

**WEEKLY NEWSLETTER (MYANMAR)**  
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## 2.1 THILAWA SEZ TO START BUILDING BASIC INFRASTRUCTURE

**Joint-venture company Penta-Suntac will soon begin construction of basic infrastructure at the Thilawa Special Economic Zone (SEZ), according to the site management committee.**

They are currently in discussion with the department of irrigation and the Ministry of Electric Power to provide electricity and water according to officials from the Thilawa SEZ Management Committee.

“Currently the dwellings located in the project areas have been removed. The joint ventured company has already built roads and done ground levelling,” said Sett Aung, chairman of Thilawa SEZ Management Committee.

Deputy Minister for Electric Power Aung Than Oo said that the construction of a 33 KVA sub-power station will be built using overseas loans during the next 2014-2015 fiscal year.

The construction of Thilawa SEZ started on November 30, 2013 with investment from the joint-venture Myanmar Japan Thilawa Development Limited. The industrial complex includes 2,342 hectares (about 5,787 acres) and Zone A has 396 hectares (about 978 acres).

Myanmar holds 51 percent in shares of the company Japan has 49 percent.

## 2.2 MYANMAR BRACES FOR TOURIST BOOM WITH 48 NEW HOTELS

**There will be 48 new hotels providing a total of 37,024 rooms to be opened across the country within the next three months, according to the Ministry of Hotels and Tourism.**

Last year, there were 923 hotels and more than 30,000 rooms. In 2012 there were only 787 hotels. Despite this increase in accommodation, some regions have been unable to accommodate increasing numbers of visitors.

Many tourists are interested in visiting remote parts of Chin, Kachin, Kayah and Shan States which used to be out of bounds but many of these areas lack appropriate accommodation.

In Chin State, there are southern and northern parts. Tourists mostly visit to Natmataung in southern part. We usually send tourists to northern parts such as Teedin and Harkhar townships but there are fewer hotels there. Even if there are hotels, the hotels don't meet international standards. We saw bungalows being constructed near Reed Lake. Now that transportation is better, tourists may increase in the future,” said tourist guide Ye Htet.

At present, there are 2 hotels in Kalay, Chin State, 52 hotels in Nay Pyi Taw and 244 in Yangon, 114 in Mandalay, 77 in Bagan, Nyaung Oo, 75 in Taunggyii-Inlay according to the Ministry of Hotels and Tourism.

Myanmar expects 3 million tourists to visit the country in this year and 7 million in 2015, especially during the high season that starts in September.

### 3.1 BEAN PRICES SURGE DUE TO LOWER YIELDS

**The prices of beans and pulses has been on the rise since early April due to a reduced crop yield this year and strong demand from India, according to traders from the Bayintnaung Wholesale Centre.**

Traders in India continue to buy up bean supplies in bulk following the Thingyan new year period, with some purchases even taking place even during last weeks public holiday.

“Buyers from India are continuously purchasing beans here. This year’s crop has also dropped. So bean prices won’t go down. Instead, it’s creeping up,” said Tun Lwin, chairperson of beans and sesame seed traders association.

On April 4, the market price of a tonne of green mung bean was around Ks 570,000 (US\$ 570). A week later, the price went up to Ks 655,000 (US\$ 650). The price of pigeon pea also rose to Ks 645,000 (US\$ 645), according to wholesale traders.

The purchase price of beans is also going up in rural areas. A 60-viss (97 kg) bag of green grams used to cost about Ks 90,000 (US\$ 90) last year but it is now Ks 102,000 (US\$ 102). A 60-viss bag of mung beans also rose from Ks 480,000 (US\$ 480) last year to Ks 630,000 (US\$ 630) this year.

### 4.1 FOREIGN INVESTMENT UP US\$2 BN FROM JANUARY

**Foreign direct investment to Myanmar for the 2013-2014 fiscal year, ending March 31, has reached US\$ 4.1 billion, with an increase of US\$ 1.9 billion in the first three months of 2014.**

Most of the investment has gone into transportation and telecommunication industries, according to the Ministry of National Planning and Economic Development.

According to the Directorate of Investment and Companies Administration (DICA) the total amount of foreign investment since Myanmar opened its markets in 1989 has reached US\$ 46 billion.

