**WEEKLY NEWSLETTER (MYANMAR)**

**11Oct 2014 to 17Oct 2014**

## 1.1 DEEP-SEA PORT IN RAKHINE STATE READY FOR BUSINESS

**Construction work at the Kyaukphyu deep-sea port in Rakhine State is completed and it will be ready to receive oil tankers next month, local executives and officials said.**

The deep-sea port is located on Maday Island east of Kyaukphyu town, and includes oil storage facilities with tanks and terminals.

"Oil tankers will start docking in November," said Tun Kyi, chairman of the multi-development association of Maday Island said.

He added that another deep-sea port on the island is in the planning stage and work will begin on it soon, he said. Local residents, however, are likely to demand compensation for land lost to develop the Kyaukpyu Special Economic Zone, officials said.

Local residents previously protested the loss of land to construct the deep-sea port project.

## 1.2 NEARLY US$3 BILLION WORTH INDUSTRIAL RAW MATERIALS IMPORTED THIS YEAR

**Industrial raw material, including petroleum products, worth nearly US$3 billion was imported, exceeding the value of last year's imports by US$489 million, according to the Ministry of Commerce.**

From April 1 to October 3 of 2014-15 fiscal year, the volume of industrial raw material, including petroleum products, was US$2.986 billion, compared to US$2.496 billion in the same period during the previous fiscal.

Among the imports were wheat seeds, wheat flour, petroleum products, industrial vegetable oil, chemical products, dyes, fertilizers, raw plastic, raw rubber, leather, papers used for newspaper, printing, industries, cigarettes and others, chemical hanks and other hanks, iron and steel products, raw materials for mining products, galvanised iron sheets, tyres and inner tubes. Of the total imports, petroleum products were worth US$1.463 billion.

Other imports included cement, fishing nets, aircraft, ship and motorcar, tractors, telephone and communication equipment, television, computer and related products, air-conditioners, engines, machines, finished construction products, equipment for distribution of electricity and positioning, wires, motorcycle spare parts, bicycles, binoculars, cameras, and filming equipment.

## 1.3 INDIAN SHIPPING COMPANY SAILS TO MYANMAR

**The Shipping Corporation of India is set to run business in Myanmar, according to the press conference at Boaungkyaw Harbour, Yangon on October 9.**

The corporation has chosen Cargo-Partner Services Company as its agent to Myanmar. The SCI is best known for its shipping services – cargo and container ships in trading merchandises and industrial chemicals – and operates one-thirds of India's navigation.

"This is the first time the SCI sets business. Myanmar will be able to reduce time-taken in overseas shipping from 16 days to three days," said deputy chief of mission Sailas Thangal of Indian Embassy in Myanmar.

The merchandises from harbours in India, Singapore, Hamburg and Hong Kong will be shipped by SCI's vessels to Yangon Port.

## 2.1 ALMOST THREE-FOURTHS OF LAND IN THILAWA SNAPPED UP

**Sixty-three companies have signed 50-year leases to rent land for factories in Thilawa Special Economic Zone – almost triple the number announced at the beginning of this month, according to the Myanmar Thilawa SEZ Holdings Public Limited.**

The holding company said the rental price of the land was Ks 7,700 (about US$77) per square foot.

On September 5 it invited both local and foreign companies to open plants in the first phase of the SEZ, which covers 400 hectares of land. The 63 companies have already snapped up nearly three-quarters of the land: 261.5 hectares in total. Of these companies, six Japanese companies one Thai company have already begun construction work on 23.7 hectares land and their factories are expected to begin operating next year.

The holding company says it has received letters of intent from 32 companies are from Japan, 22 from Thailand, six from Hong Kong, five from Myanmar and five from Taiwan. It has also received letters of intent from Chinese, Swedish, American, Australian, South Korean, Singaporean, Vietnamese and Philippine companies, it said.

