

WEEKLY NEWSLETTER (MYANMAR)

08Nov 2014 to 14Nov2014

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1.1 STRUGGLING WITH SMUGGLERS ON THE BORDER

The Muse customs zone seized 150 motorcycles on November 3 in the wake of a government ultimatum announcing plans to get tough on illegal motorbike imports.

It's the first time in two years that the 105 Mile customs zone has been able to make such a seizure of illegally imported motorcycles, and while it's a start, the rarity of the case highlights the challenges customs officials face in stemming illegal trade.

Although officials were able to take action in this case and seize the 150 bikes, it is a drop in the bucket of the millions of motorbikes that have been brought into the country illegally. Over four-fifths of the 4.05 million registered motorbikes have been illegally imported, a trade which needs to stop, deputy railways minister U Chan Maung said in parliament in October.

U Tin Ye Win, director of the 105 Mile Zone, told The Myanmar Times in an exclusive interview that official and unofficial trade is becoming big business in Muse, a border city in northern Shan State across from the Chinese city of Ruili, which is often called Shweli.

“From the time of U Ne Win until now, the trading rules haven't been followed,” he said. “If they did, there would be no black market.”

The city has become Myanmar's biggest overland trade link, with April through September 2014 official recorded trade at about \$2.6 billion. Bilateral trade through Muse in the same period last year was \$1.783 billion.

The sheer volume of the trade is evident in the hundreds of trucks passing through the Mein Way border gate in the centre of Muse every day. However, customs procedures are actually applied several kilometres away at the 105 Mile Zone on the outskirts of the city. At the zone, officials say they do what they can to grapple with illegal trade.

The Ministries of Commerce and of Finance have made a priority of cutting down the size of the black market. Partly this is an effort to generate more tax revenue, as Myanmar's tax revenue to GDP ratio is the lowest among ASEAN members.

Official trade volumes have been on the upswing in Myanmar. Total foreign trade was worth \$24.9 billion in 2013-14, which is expected to climb to \$30 billion in the current fiscal year. Increasing taxes collected on trade is an obvious way to generate more state revenue.

Still, smugglers are clever, and there are a wide range of ways to illicitly get goods across the border. Random small-scale seizures of smuggled goods are relatively common. On the same day U Tin Ye Win's team caught the 150 motorcycles, it also found a personal car illegally attempting to import 1000 mobile phones.

Although customs officials are cracking down on illegal trade, they are often outnumbered. From October 1 to October 27 a total of 8735 trucks carrying exports were processed through 105 Mile, carrying goods like jade, timber, fish and beans.



The 105 Mile Zone has 288 state employees in various capacities, with a team of 70 members who have duties including attempting to prevent illicit trade – of whom 12 are from the Ministry of Commerce, with the others from law enforcement organisations and various government departments.

For the six months from April to September a total of K28 million of illegal exports were seized, along with K29 million of illegal imports, in a total of 672 separate case – meaning the average haul of illegal goods was about K80,000.

U Tin Ye Win said customs officials face challenges from the locations they can cover and from the number of people that can be used.

Only about 8 out of every 800 trucks are checked through a spot-checking method – meaning many are not checked. Given the tightness of the truckers’ fraternity, many complain when their illegal goods are seized but other more egregious truckers get away with smuggling.

“We don’t have the details that traders have,” he said. “If I receive the correct information, I will take action.”

Frequently, traders deliberately undervalue the amount of goods they are carrying in a bid to pay less tax.

U Tin Ye Win said one truck carrying seasoning powder came through the 105 Mile Zone, with its manifest claiming it was carrying 2.5 tonnes. “But in my experience the truck can carry far more, so we made an official keep track of the truck for 10 days. When it came again to collect goods, we followed it and seized its load to check,” he said.

Traders also frequently avoid official crossings altogether. While Muse is the portal for official trade, the border between China and Myanmar is relatively porous. Boats make a short crossing when the border is a river, while trucks can use small roads, often located out of reach of government areas in conflict areas, to get around customs.

Perhaps most frustrating for U Tin Ye Win, though, is the difficulty of reaching the owners of the trucks and goods when smuggled goods are caught.

