

WEEKLY NEWSLETTER (MYANMAR)

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1.1 MYANMAR INVITES TENDERS TO BUILD THILAWA PORTS

The Myanmar Ports Authority has announced eight construction tenders to construct a general cargo port and a container loading dock using Japanese development aid.

The port will be part of the Thilawa Special Economic Zone, an industrial complex south of Yangon, and building is due to start this year.

“We are looking for qualified international construction companies to build and quality-test purchasing equipments. In total, eight companies will be chosen,” said a responsible person from Myanmar Ports Authority.

The Ministry of Transport has received US\$ 205 million loan from Japan to enlarge the Thilawa port. At present, only two ports are able to handle general cargo using a pier bridge which is still under construction.

The ministry is currently hiring experts advisors, inviting tenders, and preparing to construct buildings behind the port. 37 plots, 200 meters in length and 750 metres wide each had been brought out for the port expansion. 27 have been claimed by companies, so ten are still left.

The Myanmar Ports Authority is currently negotiating with residents to lease farms at plot numbers 25, 26, and 30 in the Thilawa region.

2.1 HILTON PARTNERS WITH EDEN GROUP, ANNOUNCES FIVE NEW HOTELS

American hotel operator Hilton Worldwide has expanded its presence in Myanmar, signing a contract to manage another five hotels following its entry to the country last year.

The Virginia-based Hilton will work with local firm Eden Group to manage two of its hotels, Thingaha Garden in Nay Pyi Taw and Thingaha Ngapali at the Rakhine State beach resort.

Both hotels will be rebranded as Hilton properties and are slated to receive their first guests later this year.

In addition to these two locations, Hilton said on June 11 that it expects to open the Hilton Bagan and Hilton Inle Lake in 2016 followed by the Hilton Mandalay in 2017.

“The introduction of five Hilton properties to the key destinations of Nay Pyi Taw, Ngapali, Bagan, Mandalay and Inle Lake marks our commitment to Myanmar and we are pleased to be working with a partner of the experience and standing of the Eden Group to advance our footprint within this dynamic country,” Andrew Clough, senior vice president of development of Middle East & Asia Pacific for Hilton Worldwide, said in a statement.



The 200-room Thingaha Garden was due to open in time for the ASEAN Summit in May but is only now nearing completion.

Mr Clough said that there were only a small number of changes that need to be made to bring the property up to the Hilton standards. The hotel is scheduled to open in time for the second ASEAN Summit of the year, to be held in November.

The Thingaha Ngapali, a 51-room beach front resort, is also undergoing upgrades.

The expansion announcement from Hilton comes despite ongoing delays in the opening of its first property in Yangon, following a deal announced last year.

In March 2013, Hilton reached an agreement with Thailand-based LP Holding to manage Hilton Yangon in Centrepoin Tower, a mixed-use project in the city's downtown area. But progress has been slow on the 21-storey, 300-room tower at the corner of Sule Pagoda and Merchant roads.

Originally slated to open in March 2014, the company said in March that it was aiming for a partial opening of around 150 rooms by the end of the year. However, Mr Clough told The Myanmar Times the project had been again pushed back, with an opening now slated for 2015. The delays, Mr Clough said, are due to the complexities of the build out process on the tower, which has been under construction since the mid-1990s.

“Like everyone else, we would like to see that hotel open as soon as humanly possible,” he said.

The new projects come amid a tourism boom, with the Ministry of Hotels and Tourism reporting that more than 2 million people visited Myanmar in 2013. While less than half arrived by air through Yangon, it has forecast 3 million visitors in 2014.

On the back of this growth, London-based research group World Travel and Tourism Council (WTTC) said in a March report that earnings in Myanmar's travel and tourism sector are set to grow 9.5 percent in 2014 to US\$971 million.

“We see the market place in Myanmar offering compelling opportunities for many of our brands,” Mr Clough said. “We have been and continue to be on the lookout for further opportunities.”

Eden Group is one of Myanmar's largest conglomerates and was founded by U Chit Khine, who serves as the company's chairman, in 1990. It has interests in tourism, construction, banking, agri-business, petroleum products and trading.

The company is known for its close links to the government, having undertaken a range of building projects in Nay Pyi Taw for the previous military regime. These include the President's Palace and the Defence Services Museum, which honours the Myanmar armed forces, or Tatmadaw.

2.2 CRACKDOWN COMING FOR YANGON'S MANY UNLICENSED CONTRACTORS

Unlicensed contractors are facing a crackdown as the Yangon Region government is spurring municipal authorities into action.