The factories that have rented land in the SEZ will manufacture of steel, iron, aluminum, electronic and electric items, wood products and garments.

## 2.2 JICA REJECTS LINK BETWEEN MASTER PLAN AND 'NEW CITY' EXPANSION

**The Japan International Cooperation Agency has rejected suggestions by Yangon Mayor U Hla Myint that a controversial 30,000-acre expansion project was included in the Yangon 2040 master plan, which was jointly developed by JICA and municipal authorities.**

The city expansion plan was announced by the Yangon mayor to the Yangon Region Hluttaw in August, though the mayor then announced on September 26 it is being reconsidered.

Few details of the project have been publically released but U Hla Myint told Yangon Region Hluttaw MPs earlier in September that the proposed expansion was “consistent” with the JICA-backed Yangon 2040 master plan, formally known as the Strategic Urban Development Plan of the Greater Yangon.

U Hla Myint was later quoted in 7Day Daily as saying that the expansion project had already been discussed with JICA. However, this was denied by JICA.

“The ‘Yangon city expansion plan’ is not proposed [or] suggested by the master plan. The Yangon city expansion plan has no connection with the master plan,” a JICA spokesperson told The Myanmar Times last week.

Work on the Yangon 2040 master plan began in 2012 and was completed in March 2013. JICA sent a survey team to YCDC to provide “technical and professional assistance” on the plan, its Yangon office said.

The regional government’s city expansion project would see 30,000 acres between the Pan Hlaing and Hlaing rivers, Twante Canal and Twante-Hlaing Tharyar Road developed by a private company, at an estimated cost of US$15 billion.

It initially awarded the rights to develop the project to an unknown public company, Myanma Saytannar Myothit, but was forced to backtrack due to public criticism and promised a “transparent” tender process instead.

The regional government announced on September 26 that it was suspending the project indefinitely so it could conduct further analysis on the plan, which has been widely denounced for its lack of transparency.

While critics said the mayor was trying to give the city expansion plan credibility by linking it to JICA, U Toe Aung, director of YCDC’s urban planning division, said he thought it was simply a “misunderstanding”.

“Of course the 30,000-acre city expansion plan is not connected with the master plan. I don’t think the mayor mixed them up on purpose,” he told The Myanmar Times on October 3.

However, he said Twante was one of a number of several outlying areas of Yangon identified by the master plan for potential development.

## 3.1 RICE EXPORTS DOUBLE

**Rice exports surpassed 630,000 tonnes in the first half of the fiscal year, more than double the amount exported in the same period last year, according to figures from the Ministry of Commerce.**

In dollar terms the 630,071 tonnes were worth $238 million, compared to the $133 million value of the 300,000 tonnes exported between April 1 and the end of September last year, the figures show.

Almost 120,000 tonnes were exported by sea, with a value of $42 million, while 510,966 tonnes worth $196 million were exported over land.

A new National Export Strategy is being drafted and it is expected to be completed by the end of the year. Previously, officials identified rice as the key export item.

In June the Myanmar Trade Centre was opened in Yangon, the commercial hub of the country, with the goal of increasing trade. Currently, Myanmar exports are primarily resource-based, such as natural gas, or agricultural and fisheries products.

A shift to higher value-added exports is part of the government's overall economic reform process.

## 3.2 GAS EXPORTS UP MORE THAN 20%

**Exports of natural gas have surpassed US$2.1 billion in the first half of the fiscal year, up more than $440 million over the same period last year, according to figures from the Ministry of Commerce.**

Exports of natural gas totaled $2.183 billion in between April 1 and the end of September, compared to the $1.737 billion in the year-ago period, the figures show.

Most gas, about $1.5 billion, was exported by sea, while about $609 million worth of natural gas was exported by pipelines. Natural gas exports remain the top export item, according to the ministry's figures.

Other resources, such as teak, agricultural and fisheries products, follow.

Exports of natural gas totaled $3 billion last fiscal year, according to the commerce ministry.

