

WEEKLY NEWSLETTER (MYANMAR)

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1.1 FARM EXPORTS TOP US\$500 MILLION

Myanmar has received over US\$513 million in the agricultural exports between April 1 and June 20, according to the Ministry of Commerce.

Exports include rice, peas, beans, corn, rubber, onion, garlic and various kinds of fruits, much of it sold to Chinese buyers through border trade.

The amount is only slightly lower from the US\$540 million earned during the same time last year. Statistics up until the third week of June show Myanmar's overall export income amounted to US\$1.9 billion.

Plans are underway to boost the country's exports, including drafting a National Exports Strategy, the establishment of the Myanmar Trade Centre (MTC) in Yangon, according to the Ministry of Commerce.

The plans to establish more MTC branches in Mandalay, Taunggyi, Monywa and Patheingyi are also underway. The MTC provides local and international trade information to proprietors and small businesses.

2.1 HEIGHT LIMITS IMPOSED IN DAGON CITY

Plans for a large US\$300 million mixed used project near U Htaung Bo Roundabout in Yangon were promoted last week, though government officials say they will keep an eye on its proposed high-rise structures to see if they contravene zoning plans.

The Dagon City 1 project is set to include a five-star hotel, office and retail space and residential buildings, aiming to finish the multi-phased project in five or six years, according to company officials.

The land is leased from the government what branch using a build-operate-transfer system. Developers Marga Landmark, an international syndicate of Hong Kong, Korean and British investors, and local firm Thu Kha Yadanar say they hope to have the first phase of four residential towers finished by the fourth quarter of 2014.

Yangon City Development Committee's (YCDC) zoning plan sets height limits for many of Yangon's buildings. The Dagon City 1 project is near Shwedagon Pagoda, where many buildings are limited in height to avoid blocking views of the landmark site.

YCDC director of urban planning U Toe Aung said that a project proposal has not yet been submitted to YCDC, but it sits on land designated to be in the Shwedagon highrise limited zone and in green zone 2 – both areas with various restrictions on building height.



“When they propose their project to YCDC, we will assess whether their plans comply with restrictions on heights,” he said.

Company officials said the firms have received permits from Myanmar Investment Commission (MIC) and also agree to follow YCDC’s rules.

Dagon City 1 aims to include eight-storey residential towers with apartments between 600 and 2000 square feet, as well as several penthouses. It also boasts amenities including a fitness centre, outdoor swimming pool, restaurant and indoor golf.

Developers also highlighted the opportunity to provide jobs for local people.

[3.1 BURMA’S OFFSHORE OIL, GAS AUCTION INVOLVES ‘MYSTERIOUS’ FIRMS](#)

The Naypyidaw government’s still-not-finalized auction of offshore oil and gas blocks lacks real transparency, a business report said.

The criticism, in the London Financial Times, comes as Burma’s application to join the Norway-based international Extractive Industries Transparency Initiative was given candidate status on July 2.

Winning bids for the blocks include major international companies such as Chevron and Royal Dutch Shell, but also a “clutch of foreign and local companies about which little has been revealed,” said the Financial Times.

It named two foreign firms as having “mysterious” backgrounds: Berlanga Holding of the Netherlands and Caog of Luxembourg, both linked to Shyngys Kulzhanov, a Kazakhstan energy entrepreneur.

It also raised questions about the true ownership of Burmese firms IGE and UNOG, which “have historically been controlled by Pyi Aung and Nay Aung, sons of a hardline pro-military politician.”

“Critics say the sell-off is a worrying regression from a widely praised mobile phone license round last year. One [Burma] analyst who asked not to be named describes the oil auction as ‘second rate’ and a ‘missed opportunity,’” the business paper said.

Although winners of the offshore blocks were announced in March, each is still privately negotiating terms with the Ministry of Energy and the state Myanmar Oil & Gas Enterprise.

The Financial Times quoted Matthieu Salomon, Asia-Pacific program manager of the Natural Resource Governance Institute, as saying: “You do not change a political culture of decades of secrecy and no communication overnight.”



EITI has given Burma 18 months to submit a first report on the state of transparency in its oil and gas sector after which a decision on membership of the body will be made.

3.2 FRENCH OIL SEARCH FIRM OPENS RANGOON BASE

French hydrocarbons survey specialist CGG has opened an office in Rangoon to “service and support anticipated growth in [Burma’s] oil and gas exploration sector,” the firm said in a statement.

CGG carries out below-surface electronic surveys to map out potential oil and gas reservoirs.

The Paris-based firm said it was the first international geoscience company to open up in Burma.

“With the [Burma] government’s recent award of 16 onshore and 20 offshore blocks to international and local oil and gas companies, we foresee a quickening in the pace of exploration activity over the next 18 months,” CGG Executive Vice President Sophie Zurquiyah said.

The firm said it was employing a “team of highly experienced Burmese geophysicists” in its Rangoon center.