Builders in Thingangyun township were singled out as particularly unlikely to follow licensing rules, though Hlaing, Mayangone and Insein townships also have their fair share of unlicensed contractors, according to Yangon City Development Commission (YCDC) building engineering department official U Nay Win.

The Yangon Region government is pushing YCDC and the township courts slow the rising number of contractors working without a licence, he said. “Relevant township courts need to take action, and send people to jail, to reduce the problem,” he said.

Under YCDC rules, unlicensed contractors can be fined between K10,000 and K50,000, or sent to jail for a year.

While courts are effective at fining unlicensed contractors, they are more reluctant to send people to jail, he said. “Contractors who don’t have licenses just pay K10,000 and continue their construction,” he said.

U Nay Win said it is possible for stacked sentences. If a contractor has seven unlicensed projects he or she could face seven jail terms of one year.

YCDC building permits are also expensive for some, leading contractors to take the risk.

Myanmar Construction Entrepreneurs Association (MCEA) vice president U Tha Aye said contractor licences cost K50 million on average in Yangon.

“This amount is too much for small and medium-sized contractors, so they avoid getting licences. YCDC should adjust the amount for smaller contractors,” he said. U Tha Aye added those avoiding the rules should be punished accordingly.

Others say that informal relationships rather than official arrangements are often generally accepted practice in Yangon.

Ko Min Min Soe, senior agent at Mya Pan Thakhin real estate agency, said many people live in buildings without official contracts but with an understanding with the landlord.

3.1 CANADIAN MINING COMPANY IVANHOE FACES LAWSUIT IN MYANMAR

Justice Trust and the Myanmar Lawyers Network will file a lawsuit against Ivanhoe Mines, the Canadian mining company that launched the controversial Latpadaungtaung Copper Mine.



“The Canadian company broke the law and it did not meet international standards when it was running the project,” said Thein Than Oo of the Myanmar Lawyers Network.

“The company started the copper mine before the Chinese company Wanbao took over,” he said, adding that it was unclear whether Wanbao was required to adhere to international law by regulators in its home country. “However, the Canadian company, Ivanhoe should follow international law because it comes from a democratic country with a more active civil society,” he said.

Ivanhoe has been under intense scrutiny by Canadian civil society groups for more than 15 years, following widespread allegations that it has been complicit in human rights violations and environmental degradation in several of the world’s most impoverished nations.

Mining Watch Canada detailed allegations of Ivanhoe’s misconduct in Myanmar in the report “Grave Diggers”, which was published in 2000.

The Canadian government, however, is widely considered to be very supportive of Canadian mining companies, even those accused of human rights abuses and environmental degradation in developing and least developed countries.

Thein Than Oo said that two American lawyers who handled a case against Chevron would work on the lawsuit against Ivanhoe, and that more international assistance would be sought.

[3.2 MYANMAR RANKS 41 IN NATURAL GAS RESERVES](#)

Myanmar ranks 41 internationally in volume of natural gas reserves, according to a research paper by the Myanmar Development Resource Institute and the Asia Foundation.

The paper quoted a report on energy sector from the Asian Development Bank that says the country has about 20 trillion cubic feet of untapped natural gas reserves.

The report “National Resources and Subnational Governments in Myanmar: key considerations for growth” was presented at the IBC hall in Yangon on June 17.

It notes that the government fails to collect the amount of revenue it could from the sale of its natural resources. “Myanmar does not collect the amount of revenues that it could, given the wealth of resources present and the scale of their use,” the report says.

“Simply increasing natural resource extraction does not help the country unless revenues are collected and used well to prepare for the day when resources run out,” the report says.

Myanmar was also ranked 78th in terms of oil reserves, as it possesses about 160 million barrels, according to the paper. It added that Myanmar has planned to develop a total of 104 plots — 53



onshore and 51 offshore — while energy companies, including some foreign firms, are exploring at 17 onshore plots and 20 offshore plots.

The government recently invited tenders for 10 more onshore and 10 offshore plots.

Natural gas is one of the major sources of foreign income for Myanmar. It earned US\$3.6 billion from gas export during the 2013-14 fiscal year.

Major gas exploration projects include Yadana, Yetagun, Zawtika and Shwe gas projects. There are also some 65 gas exploration projects onshore.

Gas from the Shwe project is being exported mainly to China, while the Yetagun project exports gas to Thailand.

Gas exports yielded a total of US\$ 3.5 billion for Myanmar during the 2012-13 fiscal year, representing 30 per cent of the country's total exports.