Most of the time customs agents are simply able to charge the drivers and labourers, never reaching the truck owners, trade financiers and ultimate beneficiaries. “In our country, if the laws were effective there would be no black market,” he said. “I don’t want to arrest 100 labourers to get 10 owners.”

Meanwhile, traders say the process of importing and exporting is not cheap. In addition to customs levies, there are a range of fees for the process. Truck drivers told The Myanmar Times they pay a K5000 fine for excess tonnage; there is also a K800 per tonne labour fee, while agents cost about K30,000 and are vital for receiving approval.

While U Tin Ye Win was reluctant to talk about the complicity of customs officials, it can also be a significant factor in illegal trade.

What's clear, though, is that Muse and Myanmar need to get better at taxing trade if they are going to generate more revenue from customs.

2.1 LOCAL RUBBER PRICE REMAINS UNCHANGED

Local rubber price has remained stable despite the appreciation in US dollar against the kyat.

“When the dollar is strong, rubber price in Myanmar tends to rise,” said U Khine Myint, secretary of Myanmar Rubber Planters and Producers Association. “But now, it does not increase or decrease significantly.”

International rubber price has also remained stable despite China, the world's top importer of rubber, purchasing less rubber in the international market.

“Previously, China bought large amount of rubber but now they buy only the required amount they need. Thus, international rubber price still remains at US\$1600 per tonne,” said U Khine Myint, said.

Currently, the price of rubber for one tonne of RSS3 type in international market is about US\$1600 and in local market, one pound of RSS3 type is Ks. 600 (US\$0.6).

Local rubber price has been decreasing for two consecutive years and local rubber producers are not making any profit. The money from rubber sale is only enough to pay wages for workers and costs of the plantation.

2.2 CALLS FOR GOVT TO PROP UP FAILING RICE MARKET

The government is contemplating stepping in to the rice market to prevent too much drop in price for the staple crop.

Rice prices have declined about 20 percent so far this year on international markets, but the local situation has been exasperated as China, Myanmar's largest rice export market, began preventing its important bilateral rice trade with Myanmar in late September.

Although the main harvest is still about a month away from beginning, farmers are worried they will face much lower prices than anticipated months ago when they planted the rice. Many invested in inputs like fertilizer and equipment anticipating a higher price than what the market currently commands.



The Myanmar Farmers Association said the government is planning to use a body called the National Rice Reserve Supervisory Committee to step in and buy stock in an attempt to maintain prices.

The committee is composed of officials from the Ministry of Commerce, the Myanmar Rice Federation and Central Cooperative Association, with support from the Myanmar Agri-business Public Company, according to a Myanmar Farmers Association press release issued November 3.

U Maung Aung, an adviser to the commerce ministry, said the committee was formed prior to the Farmers' Interests Promotions Bill, which passed on October 12, 2013. "We will buy rice through the National Rice Reserves Supervisory Committee. It will start soon and it will buy a lot of rice," he said. The farmers' interest bill allows for another method that could be used to purchase rice paddy, but it cannot be actively used until after a set of follow-up bylaws are issued, he added.

Farmers are keen to receive government support to halt the rice price plunge.

The MFA says the committee will buy rice at K350,000 per 100 baskets (about 2.05 tonnes), calculated to be just above the break-even point for many farmers.

However, farmers say rises in labour costs over the past year have squeezed margins and pushed production costs to just about that level, meaning farmers will barely be covering expenses at that price.

U Thein Aung, the chair of the Freedom Farmers' League, said, "The cost of harvesting alone is about K70,000, about double last year. Then we paid our workers K3500, and now it's K5000 per day."

The current market price of paddy is about K300,000 per 100 baskets, down from well over K400,000 per 100 baskets it fetched before the Chinese crackdown.

Chinese buyers, particularly in remote Yunnan Province, had been offering above-international market prices given the logistical challenge of shipping there. While most of Myanmar's exports had gone to Africa and the Middle East, over the last two years China had emerged as the largest export market. However, Chinese authorities, which considers the trade to be illegal but had been allowing the trade, began seizing shipments in late September, putting a halt to the trade, even as progress was being made to negotiated the necessary agreements to legalise the trade.

Farmers' woes have been compounded by heavy unseasonable rain, the result of a cyclone in the Bay of Bengal. "Many acres of paddy fields have been flooded. This year is a terribly hard time for farmers," said U Thein Aung.

