

## **WEEKLY NEWSLETTER (MYANMAR)**

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**NO UPDATE**

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## 2.1 ROCKETING RENTAL FEE FREAKS OUT FOREIGN RESIDENTS

**Foreign residents in Yangon are burdened by unabashedly hiking rental charges, and some head back to Bangkok at weekends to take a break, according to realtors circle.**

“Foreigners are freaked out of rocketing rental fees and also tired of electricity shortage,” said an official of City Land real estate agency.

The government has planned to grant foreigners a permanent resident privilege. Along with the promising demand, the rental fees are likely to increase sharply.

“Despite the increasing rental charges, the condition of housings is still poor. So, the high quality accommodations will be in demand in long-term,” said the country manager of house.com.mm.

At present, the rental fees in Myanmar are much higher than those in regional countries but most properties are of poor quality.

According to statistics of New Crossroads Asia, the overall office area in Yangon is not more than 70,000 square metres.

## 2.2 PROPERTY PRICE HIKE UNATTRACTIVE TO FOREIGNERS

**Yangon, the commercial hub of Myanmar, has become a less attractive property market to foreigners due to rental hike, a real estate source said.**

“Some places in Yangon have very rent charges. The people cannot afford to pay. The investors can endure the increased property price because of their profitable business. But local people will not be able to pay the rent. Therefore they are expected to vacate the rented property, said Jan Sunmar Phad of House.com.mm.

“The property price has steadily increased since the government assumed office. Unless the government can rein in the price hike, there is going to be a crisis,” said a market analyst.

“May be, property price is good for investment. But difficulty will arise unless the price increase is under control. The government should tackle the problem of soaring rental charges. A single flat along Windarmia, Thanlwin and Kaba Aye Pagoda roads will charge US\$6,000 to \$7,000 for rent. Therefore the property rental business is on the downtrend,” said an official of City Land Real Estate Service.

Foreigners are interested in properties located in Dagon, Bahan, Latha, Botahtaung, Myaynigone, Hlaing and Kamayut, Yagon Region.

“The property owners should control the rental charge rather than allow it to soar because more and more foreigners will come to live and work in Yangon,” said Jan Sunmar Phad.

### 2.3 CONDO BUILDERS CLAIM THEY'RE RIDING THE TOP-END BOOM

#### **Builders aiming at the upper end of Yangon's booming development scene claim demand has been exceeding their expectations.**

The opening of the country over the past three years is being credited for a flood of well-moneyed buyers looking for a place to live. Builders are racing to put up what they claim are international-standard apartments and condominiums, competing to provide the latest hot offering in a city that currently boasts relatively few high-end properties.

“The high prices for condos and apartment rentals shows how much need there is for more condos and apartments,” said one developer.

Though much has been made of the role of speculators in pushing Yangon's prices higher, Ma Lwin Mar Aung, senior marketing manager at Capital Development, the builders of Gems Garden condominium, said there are many reasons people want to buy.

Some purchase a condo as an investment, others want to live in the new place and rent out their old apartment, while others simply want to move in, she said.

“People are interested to buy with us because there aren't a lot of condos with a real, international standard,” she said. “A lot of older condos are really more like high-end apartments.”

The firm did not begin presales until work was actually underway, said Ma Lwin Mar Aung. Claiming to have sold about 70 percent of the development, the project on Hlaing township's Insein Road is about 35pc complete. Work will wrap up in 2016, with a total 584 of units in the 21-storey building. The project will also include a swimming pool, library, convenience store, garden and several other facilities. Developers had previously put the pricetag at US\$100 million.

Other high-end developers are claiming similar success.

The Singapore-led consortium developing 68 Residence has already sold about 70pc of its units, said Ma Thit Thit Soe, a sales and marketing official with the company.

“We are getting plenty of interest from both locals and foreign-based people. Local customers are very interested in international style, so they're keen to buy,” she said. The firm has also held road shows in Singapore aiming to sell largely at the Myanmar diaspora.

Condominium ownership is currently restricted to Myanmar people, though officials have aimed to allow foreigners to buy in a draft condominium law.

