WEEKLY NEWSLETTER (MYANMAR)

28Mar2015 to 03Apr2015

1.1 TRADE WITH THAILAND STRONG DESPITE CLOSURES

A Low-intensity conflict in areas of Kayin State has not reduced bilateral trade, with the latest Ministry of Commerce figures showing a recent upsurge in commerce with nearby Thailand.

The trading gates including the Myawaddy crossing are periodically shut by either side. Most recently, The Bangkok Post last week said, Myanmar soldiers closed ports on the Moei river in retaliation for tightened oil transport control on the Thai side, though the main bridge crossing remain opened.

The closure lasted only about a day, though, before commerce was restarted.

Previous closures, such as some in 2011, lasted much longer, more severely affecting trade volumes and leading to more complaints from traders.

Ministry of Commerce sources have also said previously that some armed ethnic groups are involved in trade, allowing for transport to cross the border at points they control in return for a fee.

U Khin Zaw Oo, a resident of Myawaddy border town and well-known local writer, said trade seems to be consistent except on the odd occasion the border is closed.

“There are some conflicts and the gates close temporarily, but this hasn’t had a large impact on trade so far,” he said.

U Khin Zaw Oo added the closing border can be a larger problem for visitors hoping to pass through.

Even with the difficulties, official figures show an increase in cross-border commerce with Thailand.

Ministry of Commerce figures show border trade between the two countries totalled US$800 million in 2014-15 fiscal year, an increase of about one-third on 2013-14 figures of about $600 million. Myanmar exports far less than it imports, having shipped $179 million worth of goods to Thailand in the fiscal year ending yesterday.

U Win Myint, director of the ministry’s Trade Promotion Department, said that while trade is increasing, there is still a large problem with illegal commerce.

“We have found that trade is increasing, but the situation [of illegal trade] is not getting better,” said U Win Myint. “We find more illegal trade and some trade participants avoid paying tax.”

Ministry of Commerce adviser U Maung Aung said Thailand’s official statistics show trade is about nine times larger than Myanmar’s statistics show, indicating Myanmar needs to do more to control illegal trade.

There are also 19 official border gates in Thailand, but only four in Myanmar connecting with its eastern neighbor – Myawaddy in Kayin State, Myeik and Kawthaung in Tanintharyi Region, and Tachileik in Shan State.

There are also a number of unofficial routes between the two countries, as much of the border area is sparsely inhabited – or observed by authorities.

Thousands of tonnes of agricultural products, particularly rubber, are thought to be illegally shipped to Thailand.

In return, unregulated products, including some unsafe foods and drugs, enter without barriers.

“The figures from the two sides are different every year,” he said. U Maung Aung added there are plans such as increasing the number of legal border crossings to increase legitimate commerce.

A route to the Thai border will be opened at Phayathonesu in Kayin State, while another gate will be opened in Kayah State.

In addition, a new road to the Myawaddy crossing will be opened in the next few months which will significantly decrease transportation time to as little as 45 minutes. It can currently take half a day to make the trip.

“Trade with the Thai border will hopefully increase to be as much as border trade with China after all the plans have finished,” he said. China is by far the largest source of overland trade with Myanmar, constituting about 80pc of the total, while Thailand is next at 15pc.

Ministry of Commerce director U Win Myint said the Myawaddy crossing will also be equipped with X-ray machines and scales in a bid to decrease the amount of time it takes to check out cargo. He said it could be decreased to as little as 15 minutes, from the current norm of two to three hours, assuming 650 trucks crossing a day.

2.1 THAKETA BRIDGE KEEPS PROPERTY BUOYANT

The property market in Thaketa township, to the east of downtown Yangon, has received a bump in interest from a planned bridge expansion to the area.

While much of the Yangon real estate market has been quiet, Thaketa is opening up as transportation links improve, experts said.

“Lots of people are moving to the township because transportation is improving,” said U Mya Aung, a local real estate agent. “Thaketa’s property is cheap and close to downtown – it’s a 30-minute drive.”

The township had previously been home to a relatively quiet property market, partly due to poor transport links with downtown – though this will be partially eased as one of the main bridges to the area is replaced.