3.3 MTE TO SELL OVER 5,000 TONNES OF HARD WOOD

The state Myanmar Timber Enterprise (MTE) will be selling over 5,000 tonnes of teak, Tamalan and other raw hardwood by the end of June, according to Ministry of Forestry and Environmental Conservation.

The foreign transaction and logging department of MTE will announce a bid for over 1,700 tonnes of teak, hardwood, logs and lumber to both foreign and local companies to be paid in U.S. dollars.

A total of 321 tonnes of teak, 289 tonnes of teak-lumber, 439 tonnes of Tamalan logs, 274 tonnes of Kanyin logs, and 416 tonnes of planed lumber will be on sale at Tawwin Hall from June 27 to 30.

In addition, MTE plans to tender raw timber for industrial use. 1,300 tonnes of teak logs, 2,550 tonnes of hardwood logs, seven tonnes of planed Tamalan wood, and 83 tonnes of teak lumber will be auctioned at the MTE internal transaction office on June 26.

The selling of raw timber including teak and other valuable hardwood is meant to encourage local timber-based industries through a monthly open tender system.

Foreign companies competing in monthly MTE tenders need to pay US\$15,000 in insurance while local companies need to pay US\$5,000 to the Myanmar Foreign Trade Bank.

4.1 OOREDOO CLICKS ON MICROSOFT AHEAD OF NETWORK LAUNCH

As Telecom operator Ooredoo prepares to launch its mobile network here in August it is hyping a slew of new partnerships and deals with global companies that it hopes will give it the edge over its rivals, as well as drum up attention to its service.

The latest announcement is a deal with software giant Microsoft that Ooredoo says will spark global opportunities for the next generation of techies in Myanmar.

It said its programme to support local start-ups in the information and communication technology (ICT) sector, Ideabox, will be connected to Microsoft tools and services offered through that company's DreamSpark and BizSpark programmes.

BizSpark provides access to software, developer tools, support, training and cloud technology to enable developers to develop new programs. Free access to Windows stores and the ability to access the global BizSpark community enables new ventures to build scale quickly, Ooredoo Myanmar said.

Its IdeaBox, launched earlier this year, offers ICT start-ups seed money, office space, resources and mentoring. It puts the value of this assistance at up to US\$100,000 per start-up, but does not say how many start-ups are participating in the program.

Microsoft's DreamSpark program targets the next generation of entrepreneurs by supporting students, educators and academic institutions. It delivers a diverse set of resources to educators to make learning more relevant, motivating and engaging, Ooredoo said. By providing professional developer tools, students are enabled to innovate and given the opportunity to create breakthroughs in technology, it says.

Ooredoo said its IdeaBox initiative had "gained terrific momentum in Myanmar in recent months". It said that this has been the result of Myanmar's "first-ever Hackathon – a contest to create tech-based solutions - regular networking via the introduction of the global Mobile Monday's forum and the launch of its ICT incubator and accelerator programme".

Speaking at the official signing of the partnership, Ooredoo Myanmar's CEO Ross Cormack highlighted the benefits of collaboration. "At the end of the day, we're a communications company. We understand the value of coming together and sharing, to enable the people of Myanmar to take advantage of the leapfrog in technology that our network roll-out will deliver," he said.

César Cernuda, Microsoft's president of Asia Pacific, said: 'Myanmar has tremendous potential to become a key player in the Asian economy. We are proud to be able to provide technology programs and help local citizens develop the right skills that will allow them to maximise the opportunities that will come up from the region.'

The partnership between Ooredoo and Microsoft will see the companies collaborate further in a range of ICT focused events, Ooredoo said.

4.2 IMF URGES GOVT TO CONTROL DOMESTIC BANK LICENCES

The International Monetary Fund (IMF) has urged Myanmar to control the issuing of banking licences to minimise risks with the pending arrival of foreign banks to the country.

The IMF mission chief Matt Davies said on June 17 that the issuance of new domestic licenses must be carefully controlled in order to allow regulation and capacity to develop.

Myanmar formed a foreign bank selection board in May 2014 which is chaired by officials from the Ministry of Finance, the Attorney General's Office and senior members of the Central Bank of Myanmar.

They have yet to give the green light to allow foreign banks to operate and it is currently drafting the banks and monetary law with the help of the World Bank.

“Foreign banks have technologies and huge capital. For instance, the local banks are unable to disburse loans to small and medium sized enterprises. I think the foreign banks can solve this problem to a certain degree,” said one entrepreneur.

