

WEEKLY NEWSLETTER (MYANMAR)
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1.1 OIL IMPORTS GROW AS BURMA'S REFINERIES FAIL TO COPE

Burma is importing record volumes of refined fuels such as diesel and petrol, and the actual amount might be much higher than official figures suggest because of smuggling, a report said.

Demand in the financial year to March was 40,700 barrels per day (bpd), according to Ministry of Energy figures. That's a rise of 5 percent over the previous year, but Reuters quotes unnamed fuel traders saying last year's increase could have been up to 25 percent if smuggled imports via Thailand are included.

Burma's three small refineries in theory have a combined capacity of about 56,000 bpd, but two of them are so decrepit they "barely function," said Reuters.

The rising demand is coming not only from the country's growing numbers of car owners but factories dependent on diesel for electricity generators and to operate machinery.

More than 50 percent of official imports are handled by Chinaoil, a subsidiary of China's state-owned PetroChina, and Hin Leong of Singapore, said Reuters.

But the recurring problem of poor infrastructure hampers fuel distribution, said Reuters, and also limits volumes coming into Burma by sea.

"Only smaller tankers carrying about 6,000-10,000 tonnes of oil can enter the shallow [Rangoon] River estuary to reach [Rangoon] and Thilawa ports designated to receive oil," said Reuters.

2.1 YANGON TO BUILD TEN NEW MARKETS THIS YEAR

Ten new markets will be built by the Yangon City Development Committee (YCDC) this year, according to city officials.

The markets will be located in Dagon Seikkan, Insein, Tharketa, Shwe Pyi Thar, Thingangyun, Hlaingtharyar, North Dagon and Dawpon townships.

Large scale repairs and improvements, including painting, fixing drainage, lanes and fences, will be done in some existing markets.

There are more than 170 markets in Yangon. Some of the markets were modified last year ahead of the SEA Games.

3.1 MINISTRY ADVOCATES PROTECTING REGIONAL PRODUCTS

The Ministry of Science and Technology has said it will draw up laws to protect and add value to Myanmar’s regional products and specialties.

Deputy Minister Aung Kyaw Myat, from the Ministry of Science and Technology, was speaking at a geographical indication seminar on May 29, and highlighted the usefulness of protecting regional characteristics and specialties.

“Geographical indications are indications that prove to be original product of the region, and a special quality, significance or unusual characteristics of a region. Especially agricultural products have a special quality depending on fine weather and soil of the region,” said Deputy Minister Aung Kyaw.

He advocated laws to protect unique Myanmar products like teak, thanaka (sandalwood), lotus flower, handicrafts, precious stones such as jade and rubies, so that their value might increase in world markets.

“We are trying as fast as possible to finish up drawing protective law in June. We have been getting advice and experiences from foreign countries,” said Deputy Director Moe Moe Thwe, from the Ministry of Science and Technology.

The Geographical Indications Seminar was attended by advisors from Asean countries, a French group from Singapore, and geographical indications experts from France.

3.2 PRICE OF GREEN GRAMS STILL ON THE RISE

The price of green gram, one of Myanmar’s most popular pulse, has been increasing since April due to a decrease in cultivation and less supply.

Many farmers have moved to cultivating mung beans that fetches a much higher export price due to increasing demand from China, and India’s decreasing bean production.

“Currently, bean prices fluctuate in the market. Last Friday, the price increased up to US\$ 800. Yesterday, it went back to US\$ 780. It mainly depends on the weather in India,” said Min Ko Oo, secretary of the Myanmar beans, pulses, and sesame merchants association.

During the last week of April 2013, the price of Myanmar’s green gram in Mumbai, India, was US\$ 660 per tonne, and rose up to US\$ 749 in last week of April 2014.

For the same period, the price of green gram in Yangon was US\$ 628 per tonne, which rose up to US\$ 677 in April 2014, according to Ministry of Commerce.

3.3 MILLS CONSTRUCTION FOR PARBOILED RICE NEAR COMPLETION

The construction of mills is 90 per cent complete for the production of nearly 300,000 tons of parboiled rice per year, said Ye Min Aung, board director of Myanmar Agribusiness Public Corporation.

“The mill construction is complete for 90 per cent and will house ten imported steam-rice machines. They have the production capacity ranging from 200,000 to 300,000 tons of parboiled rice. The production at full capacity can reach 300,000 tons. In order to ensure full capacity production, investment and markets will be arranged for operators,” Ye Min Aung said.