The Thaketa Bridge, a two-land road stretching 284 metres, was initially built in 1966 to provide access across Pazundaung Creek. The Japan International Cooperation Agency (JICA) announced a memorandum of understanding in 2014 for funding of 4.216 billion yen (US$35 million) to replace the structure with a new four-lane bridge.

In the 2014 announcement, JICA said the bridge handled about 29,000 vehicles a day in 2013, adding there was chronic congestion as there is only one lane in each direction. It also pointed out that the bridge is a key transit point to Thilawa Special Economic Zone, which is to the southeast of Thaketa.

The bridge plans may have been the single biggest factor propelling the local property market, but agents say it is far from being the only one.

Thaketa is notorious for flooding from nearby Pazundaung creek during the rainy season. U Mya Aung said usually up to 80pc of the streets are flooded in the rainy season, slowing transportation.

After 2010, the roads began to be improved, mitigating the flooding problems, and combined with plans to upgrade the bridge, has resulted in increasing interest for the area.

Local resident U Thura Zaw said he has noticed a significant pick-up in business in the last year, following the bridge announcement.

After the new bridge is built, Thaketa will be more accessible and it will be easier for transportation without traffic problems.

Daw Thandar Swe has lived in the township since 1960. Initially there was no bridge at all over Pazundaung creek, separating the township from Yangon city. The initial 1966 bridge caused rising prices at the time, a situation replicated with the 2014 bridge announcement, she said.

"When Thaketa township was first settled, transportation was difficult, and we could not go downtown easily even though it's not far away, because of the Pazundaung creek," she said.

"But the bridge was built, transportation improved, prices got higher and many people moved in."

A contractor said that like the rest of Yangon, interest in Thaketa increased beginning in 2012. Now, modern apartments are a common sight in what was formerly a quiet area, though prices so far have stayed below other suburban townships.

"Now Thaketa has become very prosperous and it seems just like downtown on the main streets," he said. "Property on the main roads has become very expensive and shops can get a lot of the market."

Thaketa township comprises 19 wards and share borders with Dawbon township in the south, Bago River in the east and Thingangyun township in the north and west.

2.2 YCDC PROMISES 45-DAY WAIT FOR LICENCES

Yangon City Development Committee has pledged to lower the wait time for applying for contractor licences from months to weeks, partly as the number of applicants decreases.

"We were receiving between 80 to 100 contractor applications for licences every month, but the number is now decreasing," YCDC deputy head of building department U Nay Win said.

"Now we receive about 20 licence applications a month, and arrange an interview before we give permission to them." Previously the department had been too busy to regularly hold interviews, meaning as few as four a month were held.

Would-be contractors must sit through an interview with YCDC officials to discuss their education, experience, ownership and citizenship in order to receive a licence. Each licensed contractor is allowed to build 15 buildings in total over the length of the licence, he said.

"If a contractor applies for a licence, we will try to get it to them in 45 days."

The number of applicants for contractor licences shot up in 2011, as the construction industry started to boom. Recently, interest in the licences has waned, which U Nay Win said is caused by a few factors.

YCDC has changed the amount contractors must deposit for licences from K10 million (US$9670), to K50 million which has priced some would-be entrants out of the market.

Existing contractors were required to add in the additional K40 million with the rule change, though some contractors avoided paying.

"Some were absent [with payment], so we restricted the list by cancelling the licences of the absent contractors," he said. "Others added K40 million to their deposits as the construction industry started to boom and lots of new buildings went up, meaning contractors needed an official licence."

U Nay Win added there are other reasons fewer businesspeople want to enter the contracting business.

"The dreary state of the construction industry may be another reason for the decrease in licence applicants," he said. "Another may be that there are already enough contractors in the industry."

Contractors said they welcomed the move to speed up licensing, as it previously has taken significant amounts of time.

U Yan Aung, general manager of Asia Construction, said his firm applied for a licence in June 2014 and received it that September – a three-month wait.

While the firm had to deposit K50 million for a contractor licence fee when it first received the licence, it initially had to pay an additional annual fee of K200,000. This fee has since been increased and another fee added to bring the total to about K1.5 million, he said.

"We are now paying more charges for annual fees, as it has been increase from K200,000 to K500,000," he said. "They have also added another fee for registration – K1 million – so we are now paying around K1.5 million a year."

