due to falling oil prices, it expects to boost its global sales volumes by 6pc in 2015 compared to 2014, to 343,000 barrels of oil equivalent per day from its gas projects. The firm singled out Zawtika, an offshore Myanmar project, as well as assets in Thailand and Algeria, as fueling the increase.

4.1 OECD: AGRICULTURAL INCOME PER CAPITA IS ABOUT USD 200 PER YEAR

Recent report released by the Organisation for Economic Co-operation and Development says Myanmar's agricultural income per capita is about US$200 per year, which is the lowest in Asia.

The report says Myanmar's agricultural sector has considerable potential for expansion and diversification but faces structural constraints. Agriculture accounts for nearly 32 per cent of Myanmar's GDP and 20 per cent of its export earnings. Most farms are subsistence-level holdings, with over 50 per cent of farms being smaller than five acres.

The report also says raising incomes in rural areas will require increased agricultural productivity. Rice is Myanmar's main crop, but rice productivity is low, and its output has been growing more slowly than that of other crops.

"Improving the performance of agricultural value chains and integrating Myanmar's over 2 million commercial smallholders into them can provide a way to harness emerging demand-driven market opportunities to modernise the agriculture sector, improve its performance and raise rural incomes," the report says.

"The value-chain approach generates linkages to complementary non-agricultural services and inputs at each stage of the chain from input supplier to producer to consumer that can ignite the wider process of the transformation in the rural economy. These complementary inputs and activities add value to the product and include a wide range of services such as processing, transportation, technical assistance, marketing and logistics and the provision of inputs ranging from chemicals to machinery."

"In our country, after independence, we haven't developed any vacant and virgin land for farming. But we have formed the Agricultural and Rural Development Corporation to develop the agriculture sector," said Tin Htut Oo, the economic advisor to President Thein Sein, at a recent seminar on Myanmar's political transition.

4.2 FOREIGN INVESTMENT TOPS US$2 BILLION IN DECEMBER

More than US$2 billion in foreign investment entered Myanmar in December 2014, $1.8 billion of which went into the oil and natural gas sector, according to Directorate of Investment and Company Administration.

The rest of the investments went toward the manufacturing, mining, transportation and communication, hotels and tourism, real estate and service sectors.

The government of Myanmar is trying to attract investment into its most labour-intensive sectors, according to the Myanmar Investment Commission.

Foreign investment has increased since the government allowed investors to rent privately owned land instead of just government-owned land, permitted them to operate independent foreign investment firms without local partners and eased the process of transferring foreign currency for investment.

The countries that invested in Myanmar include China, Thailand, Hong Kong, Singapore, the UK, South Korea, Malaysia, Vietnam, France, Japan, India, the Netherlands, the US, Indonesia, Australia, Russia, Austria, Panama, the UAE, Canada, Germany, Sweden, Denmark, Brunei, Cyprus, Luxemburg, Switzerland, Bangladesh, Sri Lanka, and others.

Foreign investors in Myanmar can operate here independently or form joint ventures with local firms.

4.3 NO MONOPOLY OVER FUEL MARKET: FOIEA SAYS

The Fuel Oil Importers and Exporters Association yesterday denied they are monopolising the fuel market and said they are even working to cut local gasoline and diesel price while the global oil price is falling.

"Price depends on supply and demand plus it also depends on condition of the goods flow. At the moment, our association is trying to cut the fuel price. There is no monopolization on the market. It has not come down suddenly because of shipping programmes. US dollar exchange rate went up while importing. The global oil price went down this month and it seems merchants are trying to sell it with a control price," Win Myint, secretary for the association explained at the press conference held at Union of Myanmar Federation of Chambers of Commerce and Industry yesterday.

Meanwhile, the fuel retail price seems not to be falling but the wholesale price is declining and the association is working on that, he added.

Last January, the global oil price was US$ 94 per barrel. But starting in June, the price started falling and it reached below US$ 50 per barrel this month.

This is the first time oil price has fallen under US$ 50 per barrel while dollar seems strong; stock market is falling; less demand and more supply of oil.

