

WEEKLY NEWSLETTER (MYANMAR)

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1.1 UPS COMES CALLING WITH FREIGHT FORWARD SERVICES

United States-based logistics and shipping firm UPS announced the introduction of its freight forwarding services to and from Myanmar on August 19.

The firm highlighted Myanmar's rapidly growing economy and aims to becoming a manufacturing market as reasons for entering, adding demand for freight services is expected to skyrocket, according to a release marking the announcement.

"Businesses in Myanmar can tap into UPS's global logistics expertise, extensive network and technologies while relying on our air freight and ocean freight services," said Mary Yeo, vice president of UPS South Asia supply chain operations.

2.1 BLUE PLAQUES MARK YANGON'S HERITAGE

Yangon City Hall is the first building to receive a blue plaque from Yangon Heritage Trust (YHT) marking its historical importance.

It is part of a campaign will see about 100 plaques placed at historical buildings and sites in the city as part of an effort to spread knowledge of the city's history, said U Thant Myint-U, founder and chair of YHT.

The dual Myanmar and English language plaques will mark historic locations, and include information about the buildings and location themselves as well as the people who lived and worked there.

"Some people don't know the exact background of these buildings, so the blue plaques will give historical background and other information," said U Thant Myint-U.

In addition to marking buildings, plaques will also note historically important locations, such as Bo Aung Kyaw Road, where student leader Bo Aung Kyaw was killed in a December 1938 strike during the colonial era.

Yangon boasts one of the widest arrays of historical buildings in Southeast Asia. U Thant Myint-U said the plaques will impart knowledge to locals and foreigners alike about the city's unique history.

The project is supported with about US\$75,000 from Dutch firm Philips, which will fund about 200 total plaques. YHT's present plan is to put up 100 blue plaques within the next two or three years, including 20 or 30 plaques on buildings that are over 100 years old.



YHT director Daw Moe Moe Lwin said it takes some time for the plaques to arrive, as they are being imported from Australia.

It will also take some time to decide which buildings and locations are to receive the 200 plaques, said U Thant Myint-U.

In a separate program, YHT has begun a project looking at the city's historical buildings with the aim of developing preservation best practices, said YHT program manager U Kyan Dyne Aung.

It has begun three studies of Bokgalay Zay street in Seikkan township, 26th Street and Latha Street, looking at the buildings themselves as well as everyday life in the neighbourhoods.

The three locations were chosen as they are home to a large number of historical buildings.

“Though we want to do this type of survey for the whole city, we can't,” said U Kyan Dyne Aung. “We have budgetary and time limits.”

3.1 TIMBER TENDER TO FEED DOMESTIC SAWMILLS

Thousands of tonnes of timber will become available in Yangon and Mandalay Region as the government announced a large tender to process and export the already felled logs.

The tender comes as Myanmar instituted rules on April 1 banning the export of unprocessed timber in a bid to develop a local sawmill industry.

International importers such as the EU and US have been easing up sanctions, but it is still difficult to receive the required timber certificates to ship to the Western markets legally, said U Myo Lwin, central executive committee member of the Myanmar Timber Merchants Association.

“I hope private sector exports will go up this year, if we can overcome the challenges,” he said.

Myanmar exported about 3 million tonnes of wood worth US\$1 billion in the 2013–14 fiscal year, mostly to China, Thailand and India. Exports have traditionally been dominated by state-owned firms, though illegal small-scale traders also play a role.

However, official exports have plunged to \$16 million so far this fiscal year, after the government banned raw timber exports on April 1. The large decline in figures is not thought to represent an actual decline in timber exports, but rather means some exports are being conducted informally due to not complying with the raw timber export ban.

U Myo Lwin said it will be difficult to stop smuggling, which may keep going despite the ban.

“The impact might be that it is hard to collect quality raw timber,” he said.



State-owned but independent corporation Myanmar Timber Enterprise (MTE) announced it will begin tenders on August 20 for 10,000 tonnes of felled logs currently located in Yangon and Mandalay Regions. Teak makes up about 500 tonnes of the total tenders.