Receiving contractor licences requires a large amount of money, though when the construction industry was quiet, contractor licences were easy to get, he said.

"Many contractors entered into the industry – both legally and illegally – because construction became so popular, and then YCDC began scrutinising contractor applicants more closely on a step-by-step basis.

"The increase scrutiny is good for the construction field. But the increase of deposits and annual charges is causing more difficulties for contractors," he said.

Other contractors have also criticised some of the engineers used for inspection as having little experience, often being freshly graduated, which causes delays for some projects.

2.3 UPGRADES NEEDED IF NAY PYI TAW IS TO DEVELOP AS A TOURISM DESTINATION

The Ministry of Hotels and Tourism has announced a number of moves designed to promote Nay Pyi Taw as a tourist destination, but industry insiders say there is a ways to go before the capital attracting many holidaymakers.

Initiatives are targeted at promoting the capital as a destination for MICE – Meetings, Incentives, Conferences and Exhibitions – as well as a place to visit independently, a press statement said.

Nay Pyi Taw underwent a hotel build in the lead-up to the city's role as host of most large ASEAN events last year. With with the rotating chair now moved on to Malaysia, some of the facilities are now significantly underutilised.

Daw Khin Than Win, a director of the Tourism Promotion and International Relationship Department, said the government wants to make full use of the infrastructure that has been developed in Nay Pyi Taw, including its two convention centres and multiple hotels.

“We are planning excursions for tour operators, and we hope they will distribute knowledge and information about Nay Pyi Taw,” she said. The ministry is also planning other promotional events and golf tournaments to raise awareness of the location.

Minister for Hotels and Tourism U Htay Aung said in the announcement the city has its strong points.

“There are two International Convention Centres and [many] hotel chains operating here. The infrastructure is in place, such as sufficient electric power, good internet access and communications, no traffic congestion and attractive MICE package rates,” he said.

Tourists have so far overwhelming used Yangon as the main point of entry by air. In 2013, Ministry of Hotels and Tourism statistics show 817,699 arrivals at Yangon, about 80 times the 11,842 people entering through Nay Pyi Taw.

Connections to the capital by air have been lacking, though airlines including Apex, FMI Air and Air KBZ are working to increase connections to the city.

Air KBZ is planning to begin Mandalay to Nay Pyi Taw flights.

International carriers have a mixed record flying to the city, with some ending connections to the generally underused Naypyidaw International Airport. Bangkok Airways currently flies between Thailand’s and Myanmar’s capitals five times a week.

Some tourism professionals have questioned the plan to promote Nay Pyi Taw as a tourism hub.

Ma Kay Khine, owner of Caravan Myanmar Travels and Tours, said there are few tourism destinations in the city’s vicinity, adding those that do exist such as the Naypyidaw Safari Park and Water Fountain Garden are not particularly exciting.

“International audiences are not interested in Nay Pyi Taw. Even the locals aren’t interested now,” she said. “But if they can make more attractive places like eco-trips to the nearby forests and Ngalike dam, tourists will be interested.”

She added people like to attend events, forums and seminars, but they appreciate other facilities to liven up their trips.

U Phyoe Wai Yar Zaw, chair of Myanmar Marketing Committee and Managing Director of All Asia Exclusive Travel Company, said it will take a partnership between public and private enterprise to building Nay Pyi Taw into a successful MICE destination.

“Rome was not built in a day,” he said. “We need to work harder if we really want Nay Pyi Taw to be a MICE destination.”

While the hotels and convention centres are there, a number of products need to be built, including fine dining options, bars, and even entertainment such as go-karts to give business visitors a chance to network and relax in off-hours.

"Meeting facilities alone cannot ensure a successful destination. There is a need to create activities for business people," he said.

3.1 FIVE PSCS SIGNED THIS WEEK AS PROCESS NEARS ITS END

Five more Production Sharing Contracts have been signed so far this week between Myanma Oil and Gas Enterprise and international companies.

The Production Sharing Contracts must be signed before exploration and production at Myanmar onshore and offshore energy blocks can begin, after a number of blocks were auctioned off in 2013.

