

WEEKLY NEWSLETTER (MYANMAR)

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1.1 MYANMAR-SINGAPORE JOINT VENTURE TO BUILD THILAWA JETTY

A joint venture company has received government approval to build a jetty and petrol storage tanks at Thilawa port.

The Singapore-based Puma Energy Irrawaddy Pte Ltd and Asia Sun Energy from Myanmar have joined hands under Puma Energy Asia Sun. The Myanmar Investment Commission approved the deal during a meeting in Nay Pyi Taw.

Together they will build a jetty and storage tanks for handling petrol, oil and tar at the Thilawa port area in Thanhlyn Township under a build, operate and transfer agreement with the government.

Other companies which received approval for similar projects in Thilawa include: Apex Gas and Oil, Padauk Shwe War Port and Petroleum, Thuriya Energy Depot Management, and Shwe Taung Energy Services, to name a few.

1.2 FOREIGN TRADE TO INCREASE TO US\$35 BILLION THIS YEAR

Myanmar aims to raise its foreign trade volume by US\$10 billion during the current 2014-15 fiscal year, according to the Ministry of Commerce.

Myanmar's foreign trade volume gone has from US\$15 billion to US\$25 billion in three years.

"We intend to increase it to US\$35 billion this fiscal year," said Minister of Commerce Win Myint.

"National Planning approved this year's trade volume to be US\$25.7 billion. But we say that the amount is too small. This year is expected to be more because last year's foreign direct investment brought much income. Exports to the EU market will also be up more than last year," he added.

Illegal trade continues to grow too, taking a chunk out of the total foreign trade volume, according to documents from the Ministry of Commerce.

From April 1 2013 to the end of March 2014, Myanmar's export volume totalled at US\$10.8 billion, US\$ 8.1 billion coming from sea exports and US\$2.6 billion from land border exports.

During the same period imports totalled at US\$13.6 billion, with US\$11.8 billion from overseas trade and US\$1.7 billion coming in across borders.

2.1 DAGON CITY 1 PROJECT GETS PRIME LAND IN YANGON

A multipurpose residential project including office buildings, apartments and a five-star hotel will be built on military land near the Yangon Zoo.

The project named Dagon City 1 is a joint venture between the Thukhayadana Company from Myanmar and the Marga Group, a coalition of experts and investors from Hong Kong, Korea and the United Kingdom.

“The Dagon City 1 project will provide over 5,000 jobs for the citizens and can promote tourism in Myanmar. We expect the project to boost domestic foodstuff industry and foreign investment, and, in turn, support the local economy,” said John Barnus, director of the Marga Group.

The project site is located on the U Htaung Bo Circular near to the Shwedagon Pagoda and the Yangon Zoo, one of Yangon’s prime central locations.

The project will include eight-storey condominiums with 600 to 2,000 square feet apartments including penthouses, a sports centre, swimming pool, restaurants and indoor golf.

According to the building height limitations regulated by the Yangon City Development Council, the buildings are limited to eight stories so as not to impose over the landmark Shwedagon Pagoda.

Although the project is being built under a build operate and transfer agreement, the officials of Marga are assured ownership rights.

Dagon City 1 will cost US\$200 million and the Marga Group will own 70 per cent of share while the Thukhayadana Company 30 per cent.

As the first phase of the project, one to four residential towers will be constructed by the end of 2014.

2.2 NUMBER OF HOTELS REACH 1000

The number of hotels in Myanmar has increased to 1,000, according to a report from the Ministry of Hotels and Tourism.

The country presently boasts six five-star, 17 four-star, 83 three-star, 116 two-star and 102 one-star hotels as well as the ministry-approved 599 hotels, motels and inns.

The combined capacity is at 38,722 rooms, considered low and insufficient in comparison to the tourist arrivals.



The ministry has projected for further expansion of the hotel industry and this year will see new hotels entering the market. Several new hotels are joint ventures with foreign investors.

The additional hotel rooms will cater to the growing tourism industry. As of May, the country saw tourist arrivals to have reached 1.2 million. It is projected for 3 million tourists for this year.

Among foreign tourists, 70 per cent are Asians, followed by Americans, Europeans and Africans.

3.1 IRD EXPECTS Ks 329 BN REVENUE FROM OIL AND GAS SECTOR

The Internal Revenue Department has projected to collect Ks 329 billion (US\$329 million) in revenue from the oil and gas sector, according to a survey done by International Growth Centre, MDRI-CESC and the Asia Foundation.

In the previous fiscal year, the government's energy revenue amounted to Ks 4.3 trillion (\$4.3 billion), followed by Ks 385 billion (\$385 million) from forestry, Ks 303 billion (\$303 million) from mining and Ks 1.3 trillion (\$1.3 billion) from electricity, the survey said.