Some of the wood has been confiscated from would-be exporters, but most has been harvested by government firms.

Companies interested in processing the wood for the domestic or foreign markets have been invited to take part in the tender.

MTE manager U Soe Ye said the 10,000 tonnes will be sold in different sized blocks for different purposes. However, all winners must process the wood inside Myanmar in keeping with the law.

Myanmar is making an effort to build a domestic sawmill industry, as tax rates have been reduced and policy changes require local manufacturing, he said. The commercial tax on teak, hardwood logs and fragments applied on buying has been halved to 25pc for 2014–15, from its previous 50pc.

U Soe Ye also downplayed concerns there are not enough manufacturers to handle Myanmar timber, adding there about 1500 timber manufacturers registered with the Myanmar Timber Merchants Association, and more still unregistered.

Ministry of Commerce director U Win Myint said preservation has not always been a focus for the Myanmar timber industry. Conflicts in some areas near the border with Thailand have preserved forests.

“Nobody dared to go there to cut trees,” he said. “If not, they’d all be gone already.”

Several large firms including Htoo Group, Myanmar Economic Holdings Limited and IGE are licensed to cut timber, though other firms proceed illegally.

Timber smuggling is thought to be strongest on the borders to Thailand and China.

[4.1 UMFCCI ANNUAL MEETING TAME COMPARED TO LAST YEAR](#)

The Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) held its annual meeting last week without the public opposition by some of its members to financial results that took place in 2013.

U Khin Hlaing, president of Zawtika International company, last year submitted seven pages of questions focusing on the organisation’s financial report and also urged a closer look at the rules and regulations of the organisation during the open-door meeting.



He had pledged to do the same this year, claiming he would hold a press conference after the annual meeting to reflect his concerns. However, a chance discussion with UMFCCI chair U Win Aung led to subsequent meetings where U Khin Hlaing said his concerns were adequately addressed.

U Khin Hlaing said he met with U Win Aung and the UMFCCI's chief auditor, with all three going through the organisation's complete financial data.

"I am now satisfied with the finances," he said. "I won't protest against the results in the annual meeting as [U Win Aung] cleared up my concerns before the meeting."

However, U Khin Hlaing added that he would like to see stronger rules and regulations governing UMFCCI, and pledged to keep up pressure on the central executive members to hold to its commitment to transparency.

"I will be pushing UMFCCI to operate as a fair and qualified business organisation," he said.

U Win Aung could not be immediately reached for further comment.

UMFCCI was founded in 1919, and claims to be Myanmar's preeminent private-sector business organisation, with 28,639 members, of which 10,230 are considered active.

U Win Aung did not address U Khin Hlaing's points during his speech at the annual meeting, but said the country's and private sector development is an ongoing process.

"Human resource development and generating new laws and [working with] old laws is part of UMFCCI's ongoing activities," he said. "UMFCCI works not only for the sake of local businesses, but also for foreign businesses entering into Myanmar. It serves as a bridge of the booming economy and more foreign investment."

Commerce minister U Win Myint said at the annual meeting that Myanmar must work hard to develop a market economy, improving the quality of its exports as well as the quantity, while importing goods at a sustainable level.

Trade statistics so far this year show a widening gap, with imports increasing at a quicker pace than exports.

U Win Myint said the ASEAN Economic Community provides an opportunity to reach a market of 600 million people.

4.2 PWC FINED FOR SCRUBBING REPORTS ON SANCTION VIOLATIONS

New York state fined accounting firm Pricewaterhouse Coopers US\$25 million and suspended some consulting work for two years after finding the company hid a Japanese bank's US sanctions violations.

Bank of Tokyo-Mitsubishi UFJ, Japan's biggest lender, pressured PwC to scrub a report on wire transfers the bank submitted to regulators to hide its dealings with blacklisted Iran, Myanmar and Sudan, the New York State Department of Financial Services said on August 18.