Most foreign investment goes into oil and gas extraction, mining, hotels and tourism, transportation and telecoms, livestock and fisheries, agriculture and construction.



Nearly 50 percent of foreign investment is targeted at Myanmar's lucrative energy sector. However, in the first three months of 2014, over US\$ 1.1 million was invested in transportation and telecoms.

Currently 34 countries are investing in Myanmar, with China ranking first, followed by Thailand.

The Myanmar Investment Commission scrutinises foreign investment with the aim of providing more jobs for citizens. The MIC created 153,456 jobs between 2011 and 2013.

#### 4.2 IRD LAUNCHES SPECIAL TAXATION OFFICE

**The Internal Revenue Department (IRD) has launched a taxation office on April 1 to improve tax services for large businesses and corporations.**

Experienced tax officers have been hired to provide high quality services at the newly opened Large Taxation Office, which will work together with the taxpayers to provide accurate information on filing taxes.

The office will focus on large income businesses working in energy, construction, airlines and communication sectors. They classify large businesses under the rules and regulations of the IRD such as company's capital, total income, and taxes from previous years.

The IRD has set a May 30 deadline to contact companies that need to pay taxes. Necessary services will be provided in accordance with taxation law.

Kanbawza Bank, Myanmar Brewery, International Beverages Trading, Myanmar CP Livestock and Shwe Taung Development, paid the highest amount of tax over the 2012-13 fiscal year.

The tax evasion will be charged under Section 46 and 47 of the current income tax law and Section 21 and 22 of the commercial tax law. Section 48 of the income tax law and Section 23 under the commercial law describe how to deal with tax corruption.

The government formed the Tax Scrutiny Board last May to check on tax collection and fiscal responsibly meets international norms.

#### 4.3 KANBAWZA BANK PAYS Ks 22 BILLION IN ADVANCE TAX

**Kanbawza Bank Ltd, the largest private bank in Myanmar, has paid Ks 22 billion (US \$ 22 million) in advance tax for the fiscal year 2014-15, according to its chairperson Aung Ko Win.**



The bank topped the list of income-tax paying companies in 2012-13 after paying Ks 10 billion (US\$ 10 million) for income tax that year. The list of top tax payers in 2013-14 has not come out yet.

“We paid income tax of more than Ks 10 billion in 2012-13 and Ks 17 billion (US\$ 17 million) in 2013-14. We also paid Ks 22 billion in advance tax for 2014-15,” Aung Ko Win told journalists at the ceremony of conferring honorary certificates to top tax payers.

The government started collecting advance tax in June 2013. Many companies complained of the difficulties they faced paying tax in advance.

Advance tax collection is necessary because some companies have registered under the wrong addresses and some tend to dissolve themselves to avoid taxes, according to Min Htut, director general of the Internal Revenue Department.

Kanbawza Bank is a subsidiary of Kanbawza Group of Companies, which operates a diverse range of businesses including Air Kanbawza and IKBZ insurance.

There are a total of 21 private banks and 4 state-owned banks in Myanmar. Kanbawza bank is the largest among them in terms of the number of branches.

Myanmar’s tax collection monitoring board has been meeting with business people to achieve bigger revenue. They recently met with 60 companies to warn them against tax evasion.

#### 4.4 PRIVATE BANKS OPEN MORE BRANCHES

**A total of 366 private bank branches have opened in Myanmar since 2011 when the government initiated a series of political and economic reforms.**

The Central Bank of Myanmar is cooperating with World Bank and international organisations like International Monetary Fund Organisations to modernise financial services in Myanmar.

During March 2011, the total number of private bank branches numbered only 292. The number has grown to 658 by January 2014.

The Central Bank of Myanmar is working together with Daiwa Institute Research and JICA to modernise payment and settlement systems. The IMF, German International Cooperation, Central Bank of Malaysia and Central Bank of Thailand are also helping.

#### 4.5 TRADE DEFICIT SEES 'RECORD HIGH' AT US\$ 2.65 BN

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

**The statistics show a several-time increase of the trade deficit since 2012-13, which was just over US\$ 91 million. Nevertheless, the total trade volume rose from US\$ 18 billion to US\$ 25 billion during the current year.**

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

The country recorded US\$ 100 million in trade surplus in FY 2011-12, when the first civilian government came into power.