As current chair of the Asean bloc of nations, Myanmar will help set the stage for the ASEAN Economic Community which will allow the free flow of goods and capital across regional borders.

However, some local bankers feel worried that if foreign banks are allowed to open this will undermine smaller local ones that have only just been allowed to operate.

4.3 MYAWADY INDUSTRIAL ZONE ATTRACTS REGIONAL INTEREST

Japan, Thailand, Korea and China have all voiced interest to invest in the Myawady Industrial Zone which is currently under construction near the border with Thailand.

The Myawady Industrial Zone Project was started in April 2013 and is running ahead of schedule with 60 percent of the project already completed. It is expected to be finished by April 2015.

“As implementation of industrial zone is under State Government's plan, plots would also be sold out by State Government,” said Thant Zaw Win, Project Engineer from Mother Construction Co.Ltd.

The current project area is 200 acres which contain 45 plots with minimum width of two arcs to maximum of four acres. There will also be housing for those involved in the project, as well as schools, and hospitals. One acre is expected to cost over US\$ 50,000.



Myawady Industrial Zone is strategically situated on the Myanmar - Thai border which sits on the Asia highway and is a major gateway for trade and commerce.

Currently most of the trade and industrial development is on the Thai side of the border where many Myanmar workers are working illegally in factories producing consumer goods from electronics to car assembly.

4.4 FOUR THAI BANKS VIE FOR LICENCES IN MYANMAR

Thai banks with representative offices in Myanmar have a strong interest in applying for restricted-services licences, after that country recently opened up for such applications from foreign banks for the first time.

Four Thai banks have representative offices in Myanmar - Bangkok Bank, Krungthai Bank, Siam Commercial Bank and Kasikorn-bank. If they can obtain the banking licences, they will be able to receive deposits and provide loans, unlike now when they can only provide consultancy services.

The Central Bank of Myanmar plans to make between five and 10 licences available this year for limited banking services. Only the 42 banks that have already opened representative offices are allowed to submit expressions of interest to win the restricted banking licences.

Of the four Thai banks in Myanmar, Bangkok Bank has the longest history in the country, setting up a representative office in 1995. The other three established representative offices in the past two years.

Kittiya Todhanakasem, first senior executive vice president of Krungthai Bank, said it was hoping to obtain a full branch licence eventually.

She said the competition in Myanmar was intense as there are 42 foreign banks with representative offices but not all will receive a licence. However, KTB will put its best effort into obtaining one.

"We are interested in opening a full branch there to serve clients, as many businesses are waiting for the bank's services," she said.

Siam Commercial Bank will submit an application next month, said Kamalkant Agarwal, adviser to chairman of the executive committee. There is a lot of competition because many banks are interested in applying for a licence but no more than 10 will get one, he said.

Myanmar is a high-potential market, in which SCB is interested in the energy and infrastructure sectors.



Teeranun Srihong, president of Kasikornbank, said it would submit its proposal for a licence soon.

The licensees are expected to contribute to the development of the domestic banking sector by letting foreign banks participate in the interbank market. They will not be allowed to do retail banking.

Based on the World Bank's recommendation, a minimum paid-up capital of US\$75 million will be required of the selected foreign banks.

According to Thailand's Board of Investment, as of the end of March, Thailand was the second-biggest investor in Myanmar with total accumulated value of \$10.09 billion.

More than half of foreign direct investment in Myanmar is in the power sector, followed by manufacturing at 21 per cent and 10 per cent in transport. Of Thai direct investment in Myanmar, 78 per cent is in mining and quarrying, followed by financial and insurance activities at 17 per cent.

4.5 MYAWADY BORDER TRADE DOWN BY US\$12 MILLION

The Myawady town on the Myanmar - Thai border has recorded over US\$33 million in total trade volume over the last two months, according to the department of commerce and consumer affairs.

US\$2.8 million has been earned from Myanmar exports and over US\$30 million had spent on imports between April 1 to May 30 this year.

The current data shows a significant decrease in total trade volume. Trade volume during the same period last year amounted to US\$46 million — US\$7.2 million in exports and US\$38 million on imports.

Following the military takeover in Thailand in May, there has been a decrease in the import of consumer goods and other commodities which caused many products to rise in price.

Myawady border trade mostly consists of rice and fish products being exported to Thailand while motorcycles, cement, fertilisers, food and consumer goods imported to Myanmar.