"Under pressure from BTMU executives, PwC removed a warning in an ostensibly 'objective' report to regulators surrounding the bank's scheme to falsify wire transfer information for Iran, Sudan, and other sanctioned entities," the department said.

Under the terms of the settlement, PwC's Regulatory Advisory Services unit will be suspended for 24 months from accepting consulting work at financial institutions regulated by the New York state agency and undertake a series of reforms.

Benjamin Lawsky, the superintendent of Financial Services, said this was the latest case of improper influence and misconduct in the bank consulting industry, which had a "troubling web of conflicts."

In 2013, the DFS reached a similar settlement with Deloitte Financial Advisory Services that involved a 12-month suspension of consulting activities.

"When bank executives pressure a consultant to whitewash a supposedly 'objective' report to regulators - and the consultant goes along with it - that can strike at the very heart of our system of prudential oversight," Lawsky said.

4.3 MAPCO TO RECEIVE LARGE LOAN FROM SINGAPORE-BASED UOB

Leading agribusiness company MAPCO has been offered a second loan from Singapore-based United Overseas Bank to develop a port terminal and agribusiness plant near the Thilawa special economic zone.

MAPCO will receive a US\$50 million loan in instalments for the dedicated agricultural "green terminal" and agribusiness plant if the investment receives approval from the Central Bank and Myanmar Investment Commission.

The development is to be carried out jointly with Japanese trading firm Mitsui.

MAPCO managing director U Ye Min Aung announced the loan proposal to the company's annual meeting on August 1.



MAPCO, founded in 2012 as a public company, has already received a \$200 million loan from UOB, repayable over eight years.

U Ye Min Aung told The Myanmar Times that annual interest rate for the loan would be 4.5 percent over its eight-year term, though the final details are still being negotiated. He added that MAPCO was seeking permission from the Central Bank of Myanmar and the MIC to accept the loan.

MAPCO comprises six companies, including one registered in Singapore.

Some industry observers have cautioned that accepting a loan denominated in dollars could entail risks. Rice exporter U Myo Thura Aye said, “If the exchange rate shifts against the kyat when the company is repaying, it could lose out.”

U Than Lwin, financial expert and retired vice governor of the Central Bank, told The Myanmar Times the exchange-rate risk could be higher in a country like Myanmar, whose currency had been subject to rapid fluctuations over a short period of time.

MAPCO is also tipped to be one of a handful of local companies listing on the planned Yangon Stock Exchange when it opens in October 2015. Asia Green Development Bank has also declared its intention to list, while a number of other companies have publically mulled joining.

Myanmar currently has over 100 public companies, with shares available for trade over-the-counter, often at company headquarters. However, it will be difficult for many of these companies to meet the disclosure levels required for listing.

[4.4 BORDER BUSINESS DISTRICT LOOKS TO MIMIC CHINESE SUCCESS](#)

Muse is looking to China’s economic success for inspiration for its K50 billion central business district project, according to its member of parliament.

The city in northern Shan State on the border with China is already home to about 70 percent of border trade volumes, which can be further encouraged once the new economic zone is complete, said U Sai Boe Aung, Pyithu Hluttaw representative for Muse township.

The project is a joint venture between the state government and a local developer New Star Light Construction, and could ultimately create up to 15,000 jobs, he said.

“Implementation [of infrastructure improvements] may have been slow over the past couple of years, but residents are already enjoying better transportation,” he said.

“I hope we can have growth that parallels China’s if we can establish a jade market and trade centres in the zone.”



Work began on the 294-acre (115-hectare) site near the Shweli River last year with the aim of alleviating poverty in the remote rural area and developing a trade centre in the commercial hub of the Myanmar-China border area. Other goals included encouraging urban development, and spillovers of attracting international income from the tourist sector and job creation for local residents.

There are opportunities for about 1000 locals to work on building the project, said U Ngwe Soe, project director from New Star Light.