Although rice insiders say it is important that prices are supported, some say it would be better to proceed with the bylaws already passed.



Myanmar Rice Federation executive member U Myo Thura Aye said he supports efforts to prop up rice prices, adding it would be better to wait for the Farmers' Interest Promotion Bill bylaws to be circulated first.

3.1 ROOM PRICES SPIKE WITH SUMMIT

A surge of visitors expected to arrive in the nation's capital for the coming ASEAN Summit has led some local hotels to double or triple the cost of their rooms.

While Nay Pyi Taw hotels are often quiet when there is no major event in town, this is set to change from November 11 to 13 when first the ASEAN Business and Investment Forum and then the ASEAN Summit take place in the city.

Not everyone supports some hotels' move to increase prices by a factor of two or three.

Shwe Hinthar hotel is similar to many in that it has more than doubled its room charges from November 7 to 17.

It normally charges US\$45 for foreigners and K40,000 for locals, but it is charging between \$100 and \$120 a night for the period, said an employee.

Even with the price raise Shwe Hinthar doesn't have a high vacancy rate, "so if customers want a room they should book in advance with our front office to be sure of a room," he said.

After November 17 the hotel will almost immediately lower its room cost, and is also considering a 20 percent discount on regular prices as a promotion.

Shwe Hinthar is not the only hotel planning a price increase.

Excel Capital hotel has also increased its prices, with normal rooms going from K35,000 to K50,000, while its higher-end rooms have risen from K42,000 to K70,000.

The price increase is particularly for the ASEAN summits, though it whether prices will decrease again after the summit is over is uncertain, said employee Ma Soe Thandar Tun.

Nay Pyi Taw attracts few tourists, mostly gathering visitors for meetings with government officials or for conventions, such as the ASEAN Summits.

High-profile guests such as US President Barack Obama are expected to attend this week's summit, though after the meetings end Nay Pyi Taw will likely have some difficulty attracting enough visitors to keep the city's hotels full.

Future leisure tourists will not be much affected by the price spike, according to U Hla Aye, managing director of Shan Yoma Travel and Tours Company.



“It depends on market demand, but the summit will not last the whole year, so prices will be down after its over,” he said. “Nay Pyi Taw hotel prices are generally lower than last year, even for package tours, because so many hotels are opening there.”

Union of Myanmar Travel Association joint secretary general U Tin Tun Aung said he advocated against too much of a price increase during the summit, as Nay Pyi Taw will be gradually developing in the future.

“Room prices will increase due to market demand, but it won’t be extreme because that would affect the image of our country,” he said.

Visitors should consider staying in Taungoo in Bago Region or Tatkon in Mandalay Region if Nay Pyi Taw hotels are too expensive, instead of paying the high prices, he added.

Not all hotels have increased prices.

Some have avoided doing so by request of the Ministry of Hotels and Tourism, as they will play host to ASEAN delegates.

Park Royal Hotel Nay Pyi Taw front office manager U Nyi Nyi Swe said the hotel has sold its rooms at its normal price of \$180 for a single room and \$220 for a double room.

“Our hotel is full with ASEAN delegates under a set price by the Ministry of Hotels and Tourism, and there’s no more vacancy,” he said.

Thingaha hotel Nay Pyi Taw has similarly not changed the prices of \$85 to \$95 it normally charges, as it has been fully booked by the ministry, an employee said.

[4.1 HIGH RENTS HOLDING BACK TELECOMS FIRMS, CLAIMS CEO](#)

Telecommunications companies are struggling to secure initial capital investment and cope with extortionate rents, said CEO Tun Thura Thet from Myanmar Information Technology (MIT) during an Asean business forum.

“Land and rental prices in Myanmar are higher than those in Silicon Valley in the United States. It is depends on the location. If an office is in midtown, the price is high. I am not blaming anyone, I am just saying the government needs to lower land prices to enable telecommunication companies to establish,” he said.

“The land prices are reasonable for the big companies but are a huge burden for small firms. The process for setting up companies needs to be easy. Other countries have a single window system making the process easy. When I inquired about the expense to hold the forum, I heard that it would cost Ks 1.5 million. It may be right,” Tun Thura Thet added.



