

WEEKLY NEWSLETTER (MYANMAR)

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2.1 EXPERTS PROPOSE IDLE LAND TAX TO THWART SPECULATION

The government is urged to levy taxes on idle land to curtail property speculation which has fuelled property prices in the past years.

“If tax is collected on vacant and idle land, this will encourage the development of the land (for commercial use). Then, few will keep the land idle for a long time. It will be helpful for the country’s development,” said Myint Swe, retired deputy director general of the Department of Human Settlement and Housing Development.

A retired official, who asked for anonymity, noted that rich people in Yangon tend to invest money in land without any development project in hand. So far, there has been no measure to control it.

An expert in the property market urged the government to take some actions against the idle land plots, as many landlords with land plots around Yangon and industrial zones have hoarded the plots, waiting to cash in on huge profits.

Myanmar has witnessed a significant increase in land and property prices over the last two years. Before, consumers spent hugely on vehicles but car prices have fallen after the government lifted up the import barriers. Meanwhile, fewer consumers have stored their wealth in gold. These consumers have recently shifted their money into the property market, leading to speculation and manipulation. High land prices have driven property prices beyond the majority of people.

Aside from the absence of measures against speculation, there is also lack of the system to effectively tax landlords’ property transactions.

“The wealthier a person, the larger the tax he needs to pay. It is the opposite in Myanmar. Those having little are subjected to standard taxation, while the wealthy enjoys tax exemption,” said Dr Maung Maung Soe, a retired professor of applied economics department at the Yangon University.

Law experts asserted that manipulation of the property market is against the Constitutional Article 36 regarding monopolies. The article prohibits any attempt to hinder market competition and manipulation.

"Everyone knows manipulation has driven up property prices. The government must review its policy. In fact, they should investigate property ownership and issue new land certificates,” said lawyer Than Maung.

The Myanmar Federation of Chambers of Commerce and Industry recently received a complaint by Japanese investors, over the exorbitant property prices in the country.

“If our land price is higher than that in New York, investors will be scared away. This could be prevented constitutionally. The executive power should be effectively applied to handle the situation. As you know, black money is also entering the property market. The government should tackle it,” added Than Maung.

2.2 YANGON MARKET LOSING ITS STEAM

Transactions in Yangon’s property market have slowed perceptively in 2014, with buyers unwilling to pay the high prices on offer, real estate agents say.

Prices have so far not shown the massive increases of the last two years, and appear to be levelling off, said U Khin Maung Aye, senior agent at Shwe Kan Myae.

“Yangon’s real estate market is facing slowing transactions,” he said. “Numbers are quite down compared with 2012 and 2013 because of high property prices.” He estimated that transactions are occurring about 50 percent less as they did 12 months ago.

Current prices in Yangon’s core townships sit around K100,000 to K300,000 for a square foot, said Mya Pan Than Khin real estate agent Ko Min Min Soe.

In downtown Yangon, street-level apartments begin selling at about K150 million, with the upper floors starting at K40 million and reaching as high as K500 million depending on quality and location.

Properties in Yangon’s outskirts vary significantly, with land starting at K50 million for 2400 square feet in back corners of New North Dagon, according to brokers, while commanding up to K500 million for 2400 square feet on main roads in South Okkalapa township.

Prices vary based particularly on street access, but are little changed on 2013, said Ko Min Min Soe.

Soaring land costs priced many would-be buyers out of the market, and led to a pause for many speculators. Government officials have also made moves to cool the market in recent months, such as attempting to enforce a tax on property transactions.

“People were asking for very high prices, but it means it’s getting difficult to find buyers. There are worries now that it is not easy to sell,” said Phoenix real estate agent Ko Htun Htun.

High prices in the downtown core pushed many buyers to seek land in Yangon’s outskirts, with North and South Dagon and some streets in South Okkalapa seeing increased attention.

“Some owners are asking too much for land not near main roads or central regions, and nobody is interested in buying it. Prices in the outskirts are cheaper and so more investors are interested in it,” he said.



One bright spot in the market is land suitable for high-rise construction and big projects, which are still being snapped up, said Ko Htun Htun.