The central business project is divided into six different zones, with three zones for business and three for residential areas. The entire project is slated for completion by the end of 2017, said U Ngwe Soe.

It entails the building of road links between Kaung Muu Tone and Homon wards of the town, as well as improved access to Tawywat, Bwehone, Kaungnaung, Myaut and Zay wards.

The trade zones will include two markets, a wholesale centre, a jade market, a two-star hotel, an exhibition hall, a condominium building, banking and office buildings, two neighbourhood or cultural centres, restaurants, a police station, a firehouse, a power station, a communications office and administration office, he said.

“We are trying to complete zone 1 as soon as possible, so that the jade market could open by the end of next year,” he added, saying K27.3 billion had already been spent on the project.

[4.5 NOTICES COMING TO BUSINESSES DODGING LICENSES](#)

More than 2000 businesses have not extended their licences for the 2014-15 fiscal year in Mandalay city, according to local officials.

The Mandalay City Development Committee has been sending formal letters to reticent businesses informing them of the necessity of registering by a September deadline, said an official from MCDC’s Cleansing Department.

“Some people haven’t extended their licences because they’ve stopped their businesses, while others have shut down even after registering,” the official said.

The Cleansing Department handles light maintenance activities but is also in charge of a number of other areas of MCDC’s activities, including registering many businesses that are not in the large markets.

About 18,000 businesses have registered so far for the 2014-15 fiscal year in Mandalay. It requires meeting specific criteria and paying fees ranging between K30,000 and K1 million, depending on the type and size of business.



Licences are calculating according to the financial year, which ends in March, meaning a licence made at any time in the year expires at the end of March. Licensing must be completed annually.

“Businesspeople need to know about this,” said Cleansing Department official U Min Aung Phyo.

MCDC expects to generate revenues of K1.6 billion (US\$1.6 million) this fiscal year from the business licensing process.

4.6 DELEGATION TO LEGALISE RICE TRADE WITH CHINA

Three members of a Chinese committee governing import standards will visit Myanmar in September to start negotiating an agreement to legalize rice exports, said officials from the Myanmar Rice Federation.

China has become the largest importer of Myanmar rice in the last two years. While the trade is legal from Myanmar’s point of view, it is illegal from China’s perspective as there is no sanitary and phytosanitary (SPS) agreement in place governing health standards for the trade.

The three officials are from China’s General Administration of Quality Supervision, Inspection and Quarantine, which is charged with overseeing areas such as commodity inspection, health quarantines and food safety at the borders.

Moves to formalize the trade have begun in earnest as the South China Sea dispute heats up, fraying ties between China and its traditional largest source of foreign rice imports, Vietnam.

On July 14 a Chinese embassy official visited the Myanmar Rice Federation to ask the organization to lobby for an agreement. However, traders say China still periodically cracks down on illegally imported rice by seizing illicit shipments at the border.

Myanmar Rice Federation joint secretary U Soe Tun said as a first step the Chinese committee aims to sign a memorandum of understanding with Myanmar officials to take responsibility to test and guarantee the quality of the rice it exports to its northern neighbour.

The second step will be for Myanmar and China to sign a government to government agreement officially opening the rice market with a set of governing rules.

U Soe Tun, who attended a meeting on August 12 on the issue, said it will then be decided how much rice Myanmar can legally export to the world’s second-largest economy.

“We will then try to ask for a quota for rice exports to China, but it will take some time to do that,” he said.



One hope from a quota system is that China will reduce its import taxes on a certain quantity of rice. Taxes on imports – while unevenly applied – currently sit at about 30 percent, according to traders.

However, even as Chinese officials make the push to legalize the trade, their border officials are still seizing illegal exports into the country, said U Soe Tun.

Still, rice is not unique, and Chinese officials also take action on other goods and rice from other countries, he said.

Chinese demand had increased significantly since the end of June, according to U Lu Maw Myint Maung, one of Myanmar’s top rice exporters.

