

WEEKLY NEWSLETTER (MYANMAR)

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I. SHIPPING & LOGISTIC

NO UPDATE

II. PROPERTY

- 2.1 LUXURY CONDO SALES OPEN AT KS 360,000 PER SQUARE FOOT 2
- 2.2 FEW ENGINEERS JOIN ASEAN INITIATIVE 2

III. RESOURCES

- 3.1 TAKING TIMBER FIRMS PUBLIC 3

IV. FINANCE & ECONOMIC

- 4.1 GOVERNMENT JUMPS TO CUSHION RICE PRICE FALL 4
- 4.2 CHINESE FIRM INVESTS IN CEMENT FACTORY 5
- 4.3 MACAU SIGNS DEAL FOR MYANMAR LABOUR 6
- 4.4 MUSE BORDER GENERATES US\$3 BN IN TRADE WITH CHINA 6
- 4.5 CBM WARNS PRIVATE BANKS AGAINST MANIPULATING DOLLAR EXCHANGE RATE 7
- 4.6 ANOTHER THILAWA SEZ'S ONE STOP SERVICES CENTER TO OPEN 8
- 4.7 PERMANENT RESIDENCE SYSTEM TAKING SHAPE 8
- 4.8 VIETNAM NO LONGER LEAST DEVELOPED SOUTHEAST ASIAN COUNTRY 10
- 4.9 FOREIGN INSURANCE FIRMS TO BE ALLOWED INTO SEZS 11
- 4.10 CHINESE STAMPEDE UPSETS MARKETS 12

2.1 LUXURY CONDO SALES OPEN AT Ks 360,000 PER SQUARE FOOT

The price for a luxury condominium unit currently under construction by KHG Development starts at Ks 360,000 per square foot, according to the company’s senior executive.

“At the moment, one square foot runs between 360,000 and 400,000 kyats. The construction will take three years. Singaporean construction consultants will be involved with the project,” said Ye Pyae Aung, the senior executive of the company.

He added that permissions from both the Myanmar Investment Commission (MIC) and the Regional government were granted last month. The luxury condos will be situated in twin towers, each with 28 stories. At least 148 units will be installed.

Companies owned by Myanmar nationals are permitted to build hotels as well as condominiums with the approval of MIC.

Among the 12 sectors in which Myanmar citizens are allowed to invest, the construction sector attracts the most investment, followed by hospitality and tourism.

2.2 FEW ENGINEERS JOIN ASEAN INITIATIVE

More local engineers ought to register with the ASEAN Engineer Registry, which aims to allow local engineers to take part in projects in other countries, according to officials from the Myanmar Engineers Society.

Not all engineers say joining up is necessary to work abroad, though it may help those with no international experience get work in other ASEAN countries.

Some 426 Myanmar engineers have registered over the last 12 years, with about 90 engineers registering in the last year, the society’s statistics show.

“If Myanmar engineers register at the ASEAN level, they have a chance to take advantage of the free flow of service in other ASEAN countries,” said Daw Si Than, vice president of Myanmar Engineers Society.

“But here, engineers are not used to registering, even though engineers participating in the Engineering Society has some knowledge about the benefits,” she said.

Registering with the ASEAN body is not as simple as putting a signature on paper. Engineers must have graduated from a university with an engineering degree, must have seven years’ experience, and must write a test and submit their work experience to the society.



“An engineer who wants to join the ASEAN Engineer Registry must be at the ASEAN level, that’s why we have to scrutinise the applications,” Daw Si Than said. “Some are engineers but don’t work in engineering, and others are working engineers but do not formally study the subject.”

However, some engineers said they were not aware of the registry, adding they did not see the benefit of the institution.

Ma Swe Zin Htun has worked as an engineer in Singapore for about seven years, but added that with her existing credentials she was not problem working in any country she wants.

“I have joined the ASEAN Engineer Registry and I don’t think it’s required. There are many [Myanmar] engineers in Singapore and Thailand already.”

Ma Swe Zin Htun said Singapore has likely the highest standards in ASEAN for its engineers. However, for Myanmar engineers looking to move abroad, the registry may help them find foreign work, she added.

Myanmar Engineering Society joint secretary general U Winn Maung said joining up will be particularly useful when the ASEAN Free Trade Area and ASEAN Economic Community kicks in next year.

Engineers will then have more opportunity to relocate around the region.

Another body called the Myanmar Engineering Council is also set to manage the engineers who are allowed to work on high-rise projects. The council aims to allow those who are able to join the ASEAN Engineer Registry to take part in high-rise construction, said U Winn Maung.