3.3 RIVER DAMS MAIN SOLUTION FOR ELECTRICITY SHORTAGE

The government has given a strong indication that it intends to permit more hydroelectric dam development despite popular public opposition.

Electricity generated from hydropower projects will provide 37 percent of the country’s energy needs by 2030, Deputy Minister for Electric Power Maw Tar Htwe reportedly said.

This would amount to the largest share of a proposed electricity generating capacity of 23,500 megawatts by 2030, the minister was quoted by Myanmar Business Today as saying on July 1.

That capacity would be more than five times today’s level of 4,360 megawatts, which is enough to provide electricity to barely 30 percent of Burma’s population, and then intermittently.

“Hydroelectricity will produce over 37 percent of the [ministry’s planned] power output, with 20 percent coming from natural gas, 33 percent from coal and more than 9 percent from other renewable energy sources,” said Myanmar Business Today, quoting Maw Tar Htwe.

A controversial Chinese-financed 6,000-megawatt hydro dam project on the Irrawaddy River at Myitsone in Kachin state remains suspended by the Naypyidaw government due to public opposition.

Several hydro-dam project proposals, involving Chinese and Thai business interests, are still in the pipeline for the Salween River.

4.1 MORE FOREIGN INVESTMENT IN INFRASTRUCTURE ‘DEPENDS IN THILAWA SUCCESS’

Future foreign investment in infrastructure development in Burma hinges on the outcome of the Thilawa Special Economic Zone (SEZ), a business analysis company predicted.

“We believe the outlook of [Burma’s] construction sector is significantly dependent on the success of the Thilawa SEZ and future SEZs such as Dawei and Kyaukphyu,” said a study by Business Monitor International (BMI).

The strong investment in Thilawa, on the edge of Rangoon—mostly by Japanese firms—was positive and pointed to further foreign investment in Burma’s “severe deficit in infrastructure, industrial and commercial buildings,” BMI said. But many overseas businesses are waiting to see how successful the Thilawa project turns out to be.

Japanese companies have taken the majority investment share in Thilawa, primarily with the backing of conglomerates Mitsubishi, Marubeni and Sumitomo, plus the Tokyo government-financed Japan International Cooperation Agency.

These Japanese interests have a combined 49 percent stake in Thilawa.

Plans for SEZs at Dawei on the southeast coast and Kyaukphyu, where China has already invested in an oil transshipment port, are unlikely to progress much until Thilawa is completed and working, said BMI.

4.2 MUSE SEES LARGEST VOLUME OF ILLEGAL TRADE

Trade going through the northern border town of Muse sees the largest volume of illegal goods seized by police, according to a recent report.

The total value of seized illegal goods amounts to Ks 12.7 billion (US\$12 million), says the report by the Prevention and Control of Illegal Trading Central Committee.

The committee has cracked down on illegal border trade by creating mobile inspection teams along different routes going from from various border gates to large towns and cities.

They have arrested a total of 2,493 people, many who are trading without import licenses, and some who are importing restricted goods.



Myanmar has a total of 14 border trade centres along its borders with China, Thailand, Bangladesh and India.

After the government started arresting illegal traders, Myanmar's official trade volume rose to \$6 billion during the previous fiscal year.

Inspectors are also being carried out in Yangon sea ports and airports to seize illicit imports.

4.3 FOREIGN BANKS ANNOUNCEMENT DUE IN SEPTEMBER

Which foreign banks will be allowed to operate in Myanmar will be selected in September, though their licences will initially contain significant restrictions, Central Bank of Myanmar deputy governor U Set Aung confirmed in parliament on June 25.

Requests for interest were sent to the foreign banks' local representative offices in May, starting the process to licensing them for operations. However, the introduction of international institutions has drawn some opposition from local banks who are concerned about being out-competed.

Licences will be awarded by an assessment team consisting of officials from the Central Bank of Myanmar (CBM), the Ministry of Finance and Revenue and the Attorney General Office, with support from the World Bank, International Monetary Fund and German consultancy firm Roland Berger.

Between five and 10 foreign banks could be selected, said U Set Aung.

"It's difficult to say the exact number of banks we will choose at present, because the selection method is based on how they rate on the bank-rating model," he said at a joint session of parliament on June 25.

The assessment will consider the foreign banks' international ratings, their capacity, and the extent to which they can support the growth of the economy and the financial sector, he said.

The central bank is eyeing allowing foreign banks to operate under a "quasi-branch banking", which will be a mix of a subsidiary and a branch system. It will also require minimum US\$75 million capital.

Foreign banks will have to rely on capital to lend out, and will have to increase capital if they would like to lend more, said U Set Aung.

"We won't let them take all \$75 million capital from the country. More than 50 percent, up to \$50 million, will be locked-in," he said.

Foreign banks will also face several restrictions, he said. They will initially not be allowed to open branches, operate retail banking, or offer direct banking services to local firms.