Critics say that local fuel distributors have failed to maintain the market price while the oil price in the whole world is going down.

"A month ago, a litre for diesel was sold at Ks 890. Now it is sold at Ks 719 per litre. At least Ks 1,000 was cut per gallon. Some distributors are even planning to reduce the price. At the wholesale market, it is Ks 550 per liter. Wholesale price seems easy to change but for the retail price to fall down it would take some time.

However, we are working straight forward to cut down the retail price. As we are not governmental organisation, we need to negotiatiate," Win Myint said.

According to Win Myint, there is no limitation over how many gas stations can be opened or how much fuel can be imported. About 2,000 gas stations are selling fuel and the differential price between retail and wholesale is Ks 70 per litre.

4.4 BY-LAWS FOR SECURITIES AND EXCHANGE TO BE ANNOUNCED NEXT WEEK

By-laws for securities and exchange will be announced in upcoming weeks, according to Deputy Finance Minister Dr Maung Maung Thein.

"The ministers have already approved the by-laws. They just need the approval of the parliament. If the parliament does not change anything, the rules and regulation for the Yangon Stock Exchange (YSX) will be complete," said the the deputy minister at a conference on the Yangon Stock Exchange and career opportunities on January 10.

With the hope of opening the YSX by October 2015, the Securities and Exchange Commission of Myanmar (SECM) was formed with six members and one chairperson. The commission will be assigned to regulate the stock exchange.

"Under the transition period, SECM will be under the Finance Ministry. The expected transition period could be five years. At the moment, the process seems quite successful," he added.

The exchange will be established with a 51 per cent stake held by Myanma Economic Bank and 49 per cent held by Japan-based Daiwa Group and Japan Exchange Group. The bilateral agreement was signed last December.

"We are doing technical preparations on the stock exchange building. Companies that will provide services can now apply for a licence. SECM's office will be located in Myanma Economic Bank, which is across from the YSX building," the deputy minister said.

He confirmed that the YSX is expected to open this October.

4.5 DEPUTY MINISTER CONFIDENT IN STOCK EXCHANGE AS DEADLINE LOOMS

Up to 10 companies ought to meet the requirements to be listed on the Yangon Stock Exchange (YSX) when it opens in October – though these requirements have still not been released, according to deputy finance minister U Maung Maung Thein.

While agreements have been signed to establish the exchange and much of the technical infrastructure is in place, not all the rules and regulations needed to licence securities players and govern the exchange have been released.

Companies are not yet certain what the requirements will be to list on the YSX, as they have also not been revealed – though draft sets of requirements have been publically discussed.

Myanmar and Brunei are now the last member of ASEAN without a stock exchange, as several countries have opened them in recent years. Myanmar has an existing over-the-counter exchange that can trade shares in two companies, though it is not considered a modern stock market.

Not all have been immediately successful – Cambodia's exchange opened in 2011 with no listed companies, and currently has two, while Laos opened its exchange in 2011 with incomplete rules.

U Maung Maung Thein said on the sidelines of a seminar last week that the challenges are different in each country. For instance Laos only has a handful of public companies to draw from for listings, while Myanmar currently has over 200 public companies.

"So when the [Securities Exchange Commission] announces the criteria to be listed on the exchange, [companies] will try to be eligible," he said. "It will not be a problem even though we are starting with a few companies. In the future more will be eligible."

U Maung Maung Thein said the Yangon Stock Exchange will start only with quality companies, as it is important to make the market safe for investors.

So far at least three local firms – First Myanmar Investment, Asia Green Development Bank and Myanmar Agri-business Public Company – have declared intention to list.

U Maung Maung Thein said the listing criteria has yet to be announced, but would be coming soon.

"There will be enough time for the companies to prepare. And the criteria will comprise nine or ten points – but I can't reveal it now."

myanmar will have other unique challenges. While many international firms that list on foreign exchanges are private and then transition to public companies, Myanmar has over 200 public companies – though often of vastly different quality.