“We want the process to be easier and accessible. A company can be set up within 15 minutes in Singapore at a cost of S\$200-300. It should be the same here. There may be some companies who can complete the process quicker. What I mean is to reduce the time and expense for the small companies,” he said.

The CEO added: “We need people to have universal access in remote areas like the Kachin and Mon states. We want mobile internet to be easy to access and cheap with coverage reaching remote areas. The companies sell SIM cards but their network is only in Yangon, Mandalay and Nay Pyi Taw. They need to expand the network to other areas. The speed of the internet depends on the technology they use for 3G or 4G networks. For example, if people could use a 3G network or make phone calls, imagine how much GDP would increase. If people use them, it is good for the country. We have to encourage telecoms firms to offer the internet. It could develop the whole country.”

4.2 SMES TOLD TO BRACE FOR ASEAN COMPETITION

Asean Business Advisory Council has suggested that it needs to promote the market competitiveness of the small- and medium-sized enterprises (SMEs) and regional integration.

Myanmar has laid down a plan to support its SMEs step by step.

Wai Phyo, vice president of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), said: “We have spent six months writing reports to be submitted to the leaders. All the reports are ready. The main focus is on SMEs and entrepreneurs. The next thing is about business leaders. There are many requirements for the SMEs.”

President Thein Sein said at the opening ceremony of Asean Business and Investment Summit: “To reduce the poverty rate and lessen the development gap within Asean remains a major challenge. The SMEs will play a major role in the establishment of the Asean Economic Community in 2015. It would help employment opportunities, socio-economic development by raising incomes, development in remote regions and narrow economic gaps.”

This year’s programme covered regional integration, the narrowing of development gaps and creating a healthy, competitive environment. Myanmar’s SMEs may face more competition in 2015 as the country had yet to systematically prepare in priority sectors, Wai Phyo added.

He said: “It needs financing as well as technology. The SMEs law has been passed. The bylaws are in the draft stage. Then, the next step is how to help the SMEs through a step-by-step method. We have opportunities as well as anxieties for 2015. It is natural. It would be a golden opportunity for well-prepared firms. SMEs that have not prepared may face tough competition. There will be many competitive sectors in Myanmar. Our country’s infrastructure is weak compared with other countries.”



Eric Alberto, executive vice chairman of Long Distance Telephone Company in the Philippines, said: “With the exception of heavy industries, SMEs are unready for regional integration. The SMEs have to target the local market only. The Philippines is not interested in the integration of SMEs within Asean.”

4.3 ANTI-CORRUPTION ZONE FOR THILAWA SEZ SOON

An agreement has been reached to set up an anti-corruption zone for the Thilawa Special Economic Zone during the meeting at the Asean Business and Investment Summit held on Thursday (Nov 13), according to U Set Aung, chairman of the Thilawa SEZ Management Committee.

"We will disclose more details about the anti-corruption zone later. It's officially signed. We will post the details online and a press statement will be released soon," said the chairman.

The summit discussed about the importance of the special economic zones that were established in the Asean countries. The zones are a driving force for economic development in Asean countries. Currently the Asean countries have around 300 SEZs and the Philippines alone has more than 200.

It also talked about possible investments in Myanmar. After exchanging views about the economic zones from both Asean perspective and EU perspective, an accord was reached to establish the anti-corruption zone at Thilawa SEZ.

"Some think that tax incentive will surely attract investors. I think that a favourable business climate is more preferable than the tax incentive," said U Set Aung.

One-stop service system is soon to be established for foreign investors to apply for licenses to set up a business at the Thilawa SEZ, according to an official. Currently more companies from Asia are planning to invest in the Thilawa SEZ.

4.4 CHINA TOPS INVESTOR LIST

China is the top investor in Myanmar so far this year, according to the Directorate of Investment and Company Administration.

Until the end of October, total foreign investments exceeded US\$50 billion, of which US\$40 billion is operating in the country.

Myanmar Investment Commission (MIC) is giving the green light to local and foreign companies in accordance with the Foreign Investment Law and the Myanmar Citizens



Investment Law. In so doing, the MIC has prioritized schemes that can create the most job opportunities for citizens.