Although there are more and more projects being announced, Ma Thit Thit Soe said there is still abundant demand at market's higher end.

68 Residence aims to open at the end of 2017, with 369 units in a 27 storey building. It boasts amenities such as 444 spaces in a basement car park, as well as an infinity swimming pool and ground-floor retail outlets. Developers previously estimated the Bahan township project will cost a total of \$150 million.

Condo developers say that because there has not historically been much in the way of high-end projects, it has fallen to them to explain the advantages of paying for top units.

Infinity luxury condo senior executive Ko Ye Pyae Aung said local customers “are very green with their knowledge of luxury living”, but added Infinity it is in line with international standards.

### 3.1 COMPANIES LINING UP FOR LPG JOINT VENTURE

**Twenty-two domestic and foreign companies have expressed interest in forming a joint venture for the Nyaungdone Liquefied Petroleum Gas plant, according to the Ministry of Energy.**

The plant, to be located near Yoegyi village, in Ayeyawady Region’s Nyaungdone Township is expected to produce 30 tonnes of liquefied petroleum gas (LPG) per day.

Last April, the ministry invited companies to submit expressions of interest for production, storage, distribution and sale of LPG on a joint venture basis.

Foreign companies interested in the project include Mitsui, JGC, and Sojitz from Japan; PTT from Thailand; NK from South Korea; PUMA Energy (Singapore); Langfan CNPC Huaya Petrochemical Engineering, Shanghai Sino-Myanmar Investment Management, GDZR, China Huanqui Contracting and Engineering from China; and other companies from the US, Spain, UAE and Indonesia.

Myanmar companies in the race are Sein Kaung Gem Trading and Parami Energy Services.

The ministry’s Myanmar Petrochemical Enterprise operates three LPG plants in Minbu, Kyau Chaung and Nyaungdone townships.

Minbu LPG Extraction Plant, established by Hitachi Zosen of Japan, started its operations in 1986.

Kyun Chaung Plant, formed with CMC Dong Fang International of China, opened in 2010.

Nyaungdone Plant, also formed with CMC Dong Fang International, started in 2005.

In a related development, the ministry has invited bidders for the Thalyin refinery and distribution of jet fuel.

#### 4.1 COST OF OOREDOO SIMS JUMPS 10 TIMES AHEAD OF OFFICIAL LAUNCH

**Prices of Ooredoo Myanmar SIM cards have jumped as much as 10 times the price the company said they would be sold for – Ks 1,500 apiece – as mobile phone shops in Yangon have run out of stock, shop staff said.**

“Our shop has a share of the SIM cards, but we ran out. There have many buyers and some registered in advance,” said an employee of Today Mobile, adding that Ooredoo had only given the shop a small number of SIM cards.

Executives at Ooredoo Myanmar have been tight-lipped about the sales of their SIM cards in Mandalay and Yangon, but a source at the company said the shops had jumped the gun and started sales before they were supposed to.

The executive said that the launch was planned for tomorrow, with a press conference to announce it. “Officially we will launch on Saturday, but unofficially some shops in Mandalay decided to sell earlier,” said the executive who asked not to be named. “They had been told not to do so,” the executive said.

He said that free calls are being offered for two weeks because the network will not be completely ready till August 15.

Earlier this week Ooredoo executive Thiri Kyar Nyo told Eleven Media: “I have no comment on current sales [of SIM cards]. We will release detailed information at our press conference on August 2.”

tomorrow’s launch will cover Nay Pyi Taw, Yangon and Mandalay, sources said.

Ooredoo previously said it would introduce its SIM cards in the third week of August, but shop owners began selling them earlier this week, first in Mandalay and then in Yangon. The sales caused long queues outside mobile phone shops.

Ooredoo Myanmar has yet to widely distribute SIM cards, and shops that received them raised the price as much as 10 times.

taung Maung, a resident of Tamwe Township, said he tried to buy an Ooredoo SIM card but was told he had to pay Ks 5,000 for one. “I didn’t buy it. This should not happen. They shouldn’t do that to customers,” Maung Maung said, adding that he would wait one week for the price to fall. I will wait a week. The SIM card prices will be cheaper then. Now, demand is too high.”

