

WEEKLY NEWSLETTER (MYANMAR)
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2.1 SCCP TO INVEST IN THREE-STAR HOTEL PROJECT

Singapore-based SCCP Lakeside Co will invest in a three-star hotel project in Hlaing Township in Yangon.

Myanmar Investment Commission (MIC) gave the green light to the company on April 10, after approval by respective regional and government ministries.

At the meeting, the MIC also granted approval for a 14-storey hotel project which will be run under the Myanmar Citizen Investment Law.

The year 2014 has seen a steady inflow of foreign investment in Myanmar's manufacturing and garment industry as well as hotels and tourism.

The Ministry of Hotels and Tourism has counted 26 new hotel projects being initiated with foreign investment, providing an additional 3,800 serviceable rooms across the country.

3.1 INDIAN FIRM SAYS IT'S STILL HOPEFUL OF SHARE IN BURMA'S OFFSHORE OIL HUNT

Indian state-owned oil and gas developer ONGC Videsh said that despite failing to win any of Burma's offshore exploration blocks awarded in March it still expects to be involved in the industry's development.

Videsh had a swap arrangement with another international bidder which did win a block in the bidding round for 30 offshore blocks, India's Business Standard said.

"We had a pre-bid understanding with an international oil company that if we were to win any shallow-water acreage, they will farm-in [take a share], Videsh managing director S. P. Garg told the newspaper.

"Similarly, in case that company was successful in picking up any of the deep-sea acreages it bid for, we would get a stake."

Garg declined to identify its potential partner. The firms that won deep-water bids are: Total, Ophir Energy, Eni, Royal Dutch Shell, Mitsui Oil, ConocoPhillips and Statoil.

4.1 FOREIGN INVESTMENT IN MYANMAR TALLING OVER US\$46 BILLION

Myanmar recorded US\$4.1 billion in foreign investment for fiscal year 2013-2014, tallying the total investment from 34 countries to US\$46 billion, according to Directorate of Investment and Companies Administration.



The number of countries invested in Myanmar increased by two from 32 in the previous fiscal year. Some 50,571 jobs were created by December due to the inflow of foreign capital.

Foreign investment projects include energy, petroleum and natural gas, commodities, mineral extraction, hotel and tourism, property development, livestock, fisheries and agriculture.

Last year saw a steady flow of investment being channelled to the production of commodities, said the Myanmar Investment Commission.

China ranks first with more than US\$14 billion in investment, followed by Thailand (US\$10 billion) and Hong Kong (US\$6 billion).

4.2 TEN MILLION GALLONS OF WATER PER DAY TO BE DISTRIBUTED TO THILAWA SEZ

Ten million gallons of water will be distributed to Thilawa SEZ by Lagunbyin water supply project run by Dagon Myothit (Seikkan) Township, at the cost of Ks 4 per gallon, according to Yangon City Development Committee, Water and Sanitation Department.

The project, upon completion, is also expected to supply water to certain townships in Yangon that get inadequate supply such as Dagon Myothit (Seikkan) Township, East Dagon Myothit, South Dagon Myothit, North Dagon Myothit, Thaketa, Thingangyun, and Dawbon, and Thilawa SEZ. Some 30 million gallons of water would be destined for the townships in addition to the ten million gallons for Thilawa SEZ.

The project construction began last May. For the fiscal year 2014-2015, water supply would begin to be channelled to Yuzana Garden City that presently receives no water from the YCDC, the news said.

The water supply would be financed by Official Development Assistance loan earmarked by Japan under Greater Yangon Water Improvement Project managed by YCDC in cooperation with Japan International Cooperation Agency.

Japanese government will earmark Yen 23.683 billion at 0.01 percent of interest for loan which is expected to be repaid in 40 years. The project is scheduled to complete by 2021.

4.3 BORDER TRADE RECORDS US\$4 BLN

Myanmar's border trade has increased by US\$830 million, making the record level of US\$ 4 billion in the fiscal year 2013-14, according to the consumer department under the Ministry of Commerce.



There was nearly US\$ 1 billion in trade surplus since the total border exports amounted to US\$ 2.757 billion while the total imports totalled US\$ 1.827 billion between April 1, 2013 and March 31, 2014.