The revenues include 25 per cent profit tax from state-owned enterprises, 20 per cent dividend payment on equity stakes held by the central government and other taxes on natural resources.

Based on the survey, the IRD has targeted to collect Ks 0.89 million (\$890) from land tax, Ks 1 billion (\$1 million) from water tax, Ks 0.03 million (\$30) from dam tax, Ks 1.8 billion (\$1.8 million) from forest products, Ks 7.45 million (\$7,450) from mineral resources, Ks 1.08 billion (\$1.08 million) from fishery, Ks 0.5 million (\$500) from rubber, Ks 329 billion (\$329 million) from oil and gas, Ks 1.4 billion (\$1.4 million) from gems and Ks 11.46 billion (\$11.46 million) from power generation.

The projected revenue from oil and gas constitutes the largest contribution to the state's coffers for the current fiscal year.

According to the IMF report, tax revenue from all sectors in Myanmar for 2013-14 made up 4.4 per cent of GDP (Ks 2.609 trillion/\$2.609 billion), ranking the lowest in the Southeast Asia. For comparison, in 2012, Cambodia collected tax amounting to 11.6 per cent of GDP. Thailand at 16.5 per cent and the Philippines at 12.9 per cent.

It remains unclear about taxes paid by state-owned enterprises, particularly the Myanmar Oil and Gas Enterprise, and by private companies involved in the extractive industry.



4.1 VIETNAMESE INVESTMENT SURGES, SEES ROOM FOR GROWTH IN HOTELS

Vietnam is the ninth largest investor of the 36 countries with investment in the country, with US\$513 million invested in seven projects as of the end of April, according to a June 26 forum linking businesses between the two countries.

Bilateral trade is also surging, the forum was told.

During the first four months of this year, Vietnam-Myanmar trading rose 46.29 per cent from the year-ago period, to \$103 million.

Vietnamese trade totaled \$117 million in 2012 and \$228 million in 2013.

This year, as trade surges, Vietnamese investors are showing heightened interest in Myanmar's tourism sector.

A trade and tourism fair is being held annually. The Vietnam-Myanmar Trade Services and Tourism Fair has been convened introduces Vietnamese products and enterprises to Myanmar.

“The fair is intended to share trade information between business owners from two countries and to complement tourism services and projects,” said Nguyen Thi Hong, vice-chairperson of Ho Chi Minh City People's Committee.

More than 100 Vietnamese business people welcomed their peers from Myanmar to the fair. Thein Han, vice-chairperson of Union of Myanmar Federation of Chamber of Commerce and Industry and Kyaw Soe, secretary of Yangon City Development Committee helped organise it.

“The main attraction to Vietnamese investors is Myanmar's tourism sector. The hotels being constructed in front of the Sedona Hotel alone are worth \$400 million,” a member of Myanmar's business federation said.

4.2 MPT TO ADD INTERNATIONAL ROAMING SERVICE IN 31 COUNTRIES

Myanma Posts and Telecommunications will extend its services to 31 foreign countries for both its GSM and WCDMA networks as of July 2, according to a report on MRTV yesterday.

“International outbound roaming (IOR) will be available in 31 countries. The service will be available both for both prepaid and post-paid phone users. Prepaid mobile users need to use top-up cards,” a senior MPT executive said in the report.

“MPT has arranged the availability of top-up cards in the countries where the MPT service will be available. Post-paid users will have to pay Ks 0.5 million for IOR at the MPT's telephone tax



collection centres in Nay Pyi Taw, Yangon and Mandalay,” MPT general manager Khin Maung Tun said.

Phone call charges will be classified zones one to four. Zones one to three are ASEAN, South Asia and Central Asia, respectively. Zone four encompasses Europe, Africa, Australia and the Americas.

Phone calls to Myanmar from other Asean countries will cost Ks 3,000 per minute. Phone calls from the South Asia will cost Ks 3,500 per minute. Calls from the Central Asia will cost Ks 4,500 per minute, while calls from Zone 4 will cost Ks 5,000 per minute. Fees for domestic calls remain unchanged, Khin Maung Tun added. Users must apply for IOR services three days in advance, the MRTV report said.

4.3 FOREIGN BANKS TO BE GIVEN LICENCES IN SEPTEMBER

At least five to ten foreign banks will be given licence to operate locally in September, according to Sat Aung, vice-governor of Myanmar Central Bank.

The foreign banks, yet to be chosen, will be allowed to operate locally by either establishing a bank branch in Myanmar, forming a new company under the foreign bank’s name, or under a joint-venture system.