Ooredoo SIM card numbers start with the digits 09-99 and include 900 minutes of free calls, show owners said. Top up cards will be sold for Ks 1,000, Ks 2,000, Ks 3,000 and Ks 5,000, they said.

Nation TV reported that foreigners are unable to buy the SIM cards, except through a Myanmar national as each purchase requires a copy of the buyer's national registration card.

#### 4.2 INSPECTORS FIND ILLEGAL IMPORTS AT FOUR PORTS

**Mobile teams inspecting ports for illegal imports have found containers carrying unlicensed goods at four seaports, officials said.**

Inspections at four ports, including Asia World Port, covered 15,060 containers since the crackdown on illegal trade through ports began on July 2.

When the crackdown began officials said the first month would be an “education” period. They also said the crackdown aimed to protect consumers.

besides Asia World port, inspections have also taken place at Htee Tan, Myanmar Industrial and Bo Aung Kyaw ports, as well as at Yangon International Airport.

From July 2 to 23, mobile teams inspected 5,716 containers at Asia World Port, 4,208 at Htee Tan Port, 4,646 at Myanmar Industrial Port and 490 at Bo Aung Kyaw Port, officials said.

Inspectors said they found commodities that were not listed in the licence or identification documents, loads exceeding the amount described, and differences in model numbers, sizes, logos, as well as country of origin at all four ports.

During the so-called educational period of the crackdown, those who violate laws on imports are subject to fines. Tax rates are also reassessed. The goods are returned when appropriate taxes and fines are paid. From August 1, those found violating export and import laws or maritime customs laws will be charged according to these laws, officials said.

There are several types of illegal trade, including importing without permission, importing goods or commodities that differ from those listed on the licence or identification documents, importing in excess of the licence, importing goods and commodities at incorrect prices and tax rates, and using inaccurate import documents.

President Thein Sein's administration began a crackdown on illegal trade in 2012. This included the establishment of mobile inspection teams, which initially began patrolling land routes for illegal imports.

#### 4.3 THILAWA SEZ URGED TO PROVIDE LOCAL JOBS

**Civic organisations have urged developers of the the Thilawa Special Economic Zone to provide job opportunities to local residents from the area.**



Members of the Responsible Business Group met with Thilawa SEZ developers during an environmental assessment on July 25 where they urged them to keep their promises to create employment.

“We are asking for the job opportunities for the locals. Before the project is started, there is a saying that how many number of job opportunities to be created for the locals. But we saw that sometimes these jobs do not transpire after the project is completed,” said Aung Kyaw Soe from the Responsible Business Group.

Many local residents of the 2,400 hectare industrial zone south of the former capital Yangon lost their land to the project but were promised employment opportunities in return. Despite the project moving ahead, many have not been provided jobs yet.

Dr. Than Than Thwe, Associate Secretary of Thilawa SEZ Management Committee says that they are training companies in social corporate responsibility but it is unclear whether this involved prioritising jobs for local residents.

“The authorities should create job opportunities for the locals who have lost their land for the project...They lost their land and haven’t been given the opportunities,” said Aye Htay from Thayet-Thida Myaing.

#### 4.4 INVESTIGATION ENDS INTO SHARE SALES OF AGD BANK

**A police investigation surrounding possible money laundering in the buying of shares in the Asia Green Development Bank was concluded on July 28 according to senior police sources.**

The results of the probe into the acquisition of 15 per cent of AGD Bank shares by Aye Ne Win, a grandson of former military dictator Ne Win, have been reported to relevant authorities.

“Investigations of whether share transfer involves clean money have been completed in line with the Anti-Money Laundering Law. We asked both the share buyer and seller to present the source of cash spent in purchasing shares. Together with the figures we obtained after investigation, their data has been reported to relevant authorities. If their actions breach the law, we will bring them to court,” said a senior police officer on condition of anonymity.

AGD Bank has sold 90,000 shares under the approval of the Central Bank of Myanmar. Yin Htwe, Khin Win Maw and Thura Myint from Mikko group bought most of the shares while Aye Ne Win reportedly bought 15 per cent, who plans to buy another 60 per cent, and up to 85 per cent within six months.