The agreements had been repeatedly delayed for the offshore blocks until December, when the international companies and Myanma Oil and Gas Enterprise began to sign them.

The signing ceremony for shallow water block M-15 was held in March 30 in Nay Pyi Taw, with Australia's Transcontinental Group and Canadian Foresight Group taking over control of the block. Italian firm Eni and Reliance Industries from India signed contracts for two deepwater blocks MD-2 and MD-4 and shallow water blocks M-17 and M-18 the following day.

The M-15 block won by Transcontinental Group and Canadian Foresight was among the most sought-after in the 2013 bidding round due partially to its proximity to other successful sites.

Canadian Foresight will take an 80pc interest in M-15, while Transcontinental and its local partner Century will take 10pc each. Century is a subsidiary of Kaung Myanmar Aung Group of Companies, which is a well-known local business conglomerate.

The M-15 block is located in the Andaman Sea, covering an area of 13,480 square kilometres, close to the Yetagun gas field. The operators are likely to start their seismic searches soon.

An official from the Ministry of Energy said the operators will invest US$125.25 million in a one-year study and six-year exploration period.

"And there is a $5.1 million signature bonus and another $350,000 data fee for M015 which will be received once they begin exploration," he said.

other international companies signing its Production Sharing Contract this week have also committed to significant multi-million dollar investments.

Italian state-owned Eni and partner Petrovietnam are to invest $402.25 million in deepwater blocks MD-2 and MD-4.

Myanma Oil and Gas Enterprise will receive a $25.4 million signature bonus and $1 million data fee for block MD-4.

Eni is the operator of both MD-2 and MD-4 with a 80pc stake, and the rest of the share going to Petrovietnam. In deepwater blocks, the international companies are not required to have local partners.

MD-2 is located in Rakhine offshore covering 10,330 sq km and MD-4 is in Moattma offshore covering 5900 sq km.

"Today we became one of the largest operators in exploration activities in Myanmar, taking a further step in our organic growth strategy in Southeast Asia, where we are already in China, Vietnam and Indonesia," said Eni chief executive officer Claudio Descalzi in a statement.

the Italian company has already signed two Production Sharing Contracts for onshore blocks last year, won during a separate 2013 onshore bidding round.

Separately, India's Reliance Industries signed its contracts for offshore blocks M-17 and M-18 on March 31. The firm will hold 96pc of the blocks with the rest taken by local partner United National Resources Development Services.

The two shallow water blocks are located in Tanintharyi offshore area, covering a total area of 27,600 sq km, according to the company's press release.

"Reliance will invest $189 million over seven years, besides paying $17 million for a signature bonus and $1 million data fee for the two blocks," said the Ministry of Energy official.

Signings for the offshore Production Sharing Contracts have been ongoing between Myanma Oil and Gas Enterprise and international companies since December 2014, though the process has taken longer than many observers initially expected.

The last two contracts left to sign are with Australia's ROC Oil and Tap Oil for block M-7, and a contract with Norway's Statoil and US-based ConocoPhillips for AD-10.

Government officials said previously they hope to have all the contracts signed by the start of Thingyan.

The next step in most cases is for the energy firms to begin their Environmental and Social Impact Assessments.

3.2 GREY SKIES FOR NATURAL GAS PRICES

Income from natural gas exports could decrease by US$1.5 million a day as an international price slide hits home, according to a senior official from the Ministry of Energy (MOE).

Gas prices have not experienced the same sudden drop as crude oil, with benchmark Brent crude falling to US$56.41 per barrel yesterday, down half in about nine months. Still, natural gas has declined on international markets, from about $4 per million British thermal units (MMBTU) nine months ago to $2.60 yesterday.

Myanmar is one of the area's largest exporters of natural gas, with an estimated 70 percent of its output pumped to Thailand. It is also the country's largest export commodity, proving a crucial revenue driver for national coffers.

While gas traded at $2.60 on international markets, the way local contracts are structured and transportation is calculated means the price is much higher from domestic production – though still on the decline.

Myanmar adjusts its gas prices on a quarterly basis, using regional prices as a reference.

The price of gas exports was $11.7321 per MMBTU in the third quarter, dropping to $11.6516 in last quarter of 2014, according to data from the Ministry of Energy's Energy Planning Department. It has now dropped to $10.90 and likely to drop further, a MOGE official said.