A total of 30 countries are investing in the country. China stands first with \$14 billion (58 businesses); followed by Singapore with \$6.6 billion (106 businesses), Hong Kong with \$6.5 billion (73 businesses), with South Korea fourth and Thailand fifth.

In August, the MIC listed the businesses in which foreign investors can run joint ventures with local companies and the lists of firms that can run with a separate provision.

Foreign companies with the MIC's green light can get tax exemption and other allowances but alcohol and cigarette manufacturing and related services cannot be tax exempt.

4.5 JAPANESE GOVERNMENT PROVIDES ODA LOANS FOR DEVELOPMENT OF MYANMAR'S BASIC INFRASTRUCTURES

The Japanese government has pledged to provide ¥20 billion (nearly US\$250 million) to Myanmar in the form of official development assistance (ODA) loans for the development of basic infrastructure.

Target infrastructure projects will include the development of the Thilawa Special Economic Zone (SEZ) and a project to improve electric power distribution, according to Thilawa SEZ Management Committee.

The Japanese government handed over the ODA loans to Myanmar through the Japan International Cooperation Agency (JICA).

“Although Japan is directing the ODA loan toward the development of the Thilawa SEZ, this will include the basic infrastructure of the entire area surrounding the SEZ. Infrastructure projects will include a power plant project to be implemented by the Ministry of Electric Power and the construction of a jetty, which will be carried out by the Myanma Port Authority,” said Sett Aung, Chairman of Thilawa SEZ Management Committee.

“Basic infrastructures to be targeted by the loan also include electricity, road construction and water distribution projects. We will supply water not only to the Thilawa SEZ but also to the whole of Yangon. Generally, we expect that construction of these basic infrastructures will be finished by the end of 2015. Some construction will be completed in 2017 and 2018,” he added.

Sett Aung also said it will take Myanmar 40 years to repay the Japanese loans.

At present, the prospect of investing in Thilawa remains attractive to foreign companies. Sweden has recently invested in the SEZ, joining one company from United States as well as several companies from Taiwan, Hong Kong, Thailand, Singapore, China, Japan and Myanmar in



investing in the Thilawa SEZ. Companies from Japan, Myanmar and Taiwan make up a majority of the investments in the SEZ.

Plans to develop the Thilawa SEZ were first established by an MOU between nine Myanmar companies and consortium of Japanese companies including Mitsubishi, Marubeni and Sumimoto, signed on May 25, 2013.

Development of the first 400 hectares of the SEZ broke ground on October 29, 2013. The event was commemorated by the signing of a joint venture agreement between the Myanmar Thilawa Holdings Public Limited, the Thilawa SEZ Management Committee, and Myanmar Japan Thilawa Development Limited.

According the agreement, Myanmar retains 51 per cent of the shares in the SEZ, while Japan retains 49 per cent.

4.6 FOREIGN BUSINESSES INVITED TO INVEST IN MYANMAR'S SEZS

The Myanmar Investment Commission (MIC) invited international investors to work in Myanmar's three special economic zones – Thilawa, Dawei and Kyaukphyu – at the 11th Asean Business and Investment Summit on November 12.

Aung Naing Oo, the secretary of the commission said, “We are inviting investors who are interested in Thilawa to do business in Dawei and Kyaukphyu SEZs as well. Our priority is to attract manufacturers, but we would also like to invite foreign companies in the agriculture sector, as well as value-added businesses. Our first priority is labour-intensive industry, with value-added industry as the second. And our third priority is high-tech industry.”

For a foreign company to do business in Myanmar, its leaders must understand what category their company falls into because MIC distinguishes three kinds of investors. The first category simply has permission from MIC to invest. The second category has permission from the Commission of the Special Economic Zone in addition to MIC. Both categories grant investors the benefits prescribed in the Myanmar Foreign Investment Law. The third category is called “company incorporation,” which doesn't require permissions from either MIC or the SEZ Management Committee. This third category does not receive any benefits from the Myanmar Foreign Investment Law.

“For the first five years of investments or within five years of obtaining a foreign investment licence, tax relief and exemptions are applied. Importing items that are used for the operation of the business is tax-free,” the secretary said.

4.7 COMBINED FDI TO MYANMAR REACHED US\$49 BILLION

Myanmar's aggregate foreign investment has exceeded US\$49 billion, including over US\$3 billion approved in this year, according to the Directorate of Investment and Companies Administration.