Aye Ne Win said that his younger brother, Kyaw Ne Win, takes leading role in share acquisition.

An investigation team was formed by officials from customs, monetary investigation police and the Bureau of Special Investigation. The price of the shares could not be revealed.



“We currently have inspected the beginning of the business and will monitor throughout its operation. We will take close watch to know if the cash driving the bank is supporting criminals, black money or laundering,” continued the police officer.

Late dictator Ne Win’s son-in-law Aye Zaw Win and his grandsons [sons of Aye Zaw Win] Aye Ne Win, Kyaw Ne Win and Zwe Ne Win were sentenced to death for treason in 2002. Their sentences were reduced to prison terms.

After serving more than 10 years, they were released under general amnesty in 2012 and 2013.

Sandar Win, the daughter of Ne Win, was put under house arrest while her husband and her sons were in jail.

During their detention and the period after their release, earnings from their business did not shock the public.

#### 4.5 MYANMAR EARNS US\$ 1.3 BILLION IN JADE EXPORTS

**Myanmar has earned US\$1.3 billion from the export of jade stone over the last three years, according to the ministry of national planning and economic development.**

Export earnings in the 2011-2012 fiscal year was US\$ 34.2 million, US\$ 297.9 million in 2012-2013 and US\$ 1 billion in 2013-2014. The last fiscal year showed a significant increase in revenue.

Myanmar exports its jade mainly to China, Hong Kong and India. And gem merchants from Japan are also very interested in the valuable green stone mostly mined in northern Kachin State.

Hundreds of jade lots went on sale through a competitive bidding system at the 51st Myanmar Gem Emporium in Nay Pyi Taw.

There is still a thriving illegal trade in jades and gems, many which are sourced from conflict areas where rule of law and controls are scarce, despite increasing attempts to stamp down in smuggling.

Myanmar export earnings from mineral products have reached US\$ 71 million (US\$ 2.9 million from the government and US\$ 68.7 million from the private sector) according to the ministry of commerce.

Total investments in the mining sector by local entrepreneurs have reached Ks 13 billion up until June 30 this year.



#### 4.6 TWO CONSORTIUMS SHORTLISTED FOR NEW AIRPORT

**The aviation department will choose either the South Korean Incheon Airport Consortium or Singapore-based Yongnam, CAPE, JGC Consortium to build the new Hanthawady International Airport.**

The international tender also included Japan-based TAI SAE Corporation and Franch VINCI Airport but, according to department officials, they have failed to change their financing plans.

“Two companies, namely Incheon Airport and Yongnam submitted renewed financial proposals... We are now reviewing their financial proposals,” said Tin Naing Tun, director general of the department for civil aviation.

Myanmar has three international airports in Yangon, Mandalay and Nay Pyi Taw. Yangon International Airport is regarded as the country’s main gateway but does not have the capacity to service increasing numbers of airlines interested in flying direct to Myanmar.

#### 4.7 AGRICULTURAL EXPORTS DOWN BY US\$82 MILLION

**According to figures from the Ministry of Commerce, agricultural exports are down by US\$82 million from April 1 to July 18 of the current fiscal year.**

The export of agricultural products has decreased since last year with only US\$670 million earned over the last three months, compared to US\$757.866 million earned in the same period last year.

Myanmar’s staple agricultural products include rice, different kinds of beans and pulses, corn, rubber, castor oil, mango, watermelon, onion, garlic, ginger , turmeric root and other spices.

All though over all trade volume has increased, the government has been cracking down on illegal trade across border trade routes as well as sea routes.

Myanmar is still under a trade deficit with large quantity of imports, including mainly consumer goods, machinery and electronics, outweighing its exports of raw product.

A national strategy is being drawn up to improve Myanmar’s export sector through priority-driven commodities.