These prices include transportation costs. Wellhead prices, which do not include transportation, are closer to $7 per MMBTU for Yadana, Yetagun and Zawtika, which are primarily oriented toward Thai exports. Shwe Gas, which exports to China, has somewhat higher wellhead prices. "The income from gas exports will decrease by $1.5 million a day," he said.

Natural gas has been a significant growth driver for the economy.

The country is currently producing more than 2 billion cubic feet per day of natural gas, of which about 90pc is shipped to Thailand or China.

Local experts say natural gas is crucial for the domestic economy.

"Natural gas represents around 30 or 35pc of our country's total revenue, and it's been at that level for many years," said U Kyaw Kyaw Hlaing, chief executive officer of Smart Group of Companies. He added the decline in gas prices will impact the economy to an extent, particularly as the foreign-currency earnings are important to balance the economy.

U Kyaw Kyaw Hlaing also cautioned against comparing local prices and international prices for gas, saying with the different price structures it is difficult to compare like to like.

"The price for gas exports depends only on contracts," he said. "Both buyers and exporters agree how much to take and how much to supply. There is also compensation if they fail in the sales agreement."

The Asian Development Bank noted last week that receipts for natural gas exports had expanded to $2.1 billion in the first half of 2014, representing a $400 million rise.

Natural gas is becoming a key driver of the country's export growth, but its success brings new challenges, the World Bank said in a November 2014 report.

Myanmar has large proven reserves of 23 trillion cubic feet, equivalent to 46 years of current production – and the sector is the main destination for foreign direct investment.

Along with other resource industries, they are highly capital-intensive, and their growth is not likely to contribute to poverty reduction unless revenue proceeds from the sector promote growth in labour-intensive sectors and assist other programs.

"In addition, world prices for commodities are generally much more volatile than manufacturers. This may create a risk of macroeconomic volatility to the extent the one commodity, in this case, natural gas, dominates," the November report said.

There are currently four large offshore projects in the production stage – Yadana, Yetagun, Shwe and Zawtika. All are primarily oriented at export, though some of the production is aimed at meeting local needs.

Currently Yadana, operated by French giant Total, is the largest export of gas, at about 720 million cubic feet per day (MMCFD). Next is Petronas-led Yetagun field and PTTEP's Zawtika at about 580 MMCFD, followed by Daewoo's Shwe Gas at 400 MMCFD.

There is also some onshore production, though it is much less significant than the roughly 2 billion cubic feet per day produced by the four offshore platforms.

An official said the various owners of the platforms benefit in proportion to their ownership – Myanma Oil and Gas Enterprise has production sharing rights of 15pc in Yadana, 20.45pc in Yetagun, 15pc in Shwe and 20pc in Zawtika.

While Shwe and Zawtika only started in 2013 and 2014 respectively, Yadana and Yetagun have been large historical revenue generators, beginning in 1998 and 2000, the Myanma Oil and Gas Enterprise official said.

He added the Yadana project generated $1.7 billion from exports and $370 million from domestic supply in 2013, the same year Yetagun generated $1.7 billion.

While most of the gas has been for export, local industries and state-owned factories are able to purchase some. Private businesses pay $7 per MMBTU while state-owned factories pay $5 per MMBTU.

Parami Energy chief executive officer Ken Tun said that of course Myanmar suffers with the reduction in price.

He recommended changes in three areas to help reverse the situation. Sales of subsidised natural gas distort price exploration, and ending the subsidised sales could make it more obvious which industries are successful.

Another possibility is renegotiating contracts with offtakers to improve the domestic economy, and a third is volumes may increase with more production expected in a few years' time, overcoming the price downturn.

The government has also been attempting to bring in more interest to Myanmar's oil and gas sector. It held a high-profile tender in 2013 for offshore and onshore blocks, with 14 onshore Production Sharing Contracts now signed and two more to go, while 13 offshore Production Sharing Contracts have been signed with firms including super majors Chevron, Shell and Total.