The increase in border trade is partially attributed to the government's new measures against smuggling along the borders.

Meanwhile, the government opened new trade centres along the Myanmar-China and Myanmar-Thailand borders.

It also plans to open additional border checkpoints_ Mongla border trade centre along Myanmar-China border, and Maesei border trade centre, Payathonesu border trade centre and Ponparkyin border trade centre along Myanmar-Thailand border.

The largest number of checkpoints is located along the Myanmar-Thailand border. However, China stands as the top border trading partner in terms of volume. Myanmar's border trade partners comprise China, India, Thailand and Bangladesh.

4.4 US\$100 MILLION REVENUE PER YEAR EXPECTED FROM CONTROVERSIAL LETPADAUNGTAUNG PROJECT

The government is slated to receive more than US\$100 million revenue per year from the Letpadaungtaung project despite the opposition from local residents.

The master plan for the development of the project as well as the local community and people is being drawn up – said Geng Yi, the chief director of Myanmar Wanbao Mining Copper Limited, the project operator.

“The government aspires for this project as the epitome of foreign investment. As we take the responsibilities for the stakeholders along with our business partner (UMEHL), the government and the local community, I'm sure this project will run well. We also have the information that the government is drawing the master plan for the overall development of the local residents with the US\$100 million revenue generated from this project,” said Geng Yi.

At the present, the MWMCL is facing with the land disputes covering 6,000 acres, therefore, it is unable to fully operate the project.

“The land seizure and the resettlement of the local residents are the responsibilities of the government and Union of Myanmar Economic Holding Limited –U Paing. The two promised us they can handle the situation well. The government is proceeding to solve the disputes by economic, political, and judicial means. I think this project can be smoothly operated only after the problems have been solved,” he added.



Although the project is yet to be fully operational, the preparations for project launching have been accelerated. The environmental assessment report will be released and the Environmental Conservation and Forestry Ministry and the local authorities will check on the report compliance, said Nay Aye, the director general of the Environmental Conservation and Forestry Ministry said.

4.5 BURMA'S ECONOMIC REVIVAL LEAVES CHINA STRUGGLING TO COMPETE

China's investment in Burma "plummeted" in 2013 to only US\$20 million or 5 percent of the value invested in 2012, Chinese media reported.

And last year's figure was a mere 1 percent of the value of Chinese investment in Burma in the peak year of 2010, said China Radio International.

"The rules of the game in [Burma] have changed. In 2011, a civilian government came to power. China's plummeting investment coincides with the announcement of the 2012 foreign investment law," the radio said quoting the China Business News newspaper.

"As for ranking of foreign investors, China lost the leading position for the first time in four years and dropped to around 10th," the paper reported.

"The sharp contrast of China's dropping investment in [Burma] and the rising total volume of FDI (foreign direct investment) is due to the failure of the Chinese companies to change their own game and catch up with developments [in Burma]," the radio station said in its report.

It said there was a degree of inevitability about China losing its No.1 investor status with the ending of Western sanctions and a changing economic culture in Burma.

"Chinese companies need to understand the situation, change their mindset, put themselves in Myanmar's position, use their own advantages so as to re-enter the Myanmar market with competitiveness."

4.6 IMPROVED BUSINESS CONFIDENCE BOOSTS BURMA'S GROWTH FORECAST

Burma's economy is forecast to grow by an average 7.8 percent over the next two years. The annual increase is predicted by the Asian Development Bank for the 2014-2015 and 2015-2016 financial years. It's slightly higher than the bank's estimate of economic growth during the financial year ended in March.

"Growth [in 2013] was supported by rising investment propelled by improved business confidence, commodity exports, buoyant tourism, and credit growth, complemented by the government's ambitious structural reform program," said the ADB in a statement.



Burma's international investment profile was raised last year by several major factors, including the award of telecommunications licenses, airport construction bids, hosting the World Economic Forum on East Asia and staging the Southeast Asian Games, said the ADB report.

The higher profile has been helped with a "broad array of reforms, unifying the exchange rate, improving monetary policy, increasing tax collection, reorienting public expenditure toward social and physical infrastructure...and liberalizing agriculture and trade."