#### 4.8 LOCAL SMES IN NEED OF LOAN

**Small and Medium-sized Industrial Development Bank (SMIDB) and Japan International Cooperation Agency (JICA) are holding talks on the loan disbursement to local Small and Medium-Sized Enterprises (SMEs), according to the sources.**

"As part of it, the JICA is observing the local banks, but has yet to reveal the banks' name. It seems that firstly the JICA will study the situations of the banks. And the JICA will make its final decision only after studying the banks. First of all, they will pick up one or two local banks," said Tin Maung Htay, managing director of SMIDB.

The SMIDB is disbursing the loans to SMEs with an interest rate of 8.5 percent. The SMEs need to take recommendations from their region/state governments so as to get the loans.

"The SMIDB disburses the maximum loan of Ks 100 million to one enterprise. It depends on their region/state governments' recommendations. But some entrepreneurs get Ks 50 million in loan. Since December, 2012, the SMIDB has been disbursing the loans to SMEs. The SMIDB had Ks 10 billion since its inception, but now it ran short. Now we have got Ks 20 billion from Myanma Economic Bank (MEB) with an interest of 8.25 percent. Then, the SMIDB will grant loans to SMEs with an interest rate of 8.5 percent. As of the end of July this year, the SMIDB will disburse loans to SMEs with the use of Ks 20 billion," he added.

The SMEs account for 99 percent of all enterprises in Myanmar. The SMEs are in need of huge capital investments and are facing difficulties in the availability of loans. There is widespread news that the JICA will grant loans to the SMIDB and the CB bank for re-disbursement of loans to the SMEs. The SMIDB said they have yet to know it exactly.

"We can provide more aid to local banks if Japan extends a helping hand to us. Currently, many local banks want to take loans. But we have no enough capital. The SMEs on their part will have take responsibility for their successes," he added.

"It is difficult to revival domestic SMEs. I do not know how they go on," said an entrepreneur.

#### 4.9 CAPITAL OF PRIVATE INSURANCE COMPANIES TO BE SCRUTINISED

**Myanma Insurance has granted greenlight for four private insurance companies to run dollar-based insurance business; their capital has been scrutinised to know whether black money involves.**

Amidst 12 private insurance companies, four which are efficient enough to run the business have been permitted. Each must deposit US\$500,000 as capital.

"Currently, two of four have been scrutinised: Grand Guardian Insurance and International Kanbawza Insurance Company. The remaining two are First National Insurance and Aung Thitsar Oo Insurance. We also monitor their tax payment," said Aye Min Thein, the directorate of Myanma Insurance.



The companies deposit the working capital to Myanmar Insurance after the scrutinising procedures finished.

In [US] dollar-based insurance policy, the premium fees and the compensation are dealt in dollar. Each service plan is allowed up to \$50,000.

In Myanmar, the private insurance business has begun since May 28, 2013, with six sorts of insurance: life, fire, wiring, cash-safety, fidelity and all-coverage automobile.

In May this year, special travelling insurance has been added to the list.

A private insurance has to generate Ks 6 billion (\$6 million) for life insurance and Ks 46 billion (\$46 million) for general insurance at Myanmar Insurance; 60 per cent of the capital can be used for expenses and the remaining 40 must be deposited at Myanmar Insurance as compensation for the insured entities.

#### 4.10 FOREIGN INVESTORS TO BE INVITED TO DEVELOP ICT CITY IN YANGON

**The construction and management of ICT City in Yangon will be carried out by foreign investors, said Myanmar Computer Federation, pioneering the project for software development.**

“We initially intended to carry out the IT park project but it was too big. So ICT City will be mainly for software development. We will invite foreign investors for project implementation. We want the project to become the outsourcing hub for the software industry and not just for renting office rooms,” said Zaw Min Oo from the federation.

Presently the federation is maintaining its office at Myanmar Information and Communication Technology Park, which serves small-sized software companies.

“We want to attract start-up software companies. There will be furnished office space of about 7,000 square feet. We will seek advice from those in the software industry. The rental would be about Ks 50,000 per room. We will provide table, chair, electricity and internet connectivity. We will hold further discussion on the design of office rooms and on whether to provide 24-hour service, said the federation’s Chaw Chaw Khin.

He said ICT City would offer meeting rooms complete with service staff. The charge for organising meeting has yet to be decided.