4.6 FOREIGN COMPANIES SHOW GROWING INTEREST IN THILAWA SEZ

A total of 45 companies from 11 countries – including Japan and the United States – have submitted proposals to invest in the Thilawa Special Economic Zone (SEZ), a major industrial complex located on the outskirts of Yangon.



More than 17,000 intended subscribers offered to buy a total of more than 4 million shares, at the cost of Ks 10,000 (US\$10) a share. Since only 2.1 million shares are still available, many had to be refunded.

Ball Corp, the American beverage cans manufacturer, and Japanese car-spare parts manufacturing company have signed a lease to set up their business in the SEZ together with the Myanmar-Japan Thilawa Development Ltd. on June 6.

The government gave 5,787 acres (23.4 square kilometres) to establish the Thilawa SEZ in September 2013 in southern Yangon District.

However, the 1,345 acres will be left exclusively for glass, iron sheeting and sandal manufacturing plants run by the Myanmar Economic Corporation, governmental offices, quarters and religious buildings.

the first phase of Thilawa SEZ began on November 30 last year. The project is a Myanmar-Japan joint venture with a 51 - 49 percent ownership ratio. Mitsubishi, Sumitomo, and Marubeni corporations from Japan and nine public companies from Myanmar have so far invested in developing the industrial area.

The foreign companies are hesitant to invest in Myanmar because of extortionate land prices. Thilawa SEZ is offering land prices much lower than other industrial zones near the former capital and commercial hub, according to Win Aung, chairperson of the Union of Myanmar Federation of Chamber of Commerce and Industry.

[4.7 MYANMAR AIRWAYS TO SIGN WITH FRANCE'S ATR](#)

The state-owned Myanmar Airways will sign an agreement with ATR Company from France to buy six new planes and open a repair station in Myanmar.

“An MoU agreement was already signed on May 6 and the next stage is to sign an agreement at the Attorney General’s Office,” said Than Htun, managing director of Myanmar Airways.

Many local airlines in Myanmar use planes manufactured by ATR. Whenever they need to be repaired, they have to go to ATR repair stations in Malaysia or Singapore. The agreement will allow ATR to service both local and foreign airlines in Myanmar.

Myanmar Airways will also buy six more ATR 72-600 aircrafts from ATR Company.

The state flagship airline has been operating since 1948 and currently flies to 26 cities with a fleet of nine passenger aircrafts – three ATR-72, one ATR-42, three Beech 1900D and two Embraer 190. They also have two cargo planes, one MA 60 and one F-28.

4.8 KYAUKPHYU SEZ TO FINALIZE PLAN IN NOVEMBER

A master plan for the Kyaukphyu Special Economic Zone (SEZ) will be finalised in November this year, according to the tender selection committee.

The project in Myanmar's western Rakhine State aims to attract potential developers who will be chosen after a tender process.

“The plan will include not only Kyaukphyu area but also Ramree and Manaung Islands for development,” said Ba Shwe, a member of the Tender Invitation and Selection Committee.

Singapore-based CPG Consultancy has been contracted to attract international developers and investors to develop the project. The job contract was signed on May 26 in the capital Nay Pyi Taw.

“The site for Kyaukphyu SEZ has already been designated. But its location is within two kilometres of a mud volcano. This will cause difficulties in dealing with insurance companies. Therefore, we will find a better site which is not a religious ground, cemetery or farmland,” said Aung Kyaw Than, co-secretary of the project's tender committee.

4.9 MYANMAR TRADE CENTRE REOPENS AFTER DECADE-LONG CLOSURE

The Myanmar Trade Centre will resume its operations and local businesses are expected to lease exhibition and meeting venue, Directorate of Trade, Ministry of Commerce, said yesterday.

The MTC was shut down following a bomb explosion in May, 2005. Its reopening is slated for later this month.

Business operators can lease the MTC for showcasing export-import products and other merchandise. They can also organise seminar, meeting and set up offices.

The trade experts are in the process of mapping out the strategy to enhance Myanmar's export sector under the supervision of Commerce Ministry. The push is being financially supported by Germany Society for International Cooperation.

The National Export Strategy is expected to complete in five years, covering four phases – pre-engagement, inception, designing and implementation management.

The NES is the joint efforts by the government and civil society organisations, according to the MTC's report.

At present, three of four NES phases have been finalised. The government is scheduled next year to organise the Myanmar Trade Development Council, tasked for the phase four of the NES.



The ministry has been operating three related projects under foreign assistance. The projects are Enhanced Integrated Framework, National Export Strategy and National Trade Facilitation Implementation Plan.