3.1 TAKING TIMBER FIRMS PUBLIC

Changes are planned for state-owned timber companies that could see them transition to public companies – though they will likely remain partially state-owned.

Minister of Environmental Conservation and Forestry U Win Htun said it is the government’s policy to professionalise its public enterprises, although state-owned timber businesses are usually profitable every year.

“Although Myanmar businesses are changing with the market economy, [the timber industry] has not clearly changed until now,” he said. “So to complete the change to a market economy, we will open as companies in the sector as public firms. We will change all [state] enterprises to public firms eventually, or some enterprises to public firms, as possible.”



A total of 12 timber state-owned firms and 3 furniture state companies will transition to being public companies. If these transitions are successful, the remaining 69 timber companies will likewise be changed.

Although Myanmar has no modern stock exchange at present, it does allow public companies to form and raise capital through over-the-counter share sales. There is also an outdated exchange with two listed companies called the Myanmar Securities Exchange Centre.

To transition to being a public company, a business must have a minimum of seven shareholders and file a prospectus with the Directorate of Investment and Company Administration, as well as meet a number of reporting requirements.

U Win Htun made these comments at the 22nd annual meeting of the Forest Products Joint Venture Corporation (FPJVC) on November 7. FPJVC is already a public company, though the government-owned Myanmar Timber Enterprise directly controls 45 percent of the firm and the Forest Department 10pc, with the remaining 45pc owned by public shareholders.

FPJVC is also one of two companies that are listed on the existing Myanmar Securities Exchange Centre stock market. However, trading in the company's shares is light, as the share price is capped at K20,000, though annual dividends reach K3000 – resulting in a dividend yield of 15pc, according to its 2013 annual report.

Given the high dividend yield, its owners are generally reluctant to

part with the shares, particularly as they are currently capped from appreciating in value at the exchange.

U Win Htun said officials are preparing FPJVC to be able to list on the Yangon Stock Exchange slated for 2015, though he added no definite decision has been reached on whether it will join the more modern market.

[4.1 GOVERNMENT JUMPS TO CUSHION RICE PRICE FALL](#)

To prevent rice prices from plummeting due to limitations on trade with China, the Myanmar Rice Federation (MRF) will consider buying three million bushels of rice from the Ayeyarwady Region, according to General Secretary Ye Min Aung.

“We’re now talking with Myanmar Oriental Bank to buttress the rice price. There’s a rice surplus of three million bushels in the Ayeyarwady Region and 1.5 million bushels in the Bago Region. Someone must purchase them all to prevent the price from falling,” said Ye Min Aung.

Rice prices are likely to continue to fall unless Chinese buyers resume their trade and, meanwhile, the MRF is trying to agree official rice exports for December.



“I’m sure there is demand in China,” said Aung Than Oo, the deputy chairperson of MRF.

Officials from China’s Administration of Quality Supervision, Inspection and Quarantine, and Agriculture Ministry visited in September and signed the memorandum of understanding with Myanmar’s Ministry of Agriculture and Irrigation to secure an official rice trade.

An agreement for rice exports for January and February next year has already been reached with official exports starting next month.

Currently, the government is planning to purchase unsold rice and the military will buy stocks in December while the Myanmar Agribusiness Public Corporation (Mapco) is also considering buying up stocks.

Ye Min Aung said: “We find it difficult to buy reserved rice and store it in warehouses. I don’t want to encourage the purchase of reserved rice. I want the millers and merchants to buy more as that is more beneficial in the long term but they need financial support to do so. They also have the responsibility to pay back that support. So we’ll buy it. The Mapco also plans to buy approximately 300,000 bushels of rice.”

Rice millers and merchants are in discussions to acquire three million bushels of rice from the Ayeyarwady Region.

4.2 CHINESE FIRM INVESTS IN CEMENT FACTORY

The local Myint Investment Group Co Ltd has joined Anhui Conch Cement Co Ltd from China to upgrade No.33 Kyaukse cement factory into a plant that can produce 5,000 tonnes of cement daily through a build-operate-transfer (BOT) system, according to the Ministry of Industry.

The joint venture, Myanmar Conch Cement Co Ltd, was permitted on November 11 by the Directorate of Investment and Company Administration.

The managing director Zaw Hein of No.3 Heavy Industry signed the BOT contract with his counterpart Nan Lin Lin Htun from Myanmar Conch Cement Co Ltd on November 13.

The factory can currently produce 400 tonnes of cement per day and it is hoped it can become more stable and efficient.

Other foreign cement producers have recently set up in Myanmar with Lafarge from France opening a US\$10 million cement repackaging factory in the Thilawa Special Economic Zone with the local Aung Myin Thu and My Associates this month.