4.7 BANGKOK'S FAILURE TO SIGN LABOR CONVENTIONS 'HURTS MIGRANT WORKERS'

The continuing problems of Burmese migrant workers in Thailand are directly linked with the fact that Bangkok has never signed international agreements on worker rights, a European NGO chief said.

"Thailand hasn't ratified the core conventions on freedom of association and collective bargaining and migrants are not allowed to form trade unions," the executive director of Finnwatch, Sonja Vartiala, told The Irrawaddy. "Migrant workers are not able to represent themselves".

Finnwatch, based in Helsinki, has published a new report exposing a range of labor abuses in factories in southern Thailand involving mainly Burmese migrant workers. These include below legal minimum pay, forced long hours without rest, and use of child labor.

The NGO draws attention to goods imported by Finland and other European countries from factories in Thailand where workers are badly treated.

"In the end it's always about the price—getting the products manufactured at the cheapest price possible," said Vartiala.

4.8 CREDIT BUREAU DELAYED BY 'SECOND THOUGHTS' ABOUT FOREIGN STAKE

Although financiers in Burma have been trying since 2012 to form the country's first credit bureau, concerns about how much foreign involvement in the process should be allowed have delayed their efforts, bankers said this week.

The Central Bank of Myanmar aims to form the credit bureau to allow lenders to check the backgrounds of prospective borrowers, with assistance from the Credit Bureau Singapore, according to Ye Min Oo, the managing director of Asia Green Development Bank.

"Though the Central Bank of Myanmar and bankers have been trying to form a Myanmar credit bureau since then [2012], now it's been delayed by organizers because the CBM is having



second thoughts about how to form it. [It is] considering whether or not to allow foreign participation,” he said.

Under the initial agreement made in 2012, the Credit Bureau Singapore was to take a 40 percent stake in shares of the yet-to-be-formed bureau, and Burma’s Central Bank, along with domestic private lenders, were to take the remaining 60 percent.

“With this credit bureau, the Central Bank of Myanmar must participate, and private banks too, so now it’s been delayed because of the CBM’s second thoughts on allowing foreign contribution,” Ye Min Oo said.

Phone calls by The Irrawaddy to the spokesperson for the Central Bank of Myanmar went unanswered on Thursday.

A credit bureau collects information from a range of sources to provide consumer credit information on individuals, which is used for a variety of purposes, including determining loan eligibility. Credit information, such as a person’s previous loan performance and bill-paying habits, is used to predict future behavior and gauge credit worthiness.

in Burma, proponents hope the bureau will help boost lending to people who otherwise would be denied loans due to their inability to meet the collateral requirements currently in place by banks as a form of insurance against defaults.

Zaw Lin Htut, deputy managing director of Kanbawza Bank, said that in addition, Burma’s banking sector needed to form the credit bureau before the government would allow the issuance of credit cards by private banks in Burma.

“It’s difficult to collect customers’ credit history without a credit bureau, so we need to form a kind of bureau first. I heard that the government has been trying to form this, but it’s been delayed. If we have a bureau, it will be easy to issue credit cards,” he said.

“If we have this credit bureau in Burma, we can get history—information on people about whether they can be trusted to pay back loans. We can check out information through the bureau, that’s why bankers have been trying to form this bureau, but I have no idea why the Central Bank of Myanmar is delaying its formation,” Zaw Lin Htut added.

Acceptance and use of credit cards in Burma remains limited, and only a few major hotels and shops that cater to foreign tourists will even consider taking Visa or MasterCard, much less cards issued by the Japan Credit Bureau (JCB) or China Union Pay—all of which have had the green light to do business in Burma since October 2012.

Despite the Central Bank’s reluctance to give consumers credit cards, the Myanmar Payment Union (MPU)—which includes 14 of Burma’s 19 privately owned banks—is moving forward with plans to work together with Japan’s JCB to expand its network of domestic debit-card users.

Exchange Rate

Exchange rate between MMK and S\$, US\$.				
	(9/4/2014)	1/10/2013	1/1/2013	13/4/2012
S\$	763	772	695	656
US\$	961	968	851	821

Interest Rate				
	current	one month	three month	one year
deposit interest		0.7%	2.1%	8%
loan interest		1.1%	3.3%	13%