4.1 EVERYDAY PEOPLE FEAR INFLATION WITH BUDGET

Economists and everyday people say they are concerned about rising prices resulting from a large planned civil servant salary increase, as members of parliament spoke in favour of planned pay raises during parliamentary sessions on March 26.

The large increase planned for civil servants may fuel rising consumer prices, which are already increasing partly due to kyat depreciation against the US dollar – the currency in which many imports are denominated.

Experts have said the planned salary increase for civil servants risks increasing the amount of money in circulation, fueling inflation further.

"To some extent, increasing salaries will be a benefit for civil servants, but it will also increase the inflation rate and then commodity prices will rise," said economist U Khin Maung Nyo.

The plan revealed on March 26 calls for minimum civil servant salaries to increase from K75,000 to K120,000 per month (US$72.50 to $121). The maximum salaries will double from K250,000 to K500,000.

Salary increases are expected for some 2 million government employees, from teachers to postal clerks to senior officials such as director generals and also members of the armed forces.

independent experts have said inflation is likely to increase in the next year, partly on the back of the plan to increase public salaries.

The Asian Development Bank last week said current inflation of about 6 percent compared year-on-year is likely to increase to about 8.4pc in the coming fiscal year.

Some local people also say they are aware of the debate, questioning why government workers may receive salary bumps that result in hardships for others. “We worry that the basic price of commodities will increase,” said taxi driver Ko Maung Hla. “We are already living a hand-to-mouth existence. We can’t find extra money for increasing prices of basic commodities.”

Roadside vendor Daw Tin Win said it is hard for local people to make ends meet. “I don’t understand why the government raises civil servant salaries frequently, because after increasing salaries, commodity prices are on the rise,” she said.

Those that stand to benefit directly say they support the increase.

Primary school teacher Ma Ei Thandar Win said it good news for educational professionals. “Maybe commodity prices will increase a little, but I don’t think it will be by that much,” she said. “Increasing salaries is better than not increasing them.”

4.2 PRIVATE SECTOR NOT READY FOR 2015 ECONOMIC AREA

The country’s reforms are continuing and the economy is being opened to the world, but it may be too early for integration into the ASEAN Economic Community, according to experts.

While the community is to begin at the end of 2015, Myanmar, Cambodia, Laos and Vietnam are not required to meet all the standards for removing barriers to trade until 2018.

Proponents of the ASEAN Economic Community say it presents the best opportunity for member states for the 10 ASEAN member states to integrate their economies, presenting a more favourable environment for domestic and foreign investment at home, and expanding market presence abroad.

Yet local businesses may not be ready to compete with an expected flood of tariff-free imports that will come as Myanmar drops its trade barriers.

“Myanmar said its readiness level to join the ASEAN Economic Community is at 82 percent,” said U Thint Swe, a businessperson and representative of business association UMFCCI.

“Maybe it is [ready] on the government side, but the private side is not ready for the community. We businessmen are at the stage of selling raw materials, and we still cannot produce finished goods,” he said during a speech earlier this week held at UMFCCI’s Yangon headquarters.

A number of issues beset the economy. Infrastructure is poor, while a lack of human resources also hampers growth, exacerbated by a brain-drain to neighbouring countries with higher wages.

“Local private sector players still lack experience and technology to compete with regional companies,” said U Thint Swe.

Most sectors of the local economy lag that of neighbouring countries, after decades of isolation, internal conflicts and economic hardship under military rule. A lack of knowledge about the ASEAN Economic Community may also hamper the ability of local firms to take advantage of more opportunities.

"The private sector knows little about the AEC," said U Moe Myint Kyaw, general secretary of UMFCCI. "The government side is preparing, but the private sector sees it as a threat. What is more, the private sector is not yet ready for the community."

U Kyaw Soe Thein, retired director from the Ministry of National Planning and Economic Development, said there is no need to be afraid of the Economic Community, though businesspeople keep raising protectionism.

"The private sector is the main sector. Without including the private sector we can't get to the ASEAN Economic Community," he said.

"We have a great deal of difficulty in areas like technology and skilled labour, but it can be overcome."

4.3 MORE PEOPLE TO TAKE PART IN FINANCE

The government intends to raise by one-third the number of people with access to financial services, the Ministry of Finance announced on April 1.