"The point is that each country has its own trends – but we have to overcome these unique challenges," he said. "[Myanmar] has never set up a stock market, so there will be many challenges."

Companies interested in applying to be underwriters, dealers, brokers and consultants may start applying from the third week of January, said U Maung Maung Thein.

4.6 MIC CONFIRMS DISPUTED TAX ON FDI

The Myanmar Investment Commission (MIC) has confirmed the corporate income tax rate stands at 25 percent for companies registered under the Myanmar Companies Act or Myanmar Foreign Investment Law (FIL).

The statement follows several months of discussion between various government ministries that corporate rates for some projects such as offshore oil and gas ought to be 35pc.

Section 25 of the 2014 Union Tax Law said all income from foreign investment was to be taxed at 35pc, though previous legislation has routinely pegged the rate at 25pc.

Some energy insiders say the dispute has held up signing of the Production Sharing Contracts for offshore blocks awarded last year, as oil and gas firms await clarity on what taxes they are due to pay.

MIC secretary U Aung Naing Oo said related ministries such as the Ministry of Finance had been invited to discuss the situation with the MIC, but no agreement was reached.

"That's why we asked for suggestions from the Attorney General's Office," he said. "It confirmed today [on January 7] that all FDI should be taxed at 25pc according to the law."

Investment entering under the FIL law is taxed at 25pc, while non-FIL investment has a corporate tax rate of 35pc, according to a Myanmar tax update from legal firm DFDL released May 2014.

U Aung Naing Oo said the rate of 25pc will apply as per the law.

One senior official from the Ministry of Energy said international companies negotiating the terms of the Production Sharing Contracts had sent letters requesting official clarification from the ministry.

“International oil and gas companies got noisy due to the 35pc tax issue,” he said. “We passed the issue on to the MIC for their input.”

Four of the 20 PSCs for offshore blocks have been signed, with the rest due to be signed soon.

The Ministry of Energy official said foreign companies that really wanted to invest would sign even with tax rates of 35pc. “But in terms of business models, international companies cannot agree to all sorts of immediate changes as they have a long-term model,” he said.

The corporate income tax is only one of the various taxes and fees that must be paid by oil firms. Once the PSCs are signed, companies must pay data fees, signature bonuses and other costs for development. After production begins, other fees kick in, including the corporate income tax.

The Ministry of Energy official said there has been a large dispute on the issue between various government ministries, showing a lack of cooperation between different parts of the government.

“It is not good for the image of the country if it changes its policies so quickly and is not consistent,” he said.

International oil giants declined to directly comment on the dispute on rates, but said they are keen to see the PSCs inked.

“Shell understands and respects that each country has its own approach and processes in managing their natural resources. We are looking forward to signing PSCs soon,” said a spokesperson of Anglo-Dutch energy firm Shell.

4.7 MUSE DEVELOPMENT CONSORTIUM PUSHES FOR EASING OF CHINA-BURMA BORDER RESTRICTIONS

Construction is ramping up for a new China-Burma border station in northern Shan State intended to funnel tourists towards a massive private development, although building works have begun unilaterally on the Burmese side of the border, and both the Chinese and Burmese governments have yet to negotiate when the crossing will be open to foreign nationals.

The crossing, connecting the town of Muse to the city of Ruili in China's Yunnan Province via the Shweli River, will service what has long been a thriving trade route between the two countries, with nearly US$4.5 billion combined imports and exports passing through the area in the 2013-14 financial year. The Mandalay-based New Star Light Company is financing a new crossing on the Burmese side of the river in order to service the company's broader investments in Muse's commercial infrastructure.

"We're awaiting approval from both governments to open this gate, but we're now building immigration gates on our side," said Ngwe Soe, New Star Light's project director. "Both governments will decide together when it will be opened, but China has made overtures to Burma regarding the opening of this crossing, which is why we're building these gates now."