“Our method of selection will allow foreign banks to operate a company in Myanmar. By this system, the banks must bring foreign capital from their country and cannot leave Myanmar easily during an economic depression. Moreover, they will be under the supervision of the Central Bank,” said Sat Aung.

The board for selecting foreign banks is composed of the Ministry of Finance, the Central Bank of Myanmar, the Attorney-General’s Office, a German advisory team, the International Monetary Fund and experts from the World Bank.

The exact number of the foreign banks is still uncertain but at least five to ten banks will be selected by September this year. At present, there are more than 20 local private banks, some of who have voiced concern that the entry of foreign banks will create unfair competition.

4.4 MINISTER DECRIES COST OF RICE EXPORTS TO CHINA

It costs more to transport a tonne of rice from Yangon to Muse, Myanmar’s main border gate with China, than it does to ship it to Africa, Minister of Commerce Win Myint said.

Each tonne of rice costs US\$80 to transport from Yangon to Muse, said the minister.



“The amount is higher than the cost to export from Yangon to Africa. Why is this happening? Are taxes high or are there so many extra costs to export? This should be discussed. Soaring export costs will affect everyone, not just farmers,” he said at a ceremony to mark the three-year anniversary of a transport service association.

Tin Ohn, a member of the Yangon-Mandalay Association of Commodity Transport Service, said one of the reasons for the high cost was the numbers of weighing scales between Yangon and Muse.

He said there were at least 10 between Yangon and Mandalay and another 11 between Mandalay and Muse. Drivers must pay up to US\$250 for weighing-scale fees for a one-way journey, he said.

“The total cost of agents, fuel, drivers, meals, car repairs and commissions is about \$2,000 for a Yangon to Muse return trip,” Tin Ohn said. “Only \$700 is left over for vehicle owners. As a result it is impossible to reduce transport costs without ministry help,” he said.

4.5 GOVT TO OFFICIALISE IMPORTING MOBILE PHONES

Myanmar is importing about 10 million mobile handsets every year but only about 20,000 of them are imported officially, according to Minister for Commerce.

The government is currently making the necessary requirements to encourage importing more handsets officially and to combat illegal imports from countries like China and Thailand.

“Illegal imports are about 98 or 99 percent. When I think a way to deal with that situation, I found a solution which is the best to organise mobile phone dealer association. I am already in discussion with Ministers for Telecommunication and Finance,” said Minister for Commerce Win Myint.

Although handsets are allowed to be imported legally, only about 150,000 handsets are imported over one and a half years. At border trade centres, the import of handsets is much worse and only 182 handsets apply for a license.

Police have seized 9,370 illegal handsets worth of about Ks 214 million in a seven month period. Most illegal import come through ports and border gates, according to police sources.

“The officers laugh when they heard about the import of 182 handsets in border trade centres in fifteen months. We can easily check the import of 150,000 handsets in one or two of mobile shops in Lathar Street. I have already submitted the government to ask for permission to check like that,” said Director Tin Ye Win in a meeting to control illegal trade



Myanmar has the lowest mobile usage in the whole Asean region. The entrance of Ooredoo and Telenor as private telecom providers should see the market grow as more people are able to afford mobile services.

4.6 COLGATE-PALMOLIVE TO OPEN FACTORY IN MYANMAR

The Myanmar Investment Commission (MIC) has given U.S. company Colgate-Palmolive a licence to produce commodities in Myanmar.

The company applied to the Directorate of Investment and Company Administration (DICA) to create Colgate-Palmolive (Myanmar) Ltd., and was granted permission on May 29. The MIC fully licensed the company on June 13.

“We’ve experienced that Western companies run business in Myanmar under their regional company branch. This is more convenient to discuss economic measures. The head company provides the capital and directs the branches to operate franchise chain,” said an official from DICA.

The company — known for its famous brands and beauty products — will run business in Myanmar under its company chain in Thailand and plans to open a factory in Shwepyitha Township.

4.7 SECURITIES AND EXCHANGE COMMISSION SET TO DEBUT, DAIWA SAYS

Despite delays in the process, Myanmar will get the Securities Exchange Commission this month or next, according to Daiwa Securities Group, which is helping Myanmar authorities set up a stock market here.

The government plans to launch the stock exchange in 2015.

Although Parliament passed a Securities Exchange Law on July 31, 2013, its implementing by-laws and regulations remain in the pipeline. “Only the Ministry of Finance knows what stage the formation of the SEC is at,” said Soe Thein, former director of the Myanmar Security Exchange Centre.

“In fact, the SEC can be formed since the [securities exchange law] was passed. There is no need to wait for the by-laws. If the SEC had been formed then, it would have gained momentum by now,” he added. “The by-laws are nearly complete and have been sent to the Attorney-General’s Office. The SEC is the key. We heard it will debut soon, but we are not sure,” he said at a KPMG-hosted investment forum last week.