When land prices are too high, builders cannot buy land, so often they agree to pay land-owners with in-kind apartments once construction on a project is complete, he said.

Overall, real estate agents said Yangon's property market will continue pushing into the outskirts due to unattainably high prices at present for downtown properties. Still, most said that growing prices are set to decelerate in the coming months.

3.1 HUGE CHINA-RUSSIA GAS DEAL ADDS TO DOUBTS ABOUT BURMA PIPELINE

A massive natural gas supply agreement signed by China and Russia casts further shadow over the viability of the China National Petroleum Corporation's (CNPC) pipeline through Burma, industry experts said.

The Sino-Russian deal will lead to 38 billion cubic meters (cm) of gas a year flowing out of Siberia into China, with provision for expansion up to 60 billion cm a year.

The controversial trans-Burma pipeline, running from Kyaukphyu on the coast into southwest China's Yunnan Province can handle 12 billion cm per year, but so far it has been running at only 20 percent of capacity due to production delays at the offshore Shwe field in the Bay of Bengal, according to Interfax Natural Gas Daily.

The sales agreement which gives most of the gas in the Shwe field to China was signed during the secretive military regime years in Burma and remains in place even though Burma is struggling to provide enough energy for domestic consumption.

“The Sino-Russian deal has been many years in the making and some industry observers thought it might never happen, however, its achievement now makes the Myanmar pipeline seem small fry,” independent oil and gas analyst Collin Reynolds in Bangkok told The Irrawaddy.

“The long term survival of the Myanmar route may well hinge on whether China is able to build a specialized transshipment terminal at Kyaukphyu to process gas from Middle East suppliers such as Qatar.”

4.1 GOV'T SELLS Ks 2.1 TRILLION IN TREASURY NOTES

The government has sold more than Ks 2.1 trillion worth treasury notes as of February this year, according to the Ministry of National Planning and Economic Development.



The Central Bank of Myanmar (CBM) sold Ks 559 billion worth of three-year treasury notes and Ks 1.6 trillion worth of five-year treasury notes between April 2013 to Feb 2014.

Of the three-year notes, Ks 455 billion was purchased by the private sector and Ks 104 billion was purchased by public sector.

Of the five-year notes, Ks 1.6 trillion was purchased by the private sector and Ks 20 billion was purchased by the public sector.

The interest rate for a three-year term is 9 percent and the interest rate for five-year term is 9.5 percent according to the central bank.

4.2 MYANMAR-CHINA BORDER TRADE TOPS US\$268 MILLION

Myanmar-China border trade has reached US\$268 million between April 1 and May 15, since the start of the current fiscal year.

The Muse border point is the main transaction hub earning US\$231 million, followed by Chinshwehal which earned US\$24 million, Kanpitete US\$7 million, and Lweljel US\$5 million, according to the Department of Commerce and Consumer Affairs.

Presently, there are 14 border camps running trade with China, Thailand, India and Bangladesh.

There is a plan to expand more checkpoints for border trade, including the Mylar Checkpoint on the Myanmar-China border; Mese, Payarhonesu, Ponperkyin checkpoints on the Myanmar-Thailand border, and the Htantalet Checkpoint on the Myanmar-India border.

Agriculture and farm products, minerals, forest products and industrial products are the main exports while commodities, raw materials, electronics and machinery are the main imports from neighbouring countries.

The Myanmar government has already signed trade deals with neighbouring countries and joint operations are underway to prevent contraband along border areas and also sea lanes.

In last fiscal year, the trade amount between four neighbouring countries reached US\$4.5 billion and most of it was earned from commerce with China.

4.3 YANGON AIRPORT'S UPGRADE APPROVED

The government has given the greenlight to upgrade Yangon International Airport, to boost its annual capacity from 2.7 million passengers to 6 million.



According to the Department for Civil Aviation, the government's economic committee chaired by President Thein Sein recently approved the upgrade of Yangon International Airport. The economic committee is chaired by President Thein Sein and comprises ministers of 15 ministries.