Union Finance Minister U Win Shein said the proportion of adults with access to such services would be raised to between 30 percent and 40pc over the next six years.

The minister was speaking at a ceremony to launch the Financial Inclusion Roadmap at Nay Pyi Taw's International Convention Centre. He added that efforts would also be made to raise the number of people using more than one financial service between 6pc and 15pc.

The roadmap was developed with the collaboration of the UNDP and the UNCDF. Her Majesty Queen Máxima of the Netherlands, the UN secretary-general's special advocate for inclusive finance for development, attended the official launch.

"The intention is to promote access to safe and affordable financial services," she told participants.

Queen Máxima said most people had access only to illegal financial services, citing her visit to Myaungdakar village in Hmawbi township, Yangon Region.

She said women had mobile phones but no bank account, adding that improved access to financial services would aid the country's development.

U Maung Maung Thein, deputy minister of finance, told The Myanmar Times that the ministry would seek an improvement in qualified and legal financial services by establishing a steering committee. “We will ensure stronger financial institutions, first by enhancing the strength of the banks and second by strengthening the financial markets,” he said.

He said the ministry would develop the agricultural, livestock and fisheries sectors and SMEs, and create opportunities for lower-income families to raise their income.

U Maung Maung Thein defended the monthly 2.5pc interest rate set by microfinance institutions.

“They have to go to rural areas to lend, so they face extra expense,” he said. “Muhammad Yunus, who founded microfinance and was awarded the Nobel Prize, said the rate set by our microfinance institutions was at a suitable level,” he said.

4.4 FLOW TO START ON LEGAL WINE IMPORTS

Wine importers are preparing for the restart of legal flows of foreign tipple after the government unveiled a procedure to allow imports.

The Ministry of Commerce issued a notification in mid-March that they will give permission on wine imports, and potential importers say they are now wading through the paperwork to allow them to begin legal imports for the first time.

“The change in policies depended on market demand and the increasing number of foreigners,” said ministry director general U Min Min.

Imports of wine and other alcohols have long been illegal, though authorities previously had largely turned a blind eye. This situation lasted until December 2013, when a crackdown began on importers using loopholes to bring liquor into the country.

The Ministry of Commerce promised to legalise alcohol imports, though after more than a year passed with no new rules, some prominent firms pulled all foreign alcohol from their shelves early in 2015.

While wine is the first to be allowed in by the ministry, it has plans to adjust its policies for other kinds of alcohol in the future based on market demand – though as yet no official notice on other forms of alcohol has been released.

U Min Min said wine carries with it a certain social cachet, which led to it being the first liquor to be legally allowed in.

“As wine is a symbol at formal and informal events, and while ASEAN countries allow the products in officially, and it’s tough to get high-quality, locally produced wine. These are the main reasons to lessen the restrictions,” he said.

importers must have company registration, trading licences and an official deal with the company from which they are importing, said U Min Min.

Imports must first apply for an import licence, then ink contracts with foreign wine suppliers, before applying for licences from the Ministry of Commerce General Administration Department.

Hotels and duty-free shops enjoy a loophole allowing them to import wine. This has been kept going under recommendation from the Ministry of Hotels and Tourism, but supply from the hotels and duty free shops is not large enough to meet the growing market demand.

U Min Min said the new requirements are aimed at making sure importers pay proper taxes as well as preventing illegal trade.

A statement from business association UMFCCI on March 23 said wine importers must make sure each bottle has the proper label proving taxes are paid, that the ingredients are listed in English, that the wine is imported only by air or sea, and the labels showing the country of origin.

The government is expected to set up further policies on wine imports and consumption such as only allow certain qualities and limiting imported wine's age, the statement said.

The Ministry of Commerce has not yet approved applications for importers, as the firms are still preparing their documents to begin legal imports, according to ministry Trade Promotion Department director U Win Myint.

"They need to have sufficient documents and registration for their official imports," he said.

Retailers yesterday said they welcomed the new policies.

The importing rules will not be too difficult for importers or local retailers over the short term, though the issue of tax labels may be a problem, said U Aung Naing Myint, executive officer from the Myanmar Retailers Association.