The crossing, about 1500 meters (4900 feet) from the existing bridge over the river, will connect directly to the Muse Central Economic Zone project, a 295-acre space allocated for hotels, residential development, shopping areas and commercial tenancies, in a US$94 million collaboration between New Star Light and the Shan State government.

New Star Light is building two immigration gates and an entrance with the intention of donating them to the Union government upon their completion. A connecting road and immigration facilities on the Chinese side of the border have yet to begin construction, though Ngwe Soe told The Irrawaddy that both the Chinese and Burmese governments intend to use the new crossing as a port of travel for foreign tourists.

"There are already three border crossings on the Myanmar-China border, but there is no exclusive entry for third country visitors, which is what both governments are aiming for with this gate," he said. Ngwe Soe said, adding that Dr Sai Mauk Kham, an ethnic Shan politician serving as Burma's Second Vice President, had been highly encouraging of the project.

Travelers from countries other than Burma or China who want to cross at the Ruili-Muse border are currently subject to onerous restrictions. Passage is granted to travelers who book on approved tour packages that include a mandatory guide and chartered transportation, and any easing of these restrictions would undoubtedly benefit both New Star Light's investments and the broader Muse economy.

Dr Aung Myat Kyaw, chairman of the Union of Myanmar Travel Association, said that he welcomed a new border entry for foreign nationals if the Chinese and Burmese governments agreed to the proposition.

"Though our side allows third country visitors to pass through checkpoints on the Thai-Burma border, on the China side they are still not allowed to come across," he said. "The more border entries we have, the more visitors come and the more tourism development we can have."

The Irrawaddy sought comment on the proposed border station from Maung Maung Than, director-general of the Immigration and Population Ministry, who said he had no authorization to reply to questions.

4.8 STOCK EXCHANGE LICENSES TO BE AWARDED IN APRIL

Burma's Ministry of Finance will begin issuing licenses for financial services on the Yangon Stock Exchange—set to open in October—in April, according to Deputy Finance Minister Maung Mg Thein.

"We're going to start calling on companies from four services to seek securities exchange licenses," the deputy minister announced on Saturday at the offices of the Union of Myanmar Federation of Chambers and Commerce Industry.

Licenses will be granted to underwriting, brokerage, dealing and consulting firms based on investment and clean-spending criteria. Applications will be available on Jan. 19, and interested firms must submit materials to the ministry's Security Exchange Working Commission by Feb. 27, the deputy minister said.

Maung Mg Thein estimated that about 10 public companies are currently in compliance with all requirements and ready to apply, though several other institutions could be included. The list of companies likely to be approved could include Forest Joint Venture Company, Myanmar Thilawa SEZ Holdings, Myanmar Citizens Bank and Yoma Strategic Holdings, according to a financial analyst.

Brokerage firms are required to commit to a 7 billion kyat (US$7 million) initial investment before applying, while dealing, underwriting and consulting firms must invest 10 billion, 15 billion and 30 million kyats, respectively.

The stock exchange, which is being developed by the Central Bank of Myanmar (CBM) and two Japanese partners, is expected to be a major advancement in Burma's financial field; offering stability to what has long been an unregulated and volatile investment landscape.

CBM's partners, Tokyo Stock Exchange and Daiwa Securities Group, will own a 49 percent share in the $32 million investment. Daiwa, a Tokyo-based investment firm, has been active in Burma since 1996, when it teamed up with state-owned Myanma Economic Bank—which until 2013 was subject to US sanctions—to create the Myanmar Securities Exchange Center, Burma's sole organized stock market.

Economists have welcomed the development of a more sophisticated trading center, though some have warned that the costs are too steep for Burma's underdeveloped financial institutions. Senior consultant to Burma's ministry of Commerce, Maung Aung told The Irrawaddy that the ministry ought to take a more prudent approach to allow for a diverse and inclusive marketplace.

"We understand that the amount [of capital required to apply] is in line with international norms, but as an initial step in Burma it's too much," he explained. Even the 7 billion kyat benchmark for brokers, he said, is too high and should begin at a lower rate, adding that, "as a developing country, there will be many challenges."