The agency, which keeps track on foreign direct investment (FDI), the investment value as of September 30, 2014, rose by US\$3.68 billion from US\$46.22 billion as of March 31, 2014.

This year, investors from 17 foreign countries asked permissions to invest in Myanmar including China, Thailand, Singapore, Britain, Korea, Malaysia, the Netherlands, India, Japan, the Philippines, Canada, Libya, Brunei, Luxembourg, Sweden and Samoa.

Among the countries that sought investment permissions, Singapore made the highest investment value in Myanmar, followed by China, Thailand, Britain, the Netherlands and Canada.

Since the foreign investment law was effective, foreign countries have been allowed to invest in many business sectors such as energy, petroleum and natural gas, production, mining, transportation and communication, hotels and tourism, real estate, livestock and fisheries, agriculture, industrial zone, construction and other service sectors.

Among them, the energy sector sees the most foreign investment interest.

If foreign-based companies want to invest in Myanmar, they have to register their companies first at the Directorate of Investment and Companies Administration and then propose the Myanmar Investment Commission the type of business they want to invest in.

The Myanmar Investment Commission will approve the proposals and give permissions to the foreign companies based on the recommendation and scrutiny from related regional and state governments and related ministries and organisations.

4.8 SOUTH KOREAN GIANT PLANS MASSIVE FACTORIES

The TAEKWANG and Huchems Company Group, the biggest corporation from South Korea, says it is planning investment of US\$600 million to construct factories on 173 acres of land to produce business and consumer products in Thilawa special economic zone.

The company says it will create 500 jobs for locals. The construction of the factories will be started next year and is expected to take one year.

It is planning to manufacture chemicals and related products under the name of the Huchems Fine Chemical Corporation for hospital use, businesses and other consumer products to sell cheaply in Myanmar. The products will also be exported.



The Taekwang and Huchems group is planning to expand its investment into fertilizers, water pipes and a power plant factory in Myanmar. The factories will produce liquefied petroleum gas, edible oil, fertilizer, petroleum, and liquid chemicals. In the project, there will be 30 or 40 tanks, three warehouses and a wastewater treatment system.

The Taekwang and Huchems group said it would invest US\$100 million in Myanmar to set up a 85-acre shoe factory in an industrial zone near the Hanthawaddy International Airport in Bago.

4.9 PROMISING FUTURE FOR FDI INFLOWS

Myanmar stands to attract more foreign direct investment (FDI) in the years to come like other countries in the CLMV (Cambodia, Laos, Myanmar and Vietnam) group, thanks to the low wage cost which is attracting manufacturing firms aside from significant interest in the extractive industry and infrastructure, according to the Asean Investment Report 2013-2014.

Released on November 10 at the 4th Asean Investment Forum in Nay Pyi Taw, the report showed that FDI into Myanmar in 2013 rose to nearly twice the level of 2012, reaching US\$2.6 billion. As in the other Asean member states, these numbers exclude non-equity modes of investment such as contractual arrangements and concessions in infrastructure or mining activities.

Entitled "FDI Development and Regional Value Chains", the report showed that in 2013, Asean as a whole attracted US\$122 billion in FDI about on par with those to China, compared to \$114 billion in the previous year. Much of the future investment is expected to come from Asean companies, which seek to expand regional presence ahead of the Asean Economic Community (AEC).

“With the exception of the \$664 million invested by the United Kingdom in 2012, FDI flows in Myanmar have been dominated by Chinese investments since 2008. In 2013, however, Asean emerged as the largest investor, with large levels of investment from Singapore (\$655 million) and Thailand (\$494 million). Asean and China together contributed 75 per cent of all FDI in the country in 2013,” said the report, completed jointly by Asean Secretariat and UNCTAD Division on Investment and Enterprise (DIAE).

In the 2014-15 fiscal year, Myanmar authorities expected to attract up to \$5 billion in FDI.

While FDI inflows to Myanmar has been dominated by investments in infrastructure and extractive industry in oil, gas and mining activities, more is going to the manufacturing and sector sectors. Thanks to the Foreign Investment Law, FDI in manufacturing rose nearly seven-fold in 2013, to \$364 million from \$47 million in 2012, while FDI in oil and gas rose by 139 per cent to \$1.6 billion.