The mills locate in Wakema, Kyonpyaw, Pyay, Zigon and Pyapon. One mill in Mawgyun has started its operation, said Thaung Win of Myanmar Rice Millers Association.

“Steam rice machines are still being installed. The one in Mawgyun is done while those in Wakema, Kyonpyaw, Pyay, Zigon and Pyapon are nearly done. There are 10 machines imported from MAPCO including six whose installations are nearly done, but the others remain untouched. The 50-ton and 100 ton rice mills are going to be constructed in Nay Pyi Taw too. The mills under construction can start running before monsoon harvest. If they can be supplied with electricity required, a machine can produce 1,800 tons,” Thaung Win said.

Japanese company Mitsui and MAPCO are cooperating to establish four Integrated Rice Complex Projects (IRCP) including mills for parboiled rice, white rice husking, rice bran oil and rice noodle located in industrial estates for processing rice and rice products for value-added exports.

The mills will be in Nay Pyi Taw, Yangon Region, Bago Region and Ayeyawady Region.

The volume of parboiled rice export for the fiscal year 2013-2014 amounted 5,000 tons.

4.1 TRADE DEFICIT MOUNTS TO US\$633 MLN THIS FISCAL YEAR

Although Myanmar trade reached nearly US\$2 billion within one month from the beginning of the current fiscal year, the trade deficit has already topped US\$633 million.

The statistics of National Planning and Economic Department Ministry says over US\$542 million came from exports but more than US\$1.1 billion has been spent on imports, resulting in the current shortfall.

Myanmar has had a trade deficit since the 2012-13 fiscal year even though it has increased foreign trade and opened its economy to foreign investment and industry.

The country's main exports are and oil and gas, agricultural and farm products, minerals, timber and industrial products. It still relies heavily on importing machinery, consumer products, commodities and raw materials.

In the 2013-14 fiscal year, US\$11 billion was earned from exports and over US\$13 billion spent on imports, resulting in a trade deficit of nearly US\$3 billion.

4.2 CITIZEN INVESTMENT INCREASES BY 60%

Investment by Myanmar businesses has increased by 60 percent to almost Ks 4.5 trillion (US\$ 4.5 billion) in the 2013-14 fiscal year, according to the Directorate of Investment and Company Administration.

The total local investment was recorded at Ks 4.5 trillion at the end of March, an increase from Ks 2.8 trillion (US\$ 2.8 billion) last year.

Manufacturing represents the largest portion of local investment, followed by the construction sector, hotels and tourism.

There are more than 37,000 local companies in Myanmar. They have invested in 11 sectors, including mining and energy. About Ks 3 trillion of local investment began in the last three years since Thein Sein's government began a series of political and economic reforms.

However, no evaluation, audit or investigation has been done into the source of income investing in local projects, leading critics to suspect the use of black money or illegal wealth, especially in real estate and construction.

4.3 MYANMAR EXPORTS PEAK US\$ 490 MILLION IN TWO MONTHS

Myanmar has earned US\$ 490 million from the export of industrial products, including natural gas, in the last two months according to the Ministry of Commerce.

Myanmar exports agricultural products, fish and seafood products, oil and natural gas, animal products and minerals. In 2013-2014 fiscal year, over US\$3 billion was earned from natural gas exports alone, which remains the country's highest earning export.

Myanmar's depends on a few main products, namely, mineral resources, natural gas, teak, and agricultural and seafood products. However, as it slowly builds up industrial capacity, it is also beginning to export other commodities such as ready-made clothes and garments.

A national-level strategy for the development of export products and improvement of competitiveness is underway. The government is currently prioritising commodities and sectors where Myanmar has a competitive advantage.

4.4 MYANMAR BUSINESS FORUM TO DISCUSS KEY SECTORS

Infrastructure development is one of several key sectors to be discussed at the upcoming Myanmar Business Forum (MBF) in July this year, according to a press release.

The forum will also focus on other sectors such as agriculture, fishery, forestry and breeding, natural resources, banking and finance, hotels and tourism, manufacturing, trade and investment, servicing and infrastructure development.

The International Finance Corporation (IFC) will provide technical assistance for the MBF through the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI).

The event will be co-chaired by the President and vice-president and will also focus on other necessary sectors, according to Wai Phyو from Myanmar Business Forum Task Force Orientation.

Participants will have a chance to discuss with industry experts and key business players, and will discuss drawing up laws and regulation and seeking ways to solve difficulties. The MBF is planning to hold its plenary meeting twice a year.