Natural gas exports are likely to rise as more offshore and onshore exploration blocks have been awarded to foreign and domestic companies, though much of this could be used within Myanmar, which is facing a severe electricity shortage.

## 3.3 MYANMAR STILL CAN ENJOY MASSIVE AMOUNT OF NATURAL RESERVES

**Myanmar is perhaps sitting on 80 trillion cubic feet of gas and 3.2 billion barrels of oil, according to New Crossroads Asia (NCRA) statistics.**

Currently, the country has known reserves of 20 trillion cubic feet of gas and there are still many other potential gas deposits.

Offshore sites can extract more oil and natural gas than inland alternatives.

The oil production per day is 10,484 barrels from offshore and 7,750 barrels from inland sites, according to NCRA.

The production of inland gas sites is 56 million cubic feet per day (mmcfd) whilst that of offshore sites is 815 mmcfd.

Myanmar's energy exploration sector is one of the most attractive for investors with foreign investment touching US$670 million as of August.

The ruling government is trying to promote hotel and tourism and industrial sectors, as these sectors can provide more job opportunities. However, foreign investors tend to pour more funds into the lucrative energy sector.

In October last year, 10 out of 78 companies from the UK, Brunei, Canada, India, Italy, Luxembourg, Malaysia, Pakistan, Russia and Thailand won tenders to run 16 inland oil and gas worksites.

The government is also seeking membership of the Extractive Industries Transparency Initiative.

The official figures show that cumulative foreign investment in the oil and gas sector hit $14.37 billion with 115 projects as of August.

Huge exploration sites have been found in offshore spots and the Total Company's Yadana Offshore Site is the largest.

Some other offshore sites include Yedagon, Zawtika, and Shwe.

Gas exports amounted to $10 billion in three years, according to Commence Ministry figures.

## 4.1 CUMULATIVE FDI SET TO SURPASS US$50 BILLION

**An additional US$2.6 billion in foreign direct investment (FDI) in Myanmar in July and August has pushed cumulative FDI in the country above $49 billion, the Directorate of Investment and Companies Administration (DICA) said.**

DICA has yet to release figures for last month, which are widely expected to see cumulative FDI surpass $50 billion.

The investments DICA approved in the July and August came from companies in 13 countries as well as Hong Kong Special Administration Region, DICA said. Companies from China, Thailand, Singapore, the United Kingdom, South Korea, Malaysia, the Netherlands, India, Japan, Canada, Luxemburg, the Philippines and Libya made investments in Myanmar during the period.

Approved investments by companies from the UK totalled $217 million, with Chinese companies taking second spot with investments totalling $207 million, DICA said.

Companies from Singapore, Canada and the Netherlands followed with investments totalling $162 million, $153 million and $149 million, respectively. Cumulative foreign investment in Myanmar surpassed $46 billion at the end of June.

There are 3,032 foreign companies/branch offices and 32 foreign-invested joint ventures in Myanmar. Companies from 36 countries have invested in Myanmar, with those from China topping the list with combined cumulative investment of $14 billion.

Foreign investment is surging in Myanmar under the administration of President Thein Sein, with the energy, oil and gas, mining, transportation, telecommunications, tourism and construction sectors among the top beneficiaries.

## 4.2 TENDER WINNERS FOR YANGON CENTRAL RAILWAY STATION

**The names of companies that won the tender for upgrade of Yangon railway station area will be released soon, according to an official from the Ministry of Rail Transportation.**

“Detailed information will appear in state-owned newspapers,” said Myint Wai, transport manager from the ministry.

Myanmar Railways (MR) had invited expression of interest (EOI) from local, international and joint venture developers on April 26 this year to undertake design and execution of a comprehensive development project near the Yangon Central Railway Station area.

A total of 34 bids were received from Myanmar, Malaysia, Italy, the Republic of Korea, Qatar, France, Taiwan, Japan, China, Singapore, Canada and Vietnam.