The low wage cost has also attracted labour-intensive operations and apparel companies.



These companies included Costic International, Honeys Garment Industry, Nadia Pacific Apparel, Manufacturer GFT Enterprise, JS Filter, Eurogate Sportsware, THY Garment, Shinsung Tongsang Inter, Korea Link Industrial and Mac Do. Some major Thai garment companies are also setting up operations in Myanmar because of the cost factor.

More foreign garment and shoe manufacturers received approval to set up operations in 2013. They included Melody Global and Sunny Shoes from Taiwan Province of China; SDI Manufacturing, Shanghai Donglong Feather Manufacture and Jiangsu Solamoda Garments based in China; and AMG Factory from Hong Kong (China).

This rapid rise in FDI to the country has itself been supported by inward investment.

For instance, the rush of foreign investors to the country has also led to a rapid rise in investment in real estate, hotels and tourism-related activities since 2012. Hoteliers such as Accor (France), Best Western (United States) and Marriott (United States) have invested in the country; beverages companies such as Carlsberg (Denmark), Heineken (Netherlands) and Thai Bev (Thailand) received approval in 2013 to set up operation.

More fundamentally, Malaysian and Singaporean companies are involved in building airports and other infrastructure; and the Toyo-Thai Corp completed the first phase of a gas power plant in 2013. In a similar vein, Japanese trading companies such as Mitsubishi, Marubeni and Sumitomo are involved in the construction and development of the Thilawa Special Economic Zone.

“In short, in only a few years, Myanmar has seen the arrival of a large number of foreign investors from all over the world. For instance by 2013, major companies such as GE (United States), Samsung (Republic of Korea), Unilever (United Kingdom/Netherlands), Canon (Japan), Hilton (United States), Heineken (Netherlands), Carlsberg (Denmark), Mazda (Japan), Ford (United States), Nissan (Japan), PepsiCo (United States) and BAT (United Kingdom) had already invested and started operations in the country.²² Companies such as Coca-Cola (United States) and Unilever (United Kingdom/Netherlands) have also announced significant investment plans over the next few years. More major trans-national companies are planning to invest in different industries in Myanmar,” the report said.

At the launch, Masataka Fujia, the department head of Investment Trends and Issues Branch under the Unctad, said that that FDI from Japan has been on the rise and investors from other countries have show interest in the Myanmar market.

"Some competition stays in the region to attract foreign investment. Myanmar will have to compete with other countries in the same region such as Cambodia, Vietnam and Thailand in the garment industry, for example," Dr. Masataka said

4.10 U THEIN SEIN PUSHES ECONOMIC TIES, DAWEI SUPPORT

President U Thein Sein looked to strengthen business ties with regional economic heavyweights at the 25th ASEAN Summit, including pushing for international support for an ambitious Dawei special economic zone plan.

The president discussed promoting measures for economic growth with his Japanese, Indian and Indonesian counterparts on the sidelines of the event, which was held November 12 to 13 in Nay Pyi Taw.

Progress was made on securing support from Japanese Prime Minister Shinzo Abe for the ambitious Dawei special economic zone, according to officials. Located in Tanintharyi Region, the zone is a joint Thai-Myanmar project, but has a troubled history to date.

Japanese assistance has been touted as a key to developing the project, which aims to provide an overland link from the Andaman Sea to Bangkok and the Gulf of Thailand.

"The Japanese government promised they will assist, and President U Thein Sein called on the Japanese government to invest in the Dawei deep sea port to promote the development of ASEAN," said deputy information minister U Pite Htwe.

Other cooperation with Japan was agreed to in areas like small business support, building up electricity distribution and reforming Yangon's transportation.

U Thein Sein also met with Indian Prime Minister Narendra Modi, promoting investment in the domestic industrial sector and the Dawei and Kyaukphyu special economic zones, as well as promoting trade volumes along the shared border. Meetings with senior Indonesian and Russian leaders were also aimed at promoting economic ties.

Deputy foreign affairs minister U Than Kyaw said it is crucial for Myanmar to enhance and extend its economic ties with the East Asia region in particular.