Lafarage holds 60 percent ownership and the other two have 20 percent each.

4.3 MACAU SIGNS DEAL FOR MYANMAR LABOUR

Myanmar Overseas Employment Agencies Federation (MOEAF) has signed a memorandum of understanding (MoU) with Macau Overseas Workers Employment Agency Association (MOWEAA) to send workers to the former Portuguese enclave.

“The employment agencies from Macau attended the signing ceremony. Myanmar employment agencies will hold talks with these agencies. We will work on sending workers to Macau as quickly as possible,” said Min Hlaing, president of the MOEAF.

Aoieong Kuong Kao, chairman of the MOWEAA, said job opportunities were mainly related to hotel services. The salary was in three levels with basic workers, such as cleaners and security guards, being offered US\$500-700. Middle-level staff, who spoke either a Chinese language or English, could earn \$700-1000 while graduates with computer knowledge and language skills were being offered \$1,000-1,500.

“The labour ministry of Macau has enacted a law that can guarantee overseas workers. They will enjoy the same rights as citizens of Macau,” he added.

Macau, with a population of nearly 660,000, has 380,000 job vacancies ? and is looking for 160,000 overseas workers.

4.4 MUSE BORDER GENERATES US\$3 BN IN TRADE WITH CHINA

Myanmar’s trade with China through the Muse border trading camp was valued at approximately US\$3 billion this fiscal year, according to the Directorate of Commerce and Consumers’ Affairs.

This number marks a spike of over \$656 million in trade since last fiscal year.

Myanmar exports to China were valued at over \$2 billion between April 1 and November 14 this year, while Chinese imports to Myanmar were valued at over \$918 million.

Thus, the bilateral trade amounts to over \$2.9 billion.

Last fiscal year, the volume of exports to China amounted to over \$1.5 billion, and China’s import volume was worth over \$790 million, bringing the value of the bilateral trade between the two countries close to \$2.3 billion.

In an effort to increase trade with China, Myanmar is now opening additional border trading camps in Muse, Lwejel, Chin Shwe Haw and Kan Peik Tee Townships. Among the border



trading camps, Muse processes the most trade with China, according to the Directorate of Commerce and Consumers' Affairs.

Myanmar mostly exports agricultural products such as rice, beans, pulses, sesame and maize as well as raw rubber products to China through the Muse border trading camp.

Myanmar mainly imports Chinese-made motorcycles, bicycles, fertilizers and construction materials from China.

4.5 CBM WARNS PRIVATE BANKS AGAINST MANIPULATING DOLLAR EXCHANGE RATE

The Central Bank of Myanmar (CBM) has instructed private banks to avoid manipulating the dollar exchange rate in ways that would result in the appreciation of the dollar value.

The CBM sets reference rates for the US dollar, Euro and Singapore dollar on a daily basis. The CBM reference rate for the US dollar was Ks 1016 on November 14; Ks 1029 on November 17; Ks 1040 on November 18; and Ks 1048 on November 19.

The CBM urged the private banks to abide by the law, which requires banks to buy and sell dollars within a 0.8 per cent range of the official reference rate and prohibits manipulating the currency exchange rate. The CBM sent letters to private banks containing these instructions under Directive No. 14/2012.

“The CBM wants price stability in the market. This is a result of competitive sales by the private banks and other non-banking organizations,” said an official from the CBM on November 19.

The CBM sold US\$50 million to private banks last week.

On the black market, the dollar price stood at Ks 1070 on November 18 and Ks 1080 on November 19.

The exchange rate remained between Ks 1070 and Ks 1075 per US dollar in export earnings on 18 November before rising to Ks 1087 per US dollar on November 19.

In comparison to US currency in recent days, the value of Myanmar currency has declined by about eight per cent, while the value of US currency has risen by three percent in the international financial market. According to statistics collected during President Thein Sein's administration, the value of the kyat has dropped by nearly 30 per cent since 2012.

At private exchange counters and private banks, the selling price per dollar was Ks 1056 on the morning of November 19 and Ks 1080 in the black market. Exchange counters raised their rates to Ks 1080 that same evening.

4.6 ANOTHER THILAWA SEZ'S ONE STOP SERVICES CENTER TO OPEN

Myanmar Japan Thilawa Development Limited is planning to launch an additional “One Stop Services Centre” in Thilawa Special Economic Zone in the middle of next year, according to the vice president of the company.

One Stop Services Centre provides services such as setting up a company, visa application, labour registration and services for export and import at one place.