In September, the MR announced 28 shortlisted developers including Shwetaung, Shwethanlwin, Ayarhintha, Fortune, Malaysian Resources Corporation (MRCB), Lotte Asset Development Co, Ooredoo Myanmar, Yunnan Construction Engineering Group, China Harbor Engineering Co (CHEC) and Mitsubishi Corporation.

Some shortlisted companies from Myanmar are joint venture companies. The Yangon Central Railway Station area comprehensive development project covers construction of high-rise buildings, hotels and business centres on 25.3 hectares of railway land, according to the ministry.

## 4.3 OIL, MINING AND FOREST SECTORS PRIORITISED FOR EITI FINAL REPORT

**The oil, mining and forest sectors have been selected as the priority ones for the Extractive Industries Transparency Initiative (EITI) final report to become a full-fledged member of the EITI, according to an EITI workshop of Civil Society Organisations (CSOs) held on October 11.**

The EITI board admitted Myanmar as an EITI candidate country in July this year. Myanmar will have to submit its EITI final report in 18 months after becoming a candidate country and follow the processes set by the EITI board to become a full-fledged member.

"As priority sectors, we have chosen oil, mining and forest. The CSOs want to add electricity and gas to the priority list. These three sectors may be final, as we have to prepare the final report within 18 months and we don't have much time. Or else, it may be two of three priority sectors. We will make a final decision with the approval of all participants," said Tun Myint Aung from the CSOs for implementation of EITI.

"The tripartite coalition will be formed in Shan, Magway, Rakhine and Mandalay to inspect the extraction of resources, tax payment and cooperate social responsibility of the companies during four months. Now, we will start work on preparation of the EITI report," he added.

The EITI has designated 23 countries as compliant and 16 other countries as candidates. EITI member countries can indirectly fight against poverty with the use of revenues generated from natural resources. The EITI is an international organisation which maintains a standard, assessing the levels of transparency around countries' oil, gas and mineral resources.

## 4.4 COMMITTEE FOR PRIVATE RICE TRADING TO BE ORGANISED

**A negotiating committee for private rice trading will be set up in line with the inter-ministerial contracts between Myanmar's Agricultural and Irrigation and China's Administration of Quality Supervision, Inspection and Quarantine, according to Myanmar Rice Federation (MRF).**

“We have a lot of catching-up to do after the agreement for rice exports to China was reached. A committee is needed for the negotiation process between the two governments,” said Dr Soe Tun, the joint secretary of the MRF.

Aung Than Oo, deputy chairperson of the MRF, will chair the committee, and some other top officials of the federation, including Dr Soe Tun, will take leading positions in the committee.

Officials of wholesale centres and rice exporters from Yangon, Mandalay, Ayeyawady and other rice producing regions nationwide will also be invited to become members of the 16-strong committee.

The working committee is expected to run the negotiation process with China’s relevant organisations on behalf of the MRF.

The advancement of local small- and medium-sized enterprises, long-lasting economic ties between the two countries and general developments in the rice producing sector will be prioritised.

Myanmar’s rice exports hit 1.4 million tonnes in fiscal year 2012-13, 1.2 million tonnes in 2013-14 and is expected to set a new record this year.

Due to its poor quality and the economic sanctions, home-grown rice is mainly exported to African markets.

The Chinese market is important because of the border trading.

## 4.5 JAPANESE COMPANIES CHOOSE SERVICING SECTOR

**Despite their keenness to invest in the manufacturing sector and create jobs, Japanese companies are able to choose only the service sector due to difficulties in acquiring land, Masaki Takahara, executive managing director of JETRO (Yangon), said at a seminar on trade and Investment relations between Myanmar and Japan held at the Ministry of Commerce, Yangon, on October 10.**

Takahara said there was interest in investing in production facilities like garment factories as Myanmar has the lowest wage rate.