"We have received the economic committee's approval for the upgrade. As we have finalised details of the upgrade with a pre-selected contractor, the upgrade will soon begin," said Tin Naing Tun, Director General of the Department for Civil Aviation.

According to the upgrade plan, the local arrival/departure building of the airport will be demolished and a new building will be erected for completion in the next 18 months. Meanwhile, the airport's honourary hall will be used for the domestic terminal during the construction period.

The international arrival/departure building of the airport will remain unchanged.

The Pioneer Aerodrome Services, a subsidiary of Myanmar's conglomerate Asia World, was selected for the upgrade of the airport.

Yangon International Airport is one of the three international airports in Myanmar and is regarded as the major gateway to the country. As the country opens its door to the world, the airport has seen a dramatic increase in international arrivals.

International arrivals rose from 1.6 million tourists in 2009 to 3.08 million tourists in 2012, according to statistics from the aviation department.

The old terminal was used exclusively for domestic flights in 2011 while the new terminal – in operation since May 2007 – handles international flights. In the year, the international terminal handled 1.4 million passengers, while the domestic terminal handled nearly one million passengers.

To help ease the congestion at this airport, Myanmar is also planning to build a new international airport in Hantharwady which is expected to start operations in 2017. The Hantharwady International Airport in Bago is 80km from Yangon.

4.4 NO TAKEOVER AT COOPERATIVE BANK

Cooperative Bank (CB) has quashed the rumour that its founder Khin Muang Aye has sold his stake in the bank.

The bank held a press conference on Tuesday, as some customers have withdrawn money from the bank.

"The rumour is completely nonsense. Nobody has secretly acquired our bank and we have carried out our normal operations," said Pe Myint, the administrative director of the CB.



Some websites reported that Ai Htun, the former owner of Asia Wealth Bank and currently head of Shwe Taung Group, secretly acquired the bank from Khin Maung Aye.

Pe Myint added that withdrawals in the past days were huge just because they were made around the pay day. He insisted that the bank has witnessed no irregularity.

He also noted that the bank's capital and balance sheets are well supervised by the Central Bank of Myanmar.

“We have followed the international standards, in maintaining the liquidity. The central bank requires banks to maintain cash reserves worth 20 per cent of transactions, to maintain liquidity. At our bank, the ratio is 30 per cent. I can assure you all that the bank is functioning well,” Pe Myint said.

CB, one of 19 private banks in the country, started operations on August 21, 1992. Currently, it operates with 82 bank branches across the country.

[4.5 MYANMAR AIRWAYS TO SIGN AGREEMENT WITH BOEING](#)

Myanmar Airways will this month finalise the contract with Boeing over the decoration of its 10 new aircraft.

The state-owned airline is working with the US aircraft maker in finalising the details of the aircraft, said a source from the company.

The source noted that the new aircraft would be decorated accordingly on Myanmar Airways' requirements.

Myanmar Airways and GE Capital Aviation Services signed the leasing contract for the 10 new aircraft in Singapore on February 11. It was in line with the airline's goal to become the national flag carrier, with the operations in more international routes. It is currently serving all major domestic destinations from its main base at Yangon International Airport. The leasing contract has won the government's approval.

Operating since 1948, the airline started to stand on its own feet financially in the 2013-14 fiscal year. It is financing the leasing on its own money, not the government budget.

Deliveries of the new leased aircraft are scheduled to begin in June 2015 and come from GECAS' existing order book with Boeing. The contract calls for six Boeing 737-800 models and four Boeing 737-8MAX models. The aircraft will deliver through 2020.

The leasing contract was initiated by GE Capital Aviation Services, the commercial aircraft leasing and financing arm of GE. When the contract was signed, Norman C.T. Liu, president and



CEO of GECAS, said “This is an important milestone for the airline and for the development of Myanmar’s aviation industry.”

GECAS currently leases two Embraer E190 aircraft to the airline. In addition, GECAS’ AviaSolutions consulting business has signed a memorandum of understanding with the airline and will work with its senior management to develop a strategic growth plan for the airline with a focus on route and network development.