Thurein Aung, the vice president of the company said, “currently, we are running One Stop Services Centre at the office of the Department of Human Settlement and Housing Development in downtown Yangon. It is serving documentation process to complete at one place by coordinating with related ministries. However, it is not a place to get Special Economic Licence for submitting application or documentation in a day. Required documentation or application can be submitted at the centre to apply for SEZ licence. SEZ licence is very similar to licence that is granted by Myanmar Investment Commission.”

He explained that to provide the service, officials from the Labour, Construction, Commerce, Finance ministries, Customs, Revenue, Immigration departments, Myanmar Port Authority and Yangon Region Government are working together at the centre.

“The centre we are running at the moment is located in downtown Yangon and soon we will open another centre in the zone by the end of June or in the beginning of July of next year,” the vice president added.

4.7 PERMANENT RESIDENCE SYSTEM TAKING SHAPE

Foreign professionals, technicians, investors, former Myanmar citizens and spouses of citizens will be eligible for permanent resident status under a scheme to be unveiled later this month.

Applications could begin on December 5, the Ministry of Immigration and Population has announced, in a move which some business leaders say could make the country more attractive to foreign investors.

a senior official in the immigration registration department for Yangon Region told The Myanmar Times he was awaiting further instructions from Nay Pyi Taw.

"A start date of the first week of December was confirmed, but we don't yet know how applications can be made or how much it will cost, or what documentation should be produced," he said.



Vice President U Nyan Tun told a meeting of the management committee for the Permanent Residence System for Foreigners on November 7 that the scheme was being introduced for the first time after thorough

negotiations on all its provisions.

According to the state-owned media, the vice president said the system would enable scholars, experts, intellectuals and investors from other countries, as well as former Myanmar citizens, to contribute to national development.

Under the existing 1982 Citizenship Law, dual citizenship is not permitted. Investors, experts and former citizens can stay in Myanmar on the basis of business or social visas whose duration is limited to 70 or 28 days.

Under the permanent residence system, applicants will be granted leave to stay for an initial period of five years, which can be extended.

Further details, including fees, are expected to be announced later this month, according to senior officials.

While the policy change may not have much impact from a tax perspective, Pedro Jose Bernardo, principal foreign consulting attorney at Kelvin Chia Yangon, said companies establishing businesses in Myanmar may find the long term residence policy a welcome development.

"From an operations and administrative perspective ...companies will find that the new policy will eliminate the need to arrange for the renewal of the business visas or stay permits of their foreign employees," he said. "Considering the number of foreign professionals and employees currently residing in the country, which is growing at a steady rate, this will result in a substantial reduction of administrative costs."

Potential investors are likely to factor in the residency policies for expats when they make investment decisions, he added.

"Further, on a macro level, investors may perceive this new policy as a continuation of the government's trend towards the globalisation of Myanmar's economy and is indicative of a rapidly stabilising market," he added.

The vice president has urged officials to enact the necessary by-laws to introduce the system as soon as possible.

Besides businesspeople, there are others who could benefit from the policy change.

4.8 VIETNAM NO LONGER LEAST DEVELOPED SOUTHEAST ASIAN COUNTRY

Economic indices from 2014 report that Vietnam is no longer one of the four least developed Southeast Asian countries, according to announcements at the 11th Asean Business and Investment Summit.

Previously, the four least developed Asean members – Cambodia, Laos, Myanmar and Vietnam – were known collectively as the CLMV countries.

Vietnam, however, will no longer be grouped as such, thanks to its burgeoning economic growth.

“[Vietnam’s] budget allocation toward the education and health sectors is higher than the other three countries. This means Vietnam will be seen in the front-line in terms of human resource development before long,” said an official from Union of Myanmar Federation of Chamber of Commerce and Industry (UMFCCI).

In 2012, Vietnam had Human Development Index (HDI) of 0.617, an education index of 0.539, a health index of 0.874 and an income index of 0.501.

In comparison, Myanmar had an HDI of 0.498, an education index of 0.402, a health index of 0.721 and an income index of 0.428 in the same year.

Singapore, Asean’s leading economy, had an HDI of 0.895, an education index of 0.804, a health index of 0.966 and an income index of 0.925 in the same period.

Vietnam’s economic transition has been the second-fastest after China’s, and the poverty rate has dropped sharply.

Similarly, wealth growth in Cambodia has continues to rise steadily, and Laos also enjoys economic development.

Meanwhile, there is insufficient available data to measure Myanmar’s gross domestic product, making it hard to measure the development of its economic structure, according to a report published by the Economic Research Institute for Asean and East Asia.

“We’ve seen growth in foreign investment this year. But to catch up with Vietnam in terms of economic growth is a different story,” said Aung Naing Oo, the secretary-general of National Planning and Economic Development Ministry.