Myanmar's economy structure mainly relies on the export of natural resources such as teak, gems, marine products and natural gas.

#### 4.6 BIDDERS TO RE-SUMMIT FINANCING FOR HANTHAWADY AIRPORT CONSTRUCTION

**The shortlist of four bidding contractors for the construction of Hanthawady airport has been invited to re-submit their financial proposals within the April 22 deadline, according to the Department for Civil Aviation.**

The bidders are Yongnam-CAPE-JGC Consortium, TAI SAE Corporation, VINCI Airport and Incheon Airport Consortium.

The four previously proposed to finance the construction. In light of the Japanese Official Development Assistance Loan being made available, the invitation was issued for the four to revise their financial proposals.

Myanmar has three international airports, namely Yangon, Mandalay and Nay Pyi Taw.

Pioneer Aerodrome Services, a subsidiary of Asia World Company, is operating Yangon and Nay Pyi Taw international airports.

Most international airlines fly to Yangon International Airport, which is regarded as the gateway to Myanmar, and a smaller number of flights are bound for Nay Pyi Taw. The operator has proposed to return the Nay Pyi Taw airport to the government.

#### 4.7 STATE-OWNED MYANMAR AIRWAYS TO BUY SIX ATR 72-600

**Myanmar Airways is planning to buy six ATR 72-600 turboprop aircraft to add to its fleet, according to Than Tun, managing director of the state-owned airline.**

“Myanmar Airways is negotiating with ATR Company, France for the purchase of six more ATR 72-600 aircraft. Moreover, a plan to build spare parts factory for ATR aircraft is being negotiated,” he said.

Myanmar Airways, the only state-owned airline, is currently flying to 26 cities with nine total passenger aircraft – three ATR 72, one ATR 42, three Beech 1900D and two Embraer 190. As for cargo aircraft, it is using one MA 60 and one F-28.

US-based GE Capital Aviation Services, a financial services unit of General Electric Company, has involved in helping Myanmar Airways which started operation since September, 1948, to attain the status National Flag Carrier flying international routes.

In a recent development, Myanmar Airways is implementing the Boeing Project. With the permission from the government, the airline and GE Capital Aviation Services signed a contract to lease ten new Boeing aircraft on February 11, 2014 in Singapore.

According to the contract, GE Capital Aviation Services would lease six- new Boeing 737-800 and four new Boeing 73- 8Max from June, 2015 to 2020.

#### 4.8 LARGE-SCALE COPPER MINING AT SABEITAUNG, KYAYSINTAUNG PROJECT

**The mountainous landscape is fast disappearing as the mining project has been extracting about 70 tons of copper a day at Sabei and Kyaysin mountains, raising concern on environmental woes.**

Although the project is being billed with least environmental impacts, Letpadaungtaung Investigation Commission’s report has voiced concern for harmful effects on the environment.

Copper mining, jointly operated by Union of Myanmar Economic Holdings and Myanmar Yang Tse Copper, has the monthly capacity to move some eight million tons of dirt, out of which would yield about 1.5 million tons of copper ores.

The ores would be smelted for the daily production of 70-ton copper. The mining revenue is estimated around US\$460,000 per day at the current market price.

“From Sabei and Kyaysin mountains, the mine would extract eight million tons of soil containing 1.5 million tons of ores. Out of this, 70 tons of pure copper is produced daily, amounting to 2,100 tons for a month,” said TheinHtun, official in-charge for Sabei and Kyaysin mountains copper mining site.



A project official OhnLwinMyint said that the oxidized solution, by-product created by liquidizing the copper ores with mild acid in order to extract copper, will not be thrown away. Based on the mining regulations, the solution containing liquid copper is not allowed to be dumped.

“The polluted solution contains copper, so it is precious. It cannot be brought outside. Once it is done so, ISO certificate together with our copper is depreciated. Depending on ISO certificate, we will gain more profitable price determined by London Metric Exchange. Mainly, it depends on how we can minimize impacts to the environment,” said OhnLwinMyint.

As the price of copper on April 18 is around US\$ 6,647 per ton quoted in London Metric Exchange, the two mining operators are earning more than US\$ 465000 per day.

The operators are managing the mining project under contract based on production sharing agreement.