“When we opened here in May 2012, there were 53 Japanese companies in Myanmar,” said Takahara. “At the end of 2013, and in 2014, the number increased to 185. This is a huge improvement. But the companies that want to engage in production are very few - only about 10 out of 185. The rest are engaged in banking, housing, trading, law firms, accounting services, and advising firms. Those interested in production opt for garment factories. Because of the low wages for the workers, the garment factories make a lot of profit. Myanmar is a target country for Japanese companies. Though there are many industrial zones in Yangon, most Japan companies try to find land in the Mingaladon Industrial Zone. Out of 10, six are there now. The industrial zone is developed by a private owner," Takahara said.

"Although it started in 1998, only a few invested there. This industrial zone has already included an electricity system, sanitation system and water distribution system," Takahara added. "In government-developed industrial zones, these have to be done by ourselves. For Japanese companies, it is hard for them to move from here to somewhere else. Within the past two and a half years, many production companies from Japan came to Myanmar. They wanted to start their business here but they could not find land, they told me. When I said there are lands left in Mingaladon Industrial Zone, which are good for production, they replied that all of them have already been sold out in February 2012. We went and met the Administration Committee and told them that we want a place for our production facility. They only told us that they had already sold them. This is the reason very few Japanese manufacturers are coming to Myanmar for production," he explained.

Although many firms that need a sizeable labour force aim to invest in developing countries because of the low wage rate, Japanese firms have opted to be in the service sector in Myanmar.

## 4.6 HONG KONG GARMENT FIRM INVESTS $5.5M IN MYANMAR

**Hong Kong-based Prosperity Knitwear Myanmar Ltd has invested US$5.5 million in setting up a garment factory at the former Thilawa industrial zone area this month, and it plans to up the investment to up to $45 million in 2015.**

The firm has investments in China, Hong Kong and Bangladesh. The opening ceremony of the company's office in Myanmar was held on October 9.

"We have invested $5.5 million and will increase it up to $45 million next year. The factory will be operational in December. Currently, we are training employees, as there is a lack of skilled workers here," said the company's spokesperson, Moe Yu Wai.

The garment factory will produce sweaters and export them with the Marks and Spencer brand to England, Italy and Canada.

"The factory's products won't be distributed locally. They will be exported to European countries," she said.

The factory will provide a total of 2,500 jobs to locals. It currently employs 200 people.

Prosperity Knitwear Myanmar Ltd received investment approval from Myanmar Investment Commission on September 28. It will receive the business licence soon, Moe Yu Wai said.

## 4.7 LOCAL COMPANY TO WITHDRAW IF MYEIK COAL-FIRED POWER PROJECT IMPACTS ENVIRONMENT

**Myanmar company Ayeyar Hintha yesterday issued a report, saying it would withdraw from a US$3-billion coal-fired power project to be undertaken in Myeik town of Taninthayi Region if the project could have an environmental impact or was opposed by local residents.**

The report said that Japan's Marubeni Corporation, Thailand's GPSC (a PTT Group member), the Thai government-owned EGAI-I Sri Synergy, Ayeyar Hintha Co and the Myanmar government's ministry of electric power signed a memorandum of understanding in Nay Pyi Taw to conduct an environmental and social impact assessment study (EIA/SIA).

If the study backs the project, about US$3.5 billion will be invested in building a coal-fired thermal power plant in Myeik. It will take about four years to complete the 1,800-megawatt project, the report said. The study will be conducted within nine months by top international companies. However, local firm Ayeyar Hintha said it would withdraw from the project if the study showed the project could impact the environment or local people may object to it, the report added.

It also said a feasibility study was conducted a year ago with Myanmar getting priority in the electricity supply and only surplus power being sold to Thailand.

However, local residents protested against the project at a meeting with the township administrator on May 10, saying they were worried about the environmental impact.

Despite public objection, the electric power ministry has announced that several coal-fired power projects will be undertaken in lower Myanmar, including Ayeyawady Region.