Vietnam has invested US\$513 million in Myanmar through seven business categories, mostly in the hospitality and tourism sectors.

Vietnam stands as Myanmar’s 8th largest foreign investor and the 4th largest in Asean, after Singapore, Thailand and Malaysia.

4.9 FOREIGN INSURANCE FIRMS TO BE ALLOWED INTO SEZS

Foreign insurers will be allowed into Special Economic Zones in January, though the exact rules governing their operations are still being discussed, said deputy finance minister U Maung Maung Thein.

Companies will be selected based on their adherence to international standards, as well as their responsibility in social affairs, and will be required to have significantly more capital invested than local firms operating domestically.

“These companies are running around the world – so their capital is many times higher than locals,” he said.

While the firms will be allowed into Special Economic Zones, they won’t be able to enter the domestic insurance sector yet. U Maung Thein said most insurance companies allowed into the zones are likely to specialise in fire insurance, as least initially.

The move comes to encourage foreign investors to set up shop on Thilawa, Dawei and Kyaukphyu SEZs.

Myanmar’s banking sector has drawn global headlines as it has given nine conditional licence approvals to foreign banks to set up shop in the next year. The tendering processes was limited to banks with domestic representative offices.

Several foreign insurers, from places like the US, Japan, Canada and Korea, have opened representative offices in Myanmar, with many anticipating a possible future licensing round for foreign insurance companies as well.

However, a formal timeline has not yet been announced for the possible tender.

Speaking about the insurance companies that will be allowed to operate on the SEZs, U Maung Thein said there will be fixed criteria to meet. The number of companies has not yet been determined, but it will be no more than a handful.

One issue still being discussed is the level of funds foreign insurance companies must hold “in trust” inside the country, said U Maung Thein.

The trust accounts will be kept by the government in case there is a large reason to pay out, in which case the funds will be returned to the companies.

If the reputation of the companies is strong enough, there may be less need for these accounts, he added.

Myanmar insurance companies will also be allowed to run at zones, though as a branch office. They will be required to inform the Insurance Business Supervisory Board before opening offices.

4.10 CHINESE STAMPEDE UPSETS MARKETS

Billions of dollars from opaque sources in China may be flowing into Myanmar each year, causing excessive volatility in areas such as the local real estate market, according to experts.

Flows have increased recently as Chinese political and business leaders respond to efforts to curb corruption, causing many to look abroad to store their ill-gotten money.

These capital flows are distorting markets through the region, and, to some extent, the world, said Sean Turnell, associate professor of economics at Australia's Macquarie University.

One manifestation of this is felt in the rising Myanmar real estate market, but this experience is mirrored in many countries, including Australia – where hot Chinese money is creating a very serious real estate “bubble” in Sydney, he said.

Experts say these “hot” money inflows are often entering Myanmar asset markets, such as real estate, gems and jade, sometimes in a bid to be beyond the reach of Beijing authorities.

Although the real estate sector is notoriously volatile in Myanmar, the jade and gems sector are also affected by similar flows. Mr Turnell said jade is a simple, ancient and easily understood and negotiated instrument for storing and transferring value, and it has seen large swings in export volumes in recent years.

“It is no accident that jade sector has been volatile,” he said.

Of official jade exports, US\$1.3 billion out of a total \$1.5 billion goes to China each year, according to the Ministry of Commerce's statistics, while far more is thought to exit the country through illicit channels.

“Hot Chinese money will create difficulties for macroeconomic management, not just as setting monetary policy, but also in the emergence of market bubbles whose ‘bursting’ can cause great damage – not just the losses that follow, but also for notions of market integrity,” he said.

While managing these inflows is important, it will also be difficult to

stem the tide. Even countries with well-established regulatory regimes have difficulty with these “hot” capital flows, though it is crucial to attempt to address the problem.

China has launched a well-publicised anti-corruption drive initiated by president Xi Jinping, which has contributed to the recent capital flows to Myanmar.



Mr Turnell said some Chinese political officials and businesspeople are responding to Beijing's efforts to get a handle on their internal corruption by joining a "stampede" of capital out of the country.

"The volumes are so large, the problem so acute. In all of it we have to ascribe blame too where it is primarily due – China," he said.

"China is exporting its instability, its corruption, its lack of faith in its own institutions," he added.

Government officials say that while they generally have strong cooperation with their Chinese counterparts, money laundering is one area where connections need to be improved. China's Yangon embassy did not return several requests for interviews for this article.

The Chinese government has asked for Myanmar assistance in areas like robbery or finding fugitives, but has yet to ask for assistance in a money laundering case, said U Kyaw Win Thein, Financial Investigation Unit deputy chief and a police colonel