The President called on the setting up of a business forum in his meeting with private entrepreneurs in January this year.

4.5 GOV'T INVITES TENDERS TO BUILD FLYOVER AND BRIDGE

The Yangon regional government has invited tenders to construct the Myaynigone flyover and Ngamoeyeik Bridge connecting Dawbon and Thingangyun townships, according to a government announcement.

Interested companies have to pay a deposit fee of Ks 1 billion (over US\$1 million) for each tender. The bridges will be prioritised projects this financial year.

The Myaynigone flyover will be 2,132 feet in length and 47 feet in width. Ngamoeyeik has 984 feet in length and 40 feet in width. The road has to be 28 feet in width and each pavement has six feet in width.

The proposals must be submitted to the secretary of Yangon regional government no later than June 30. Those which are accepted will be opened in front of witnesses and they will then choose the winners, the government said.

The Yangon regional government has planned to reduce traffic jams in Yangon using flyovers and arranged to construct flyovers at Hledan, Shwe Gone Tine and Bayintnaung since 2001. The Hledan flyover was constructed by Shwe Taung Development Company started construction on February, 2012 and finished on April 10, 2013.

FMI Co. Ltd., constructed Bayintnaung overpass on June, 2012 and Shwe Gone Tine flyover was constructed by Capital Development Company. Although the flyovers are finished, traffic congestion in Yangon continues to be a problem.

The Myaynigone traffic junction faces regular jams since 2013. The flyover is expected to cost more than Ks 16 billion (about US\$1.6 billion) and the budget for Ngamoeyeik Bridge will be over Ks 9 billion (about US\$9.3 million), according to Yangon regional government budgets.

4.6 MORE FOREIGN COMPANIES TO INVEST IN MYANMAR

According to the Directorate of Investment and Company Administration (DICA), more foreign companies have been allowed to invest in Myanmar.

A meeting of the Myanmar Investment Commission has revealed that companies from China, Korea, Japan, Hong Kong and Malaysia have been permitted to operate businesses in Myanmar.

The Japan-based Komatsu Manufacturing Co. Ltd., has a permit in manufacturing electronic generators and will establish their business in Pyigyidagun Township, Mandalay Region.

Korean and Chinese companies have been allowed to run garment factories in Intagaw Industry Zone, Bago Region.

The Hong Kong based Golden Precise Embroidery & Garment Co. Ltd., specialises in lace-knitting and clothing and will open a factory in Shwelinpan Industry Zone in Hlaingthaya, Yangon Region.

Malaysian and Myanmar companies plan a joint venture in processing marine products on a piecework basis and will be set up in Innlaymyine Industry Zone, Myeik Township, Taninthayi Region.

Another joint-venture business between Japanese and Myanmar companies has been given the green light to build a rice refinery, as well as grow rice and process seeds and other agricultural production.



The company will operate in Thegon, Pyay District, Bago Region. In the first four months of 2014, over US\$ 2.2 billion has been invested in Myanmar, most of it has gone into transportation and telecom sectors, according to DICA.

4.7 INVESTMENT PROPOSALS OF 45 COMPANIES IN THILAWA SEZ

A total of 45 companies from 11 countries have outlined their investment proposals for Thilawa Special Economic Zone, a major industrial complex located on the outskirts of Yangon.

“These companies already sent us letters of confirmation to invest in Thilawa SEZ. They are from various countries. One is a US company. Others are from Thailand, Singapore, Hong Kong, Malaysia and Japan. The only one from the US is a beverage firm. From Europe, there is a Swedish company. Most firms are from Japan and Hong Kong. We can approve their investment plans since all are well-known companies,” said Sett Aung, deputy minister for national planning and economic development.

Thilawa SEZ covers an area of more than 2,342 hectares in Thanlyin Township. The first phase of development will use 396 hectares. The zone will showcase manufacturing plants for high-tech, textile, and labour intensive industries.

“Construction permits for Thilawa factories will be granted this month. The permits have been designed to prevent the land purchase for speculation without any plans for development. Such problem happened in the past for other industrial zones. Therefore, land buyers need to submit investment proposals. The planned production should not be harmful to the environment. Nor it should consume too much water and electricity,” said Win Aung, chairperson of Myanmar Thilawa SEZ Holdings.

The development of the industrial complex is to be carried out by Myanmar-Japan Thilawa Development Company with equity stakes split 51 per cent for Myanmar and 49 per cent for Japan.