However, China’s tougher stand against illegal imports means trade has declined in August, from about 3500 tonnes a day at the start of the month to no more than 500 tonnes a day now, he said.

U Lu Maw Myint Maung added the prices offered by Chinese traders have been somewhat higher than those offered by other markets in recent weeks, ranging between US\$485 and \$501 a tonne for 5pc broken rice.

4.7 DEVELOPMENT COULD BE HELPED BY BRINGING WORKERS BACK HOME

As Myanmar starts leaping down the path of economic development, many around the world are getting excited.

Donor organizations are clambering over each other, hoping to unleash projects in what many see as “the last frontier”; foreign governments are extending hands of friendship, hoping to foster greater relations and encourage democratic efforts in a geopolitically critical country, and businesses are sniffing out a new fertile territory, trying to expand their global outreach in a country with a sizeable population and potential consumer base. Yet among this scramble, one group that may be getting just as excited is seemingly being overlooked: Myanmar citizens residing overseas.

Myanmar citizens have gone overseas for decades and for a multitude of reasons. Some have gone to seek employment opportunities to raise their standard of living, others to find sanctuary from political or economic strife, and some to further their educational horizons. The majority have gone to Thailand and Malaysia, with diaspora populations there numbering in the millions. Tens of thousands reside in other places like the United States, United Kingdom, Singapore, Australia.

In Myanmar as elsewhere, however, such migrations can lead to a “brain drain”, where educated or experienced professionals leave their country of origin to ply their trade abroad. This is not a new phenomenon, but its repercussions can be keenly felt in the home country. Decreased numbers of skilled professionals working domestically will limit the extent to which a country

can be productive and innovate, which in turn reduces the ability for that country to grow economically.

As Myanmar seeks greater international integration and continues to play catch-up with the other booming economies in the region, it must appease its insatiable demand for skilled professionals. Such individuals bring certain talents and expertise that could strengthen development here, particularly in this nascent transitional phase.

4.8 RICE EXPORTS UP 25% ON DEMAND FROM RUSSIA

Rice exports have risen more than 25 per cent in value so far this fiscal year, according to the latest figures from the commerce ministry which show that US\$196 million worth of rice has been exported between April 1 and August 15.

The figure shows a rise of \$57 million from the same period in the last fiscal year, the ministry said, attributing the rise to increased demand for steamed rice from Russia.

"Many shipments of steamed rice are going to Russia. There are also shipments to Europe as the GSP [generalized scheme of preferences] duty and quota free access has been offered," a ministry official said. The official said exports by volume this fiscal year reached 530,000 tonnes as of August 15.

"Rice exports are rising in terms of revenue and value," the official said.

Rice exports rose to 1.33 million tonnes worth \$528 million in fiscal year 2012-13, but dropped to 1 million tonnes last fiscal with a value of only \$380 million.

On August 1, China started seizing rice imported from Myanmar in Ruili Township, causing a freeze in official exports through the Muse border checkpoint in Shan State.

Officials from both countries are discussing a new trade agreement that will allow China to import rice from Myanmar. Myanmar exports rice to Russia, Europe, Japan and the Middle East.

4.9 LOCAL GROUP, KKATH, WINS RIGHTS TO DEVELOP KYISU INDUSTRIAL ZONE

KKATH Group won the bid to develop Kyisu Industrial Zone in Yangon's Dagon seikkan Township, which may require an investment of Ks 17 billion.

The Yangon regional government announced recently that from five bidders, KKATH Group won the bid to develop the 170-acre land plot.



An official said that the developer would be responsible for infrastructure and facilities development. The construction works are expected to start in this fiscal year, added the official who asked not to be named.

“Of 170 acres, 45 acres are set aside from roads and other infrastructure and facilities. The industrial land will cover 125 acres. We estimated that the development would require an investment of Ks 17 billion,” the official said.

The industrial land will be leased on a 50-year term and after that the contract can be renewed every 10 years.

The Yangon regional government, to reap leasing fee from the land, promised to provide water, power and waste management service to the industrial zone.