On May 12, 2012, the Central Bank of Myanmar, Japan Exchange Group (formerly known as the Tokyo Stock Exchange), and the Daiwa Institute of Research signed a Memorandum of Understanding regarding to form a stock exchange in Myanmar.

The prolonged delay in forming the SEC caused anxiety on the Japanese side, sources said.

A spokesperson from Daiwa said it could impact the entire preparation process. Nevertheless, as long as there is no change in government policies, they would try to launch the stock market according to the targeted time in October 2015.

Enough public companies?

The number of public companies in Myanmar raises questions about the emergence of a capital market. Currently, there are 142. Among them, 21 public companies were registered under the junta. The number has increased significantly, but many experts say there are still not enough for a viable bourse. Most companies remain private, and there are numerous reasons why they are either unable or unwilling to turn themselves into public companies.

"We've studied about 60 companies and talked with their owners. We noticed that banks, airlines and telecommunications firms are quite interested in an IPO," said Shinsuke Goto, a director of Daiwa Securities Group. He added that that they were interested in listing because they understand this can enhance their competitiveness. "The rules of game are going to change ... foreign firms will enter the market. Being listed on the stock exchange will make a company more attractive."

IPOs and other share sales

Goto said that these companies stand to attract more investment, if launching initial public offering (IPO). Some local companies have offered shares to the public, but he insisted that the pool of offered investors is much smaller.

He also raised concern about the number of companies that have started selling shares recently. Some are not in compliance with the requirements of the Myanmar Company Act, he said. The law requires them to briefly explain their business when they register, but many do not, Goto said. He also raised questions about the validity of their shareholders' lists.

Goto said if current share selling practices continue they could have harmful long-term effects, including undermining trust in the capital market when the stock exchange debuts in 2015.

Limits on foreign companies

Sources have said that some foreign investors have purchased shares of local public enterprises that plan to list in future in the hope to boost capital gains. These purchases are illegal.

To allow foreign investment in the stock market, the country may also need to amend the foreign investment act.



The Myanmar Companies Act places limits on foreign ownership of companies registered here, generally in the form of ratios between foreigner and Myanmar nationals, but rules will be required in the stock exchange to ensure these ratios are sustained.

Can cronies comply?

One Dawai executive said that if a crony company could meet the criteria for listing and submit an application to list on the exchange it “will be cleansed”.

“This is why the regulator is essential,” Tin Myint, an official from MESC added.

“Whether the company is owned by a crony or whether it is a Myanmar or foreign company,” it will have to operate under the same regulations and the same level of scrutiny, he explained.

Tin Myint added that it was also important to work out foreign ownership issues, but said The Myanmar Companies Act would need to be amended but that this Act was not even on the table yet. Regarding the challenges ahead, the Myanmar Companies Act limits foreign investment and this needs to be amended to attract foreign investment. Foreigners want to acquire Myanmar shares but the law limits them. One possible problem is that once foreigners are allowed to purchase local shares they will be able to buy entire companies, which can threaten Myanmar’s independence.

Challenges in 2015

“Worries are growing that Myanmar’s stock exchange might end up like those of Cambodia and Lao, which have only two or three companies listed on them. From my point, I can say Myanmar won’t face the destiny of Cambodia and Lao as Japan has assisted Myanmar. Daiwa has started discussions between relevant organisations in Myanmar to form IPOs,” Goto said.

4.8 MTC OPENED TO WOO FOREIGN BUYERS

The Myanmar Trade Centre has been opened to boost the country’s exports and woo foreign buyers.

The MTC, officially launched on Saturday, is located at Yangon office of the Commerce Ministry.

MyintSwe, the PM of Yangon Region and other regional government officials, Win Myint, the union minister of commerce and other officials, Win Aung, the chairperson of UMFCCI and other officials attended the opening ceremony.

The MTC will answer questions related to doing business, disseminate trading information, organise export promotion exhibition, act as reference library for trade, run seminar and training.



Win Myint voiced confidence that the MTC could help local proprietors to gain the knowledge of the market they seek.

The country's main exports are agriculture produce, livestock, fishery, forest products, mineral extraction, manufacturing products and commodities.

In the last fiscal year, international trade was at US\$24 billion, comprising \$11 billion in exports and \$13 in imports. This resulted in \$3 billion trade deficit.

The National Exports Strategy has been drafted and the review process on trade policy is ongoing.

The country enjoys European Union tariff privileges. The US has relaxed but not lifted the sanction on grounds that the country has not complete its reforms. Some 5,000 products from Myanmar are still not listed on the US generalised system of preferences.