On Myanmar side, Thilawa SEZ Management Committee and the Myanmar Thilawa SEZ Holdings own 10 per cent and 41 per cent. Japan's MMS Thilawa Development and Japan International Cooperation Agency hold 39 per cent and 10 per cent respectively.

4.8 MYAWADDY-MAE SOT BORDER GATE REOPENED AFTER 12-HOUR SHUTDOWN

Myanmar-Thailand border trade have partially resumed following the 12-hour shutdown of border crossing at Myawaddydue to the Thai coup.

After the power seizure on May 22, Thailand closed border gates and friendship bridges linking with Myanmar from 6.00 pm. One of the border gates in Myawaddy was reopened at 6.00 am on the following day.

Thai authorities gave advance notice to their counterparts before the temporary closure of the border.

“I heard the border crossings were closed around 6.00 pm. Techilek has two friendship bridges. Myawaddy has one. After the shutdown, all crossing points were reopened this morning. Thai authorities kept us informed,” said NyuntAung, deputy director general of Commerce Ministry.

The two neighbouring countries conduct border trade through Techilek, Myawaddy, Kawthoung, Myeik, Hteekee and Mawtaung in Myanmar.

More than 600,000 Thai visitors travelled to Myanmar in this year’s first four months, ranking first in the number of arrivals for in-bound tourism, according to Ministry of Hotels and Tourism.

Tourism officials voiced concern for the impact of border shutdown because some 550,000 Thai visitors would arrive by land through border gates.

The country’s Immigration Department confirmed about the reopening of border gates.

“I have been informed this morning that the Myawaddy gate is reopened. The rest are still close. The situation on our side is normal. If the shutdown lasts too long, there would be much impacts,” said MaungMaungThan, director general of Immigration Department

The department said the Thai side has still closed its border gates opposite Techilek, Kawthoung, Myeik, Hteekee and Mawtaung.

The country’s border trade volume with Thailand amounted to US\$32.40 million last month, mostly conducted through Myawaddy-Mae Sot border.

According to official records for the same period, border trade at Techilek totalled \$4.14 million, at Kawthoung(\$6.96 million), at Hteekee (\$4,000), and at Mawtaung (\$650,000).

[4.9 BURMA TO GRANT FOREIGN BANKS LICENSES BY END OF SEPTEMBER](#)

Burma will grant foreign banks limited operating licenses by the third quarter of this year, in a bid by the country’s semi-civilian government to attract foreign investment into an economy just emerging from decades of military rule.

An official document sent to more than 30 foreign banks with representative offices in Burma, and seen by Reuters, shows that as many as 10 foreign banks will be allowed to set up one branch each to provide restricted services, including granting loans to foreign corporates.

Lending to local companies will require the foreign banks to cooperate with local institutions, the document shows.

Foreign banks with representative offices in Burma include Standard Chartered, Thailand's Siam Commercial Bank, Singapore's Oversea-Chinese Banking Corp., the Australia and New Zealand Banking Group, the Korea Exchange Bank, and Japan's Sumitomo Mitsui Banking Group.

“Licensees are expected to contribute to the development of the domestic banking sector, notably but not exclusively by participating in the interbank market, by lending to domestic banks to support their financing activities of domestic corporates,” the document added.

A licensing panel will review applications by July 6 and award five to 10 licenses by the end of September, the document says. Consulting firm Roland Berger will oversee the process.

Based on a recommendation from the World Bank, a minimum paid-in capital of US\$75 million will be required by selected foreign banks, the document showed.

Domestic Concerns

Burma's banking sector was crippled by decades of mismanagement under military regimes and cut off from much of the global economy due to Western sanctions.

The European Union, Australia and other countries have lifted sanctions in response to widespread political and economic reforms initiated by the reformist, semi-civilian government that took over from a military junta in March 2011.

A senior government official, who declined to be named due to the sensitivity of the subject, said foreign banks would help spur economic development as well as modernize the domestic banking system.

“It's definitely going to require foreign banks to give capacity building to local banks,” the official said.

The tender has triggered concerns among domestic banks and lawmakers, who say the domestic financial sector is too immature to deal with foreign competition.

The government official said a “strong parliamentary committee” had already said it was opposed to allowing foreign banks to operate in Burma, but added that the process was unlikely to be derailed.

“Local banks are not to be marginalized,” he said.

Last year, a group of parliamentarians tried unsuccessfully to intervene at the last moment to prevent telecommunication licenses from being awarded to Norway's Telenor and Qatar's Ooredoo