4.6 GOVT ALLOWS 707 FOREIGN FIRMS TO OPERATE IN MYANMAR

Foreign firms are flooding into Myanmar, and according to the Directorate of Investment and Companies Administration, through the end of April 2014, there are 707 foreign companies that have been allowed to operate in the country. Approximately 116 of those are being run by firms based in Singapore.

Foreign countries which have invested in Myanmar include: China, Thailand, Hong Kong, Singapore, United Kingdom, South Korea, Malaysia, Vietnam, France, Japan, India, Netherland, the United States, Indonesia, the Philippines, Australia, Russia, Austria, Panama, the United Arabs Emirates, Canada, Germany, Sweden and Denmark.

The amount of foreign investment during this period has topped US\$46 billion, according to the latest information.

Although Singapore has operated the most firms, their investment capital is less than China’s. Of the investors from 36 countries, China ranks first, followed by Thailand.

Foreign investment goes primarily to energy, petroleum and natural gas, commodities production, mineral extraction, hotel and tourism, transportation and telecommunication, housing, livestock and fisheries, agriculture and construction sectors.

In addition, over the first four months of the year more than US\$ 1100 million in foreign investment went into the transportation and telecom sectors.

The most invested sector is the lucrative energy sector, with about 41 per cent of the overall foreign investment, while construction draws the least investment.

The Myanmar Investment Commission (MIC) has scrutinised foreign investment within the Foreign Investment Law and Citizenship Investment Law, with the primary aim of providing jobs for local citizens.

4.7 POSTAGE STAMP BUSINESS TO BE PRIVATISED: FINANCE MINISTRY

The nation’s postage stamps, which earn Ks 5 billion (US\$5 million) revenue per year and is distributed for eight years of general consumption, will be privatised soon, according to the Finance Ministry.

After receiving the official approval of the Attorney-General’s Office, the postage stamp business will be transferred to private enterprises, according to Min Htut, Director General of the Internal Revenue Department (IRD).

“At present, the cost of stamped documents is higher than the current price at private-owned general shops. There is only one revenue office per township and this can be accessed just within the office hour, and so, people who live far from the office inevitably buy stamped documents from nearby stores. That is why we have planned to transfer the stamp business to private hands,” Min Htut continued.

The usage of postage stamps in Myanmar dates back to 1899, and the laws concerning stamps was enacted in 1992. In 2012, the ruling government raised the stamp price, but following disapprovals by the Lower House, the IRD dropped the price.

“The production cost per stamp is Ks 35 (US\$0.035). That is why we raised the price to 100 times of the original fee, from a one kyat worth stamp to a hundred kyat (US\$0.001 to US\$0.1). But because of the disapprovals by the Lower House, we had to drop the price to 60 per cent of that value,” said Min Htut.

In estate business – the main source of revenue earned by stamp – the IRD collects three per cent of the total five per cent tax, and shares the other two per cent with state and regional governments.

4.8 FOUR ROADS PLANNED FOR THILAWA SEZ

Four roads connecting the Thilawa special economic zone (SEZ) are planned for construction, including the Thanlyin-Thilawa main and lower road, the Pardagyi-Thilawa road and the Thanlyin-Seikkan road.

Thaketa Bridge, located on the Pazundaung-Dawbon road on the way to Thilawa, will also be rebuilt.

Thilawa SEZ is joint project co-owned between Myanmar and Japan on a 51/49 percent basis. The project is expected to become operational by mid-2015.

Factories operating in the Thilawa SEZ will be chosen by end of this month. The distribution of water for the economic zone will be done by the Yangon City Development Committee (YCDC).

4.9 YANGON'S PROPERTY TAX TO BE AMENDED

The Yangon Regional Government is planning to modify its property tax according to ownership, according to official sources.

Experts say that Yangon's skyrocketing property prices can only be controlled if the property tax can be updated and enforced so the government can receive more tax from the rich as a result.

The Internal Revenue Department will not be responsible for collecting the tax when the update is completed. The regional and state governments will be responsible for it.

"In other countries, regional governments collect the property tax. We also do the same here," said Myo Htut, director general of Internal Revenue Department.

President Thein Sein said the taxes are for the country's development, at a recent formal meeting.