The permit for large-scale mineral mining, required for the project, was granted on January 7, 2011 while the foreign investment approval was made on March 18, 2011 with the duration of 25 years to mine 6,253.04 acres located on two mountains.

Sabei Mountain is presently a big hole in the aftermath of copper mining. Operators plan to level the landscape before transforming the site into a man-made lake.

#### [4.9 YANGON ONLINE DELIVERS AMAZON, EBAY AND APPLE TO MYANMAR](#)

**The website of the Yangon Online Store resembles an early, very pared-down Amazon or eBay site. The familiar categories of merchandise for sale include books, electronics, computers, sports equipment, health & beauty, clothing, automotive, and Apple products.**

Look a little closer and you will notice that only a few items have prices listed and that there’s no way to pay for them online; there are no credit card or PayPal logos. Nor is there the option that many Indonesian, Thai and Vietnamese shopping sites offer: payment by direct transfer from the customer’s bank account to the website’s bank.

The explanation is that all payments are conducted in person in Yangon Online’s shiny glass-fronted brick-and-mortar shop on Yaw Min Gyi St. in Myanmar’s capital. The shop is about a block from the cloth and jewelry vendors of traditional Bogyoke Market. The Yangon Online service is the four-year-old brainchild of a Burmese living in the United States. Would-be customers first browse the site and decide what they want to buy.

Since the products have been culled from Amazon and eBay sites and Apple stores in the United States, customers can phone the Yangon Online shop and ask about buying Amazon and other online products not listed on the Yangon Online Store website. (Yes, obtaining an iffy internet





connection in your home is still very expensive in Myanmar but time in a neighborhood internet shop runs around 30 cents an hour.)

Eventually, though, customers must come into the Yangon store to put down a cash deposit of 50% of the total price. Yangon Online reps in the U.S. buy the items and package them for overseas shipment. Typically, delivery takes two or three weeks. Customers pay the remaining amount in cash when they come to the shop to pick up their order.

A \$50 Coach handbag from Amazon, for example, is shipped free within the United States but Yangon Online's delivery service to Myanmar plus taxes will add another \$35 or so (or its kyat equivalent). A \$599 fifth-generation iPhone in the United States ends up costing \$700 by the time it arrives in Myanmar (aka Burma). A \$50 T-shirt ends up costing \$67 on delivery. Naturally, the extra fees depend a lot on weight and size of the item.

I found this business interesting if just because the Yangon Online website seems to be a window on what rich Burmese view as necessary luxuries, although of course expats are Yangon Online customers as well. Perhaps I should say it's a window on wealthy capital dwellers. It's a little strange that there isn't a Yangon Online branch in Mandalay, given that so many conspicuously consuming mainland Chinese reside in the northern second city.

There might be no other place in the country to buy digital lasers, pipe threaders, GPS devices, sound cards, engineering software, golf clubs and tennis racquets. It would be a pain and big expense to haul some of these products on a plane from Thailand. But abs workout systems? Lancome serum booster and Beyoncé Parfum spray? \$700 for the latest iPhone model? A \$67 T-shirt? Who needs that stuff? The clerk in the shop told me that cosmetics, perfume and clothing are the most popular purchases.

I hasten to add that there are plenty of late-model smartphones, iPod accessories, computers and digital cameras for sale in Yangon and Mandalay. A few people obviously want and can afford very recent specific models. The iPhones I have seen for sale in downtown Yangon are probably grey market or second-hand from Thailand. (Can we abandon the theme of Myanmar as some kind of hermit kingdom isolated from world events, technology, trade and Walt Disney? There are at least 2 million Burmese working in Thailand alone. Tens of thousands in Singapore and Malaysia. They go back and forth all the time, sometimes daily. They buy stuff to bring home.)

In smaller towns and cities, small shops with glass-covered displays of mobile phones are favorite browsing hangouts. A surprising number of not particularly affluent Burmese have Blackberrys and the newer cheap Chinese-brand smartphones. Phones—or rather, SIM cards—are still expensive. Burmese (though not expats) can get one for less than \$100 nowadays but I have met many not particularly rich Burmese that spent \$300 just a few years ago for a basic phone or spent thousands several years before that.

Consumer spending isn't now much of a growth engine in Myanmar. Annual per capita income is around \$1,000. Government spending accounts for something like 25% of GDP. But maybe Yangon Online is a signal of future directions