The associations has heard feedback that it can be difficult to obtain some tax labels from the Internal Revenue Department. The labels are affixed over the cap or top of a wine bottle, ideally so it must be broken when the wine bottle is opened and cannot be re-used.

The quantity of the labels must be assured, he said.

"If they can't get ensure a supply a labels to the importers, importers will not be able to distribute wine to the market even though the wine has been legally imported," he said.

While legally imported products will obviously be more expensive than unofficial imports, as official imports are paying taxes and other fees, customers will be assured the products they are purchasing are genuine, said U Aung Naing Myint.

The Union Tax Law for the 2015-16 fiscal year has raised the commercial tax on wine to 60pc from 50pc starting April 1.

Daw Hla Hla Min, general manager of Mingalar Thiri Hotel in Nay Pyi Taw, said she welcomed the ministry's move, adding it is a good sign for the catering industry and customers, as hotels currently face complaints from customers if they are unable to produce supply.

"We can provide an assortment of items, as much as customers want for official imports, but I think it will be a little pricey because of the taxes," she said.

City Mart, the country's most prominent supermarket chain, is preparing to follow the new regulations for wine imports according to the Ministry of Commerce's announcement, marketing director Daw May Zin Soe Htet said.

"I don't know the reality of the difficulties in following the regulations as this is still a very early stage," she said.

"We are still preparing for the licence requirements, and we have not yet applied to officially begin wine imports."

4.5 VISA OPENS UP OFFICE TO PROMOTE SERVICES

Visa Payment Technology company has opened a Yangon office to extend their network with more services with their partner domestic banks, country manager Hiro Taylor told a press briefing yesterday.

The company plans to operate online payments for e-commerce with their partner banks alongside their Auto Teller Machines and other electronic payment means, he said.

"A channel we are trying to grow is e-commerce, which would enable cardholders to buy air tickets or book hotel rooms online," he said.

The company came to Myanmar in mid-2012 and is now working with eight domestic banks providing five pre-paid programs, with 1800 merchants and 1150 ATMs. Transaction volume has increased to US$160 million, especially from foreign tourists, since the company arrived here, the fastest progress worldwide, he said.

"We've spent a lot of time working with the banks, developing and laying the foundations for a financial infrastructure over the past two years. We think this growth is tremendous," he said.

"Our big mission in Myanmar is to transform reliance on physical currency to electronic card payments," he said, which would be faster, cheaper and easier for consumers and companies.

4.6 CDSG, MITSUBISHI IN $200M TIE-UP

Local conglomerate Capital Diamond Star Group and Japan's Mitsubishi Corporation will form a joint venture for food manufacturing and distribution, according to a press release.

The new joint venture, called Lluvia Limited, aims to invest US$200 million over the next three years in new and existing businesses in Myanmar's food value chain, and eventually compete on a regional scale.

"Lluvia aims to expand aggressively in the region and aims to be one of Myanmar's first homegrown regional companies with a view toward being one of the leading food companies in Asia," the press release said.

The venture will be formed out of Capital Diamond's existing businesses in brands including Premier milk powder, Premier coffee, Tea Master tea mix, and Blue Rocket and Diamond Star wheat flour.

Lluvia will work closely with farmers to facilitate access to capital and enhance farming techniques through knowledge transfer with Mitsubishi Corporation on the upstream side, while also improving food safety and reducing Myanmar's reliance on imports on the downstream side.

Capital Diamond Star Group is headed by Myanmar entrepreneur U Ko Ko Gyi.

The firm also has businesses in agricultural commodity trading, fertilizer and retail, including the Capital Hypermart and Grab and Go convenience stores, as well as construction project such as the Myaynigone flyover, which had a soft-launch on March 27.

Mitsubishi is one of Japan's largest companies, claiming a long history in food businesses from raw material sourcing to the distribution and retail end.

The two firms are expected to release more information on the agreement at a press conference later this week.

The food business looks set to become increasingly competitive, as a number of foreign companies are entering and local firms planning to expand.

Last September, Swiss giant Nestlé announced it plans to begin making its 3-in-1 coffee products at a Yangon-area factory, making an initial $25 million investment, with further spends to come.

Other household names like Coca-Cola and Pepsi have expanded their reach inside the country, while brewers Carlsberg and Heineken are also to launch local beer production.