If local firms need to borrow money from foreign lenders, they will need to route through local banks.

“Apart from Singapore, in other Asian countries, local banks have never been overtaken by foreign banks,” said U Set Aung.

Authorities are pushing for foreign banks to create joint-ventures with local institutions once the Financial Institutions of Myanmar Law is passed. The law is currently being redrafted.

One current flaw is that a local institution is considered a foreign bank as soon as one share is sold to a foreign entity, and the new law will look to rectify this.

4.4 POOR ROADS DELAY BORDER TRADE WITH INDIA

Border trade has been delayed for more than two weeks at the Reed toll-gate, in Chin State, near the India-Myanmar border due to an accident and poor road conditions.

Only small vehicles can now drive through the toll-gate after a 10-wheel drive truck fell off the road near old Haimon village causing a traffic jam, according to local drivers.

“There is no injury. That’s why we are delayed more than two weeks due to traffic jam,” said truck driver Aung Ko Oo.

“In rainy season, the roads in Chin State are slippery and road accidents frequently occur because the roads are very narrow,” said another driver Ko Thaw Tar.

A narrow road connects the Reed border gate to old Haimon village, which passes a steep gully where heavy duty vehicles often struggle because of too much mud.

“Trucks frequently collapse in the gully due to land slide. The road section is in bad condition. It needs urgent repairs. We left there after repairing the road by ourselves because of the building traffic jam occurring at the Reed toll-gate,” said driver Nakar.

The popular betel nut and other agricultural goods are exported across the Reed border gate while fertilisers and other commodities are imported.

4.5 CRACKDOWN ON ILLEGAL IMPORTS NETS US\$18 MILLION

Mobile teams patrolling for illegal trade have seized more than US\$18 million in goods over the past year and a half, according to the Central Committee for Preventing and Controlling Illegal Trading.

It said 3,391 cases of illegal trade have been transferred to the Customs Department as of June 26.

The crackdown on illegal trade began on November 1, 2012 with the aim of protecting consumers from low-quality goods and increasing tax revenues.

The central committee has made 2,493 seizures worth more than \$14 million since then. Teams under the control of regional or state governments have seized \$2 million worth of illegally imported goods in 849 cases.

Another 60 or so seizures had been made near Yangon Port. Twenty seizures had taken place during the so-called education period of the crackdown with a combined value of nearly \$350,000.

During this period those caught with illegal imports were warned or fined but not charged. More than \$500,000 worth of goods was seized near the port in 37 cases after the education period ended.

“Some commodities including expired and inedible foods had to be destroyed,” said Nyunt Aung, a deputy director general at the central committee.

The committee estimates that about 20 per cent of illegal trade enters the country overland and the rest by ports. Starting from July 2, the crackdown will expand to all seaports as well as Yangon’s airport.

Anyone caught with illegal imports at these locations this month will be fined. Starting next month they will face up to three years in jail.

4.6 FOREIGN INVESTMENT IN COMMODITY PRODUCTION RISING

Cumulative foreign investment in the commodity-production sector reached more than US\$4 billion at the end of May, according to the Directorate of Investment and Companies Administration

DICA said the investment had gone into 357 companies.

These include manufacturers of beverages, electronic devices and construction materials.

Total FDI reached \$46 billion at the end of May, with the lion's share going into the energy sector.

DICA said FDI into agriculture, livestock and fisheries remained low.

4.7 FACEBOOK PROVIDES CHEAP ALTERNATIVE FOR SMALL BUSINESSES

Increasing numbers of small businesses in Myanmar are being drawn to Facebook and other social media sites to advertise their products and grow their customer base.

The social networking site has grown in popularity over the last four years due to its interactive nature and the ability of business owners to connect with customers in new and tech-savvy ways.

“Businesses can read feedback and comments and they advertise through Facebook by campaigning via a fan page and increasing their ‘Likes’. If their fan pages have more followers, they assumed that the users have more faith in their products,” said Myo Zarni Aung, project manager for Myanmar Net.

Advertising through social networks like Facebook often provides small businesses a cheap alternative to older print models, as well as providing various advantages.

Business owners can now analyse how many people have seen their adverts and they can target audiences who are interested in a certain product according to age, sex, what they like and which device they are using.

“They are addicted to Facebook as they believe it can bring success,” continued Myo Zarni Aung.

According to a recent survey, Myanmar has about one million Facebook users, 55 percent of which are female. While these numbers reflect the growing access to internet services and sites, they also show a growing trend using social media for promotions and advertising over more expensive traditional models.

“The advertising in social networks cost businesses ten times less than advertising in magazines and billboards. Advertising on Facebook allows more people to know their products,” said Nay Min Thu, a marketing manager from iMyanmar.

Social networks are also growing in popularity as sources of information in a country where the print media is still highly regulated. Facebook has grown in popularity — especially among urban, tech-savvy youth — as a platform for political discussions, sharing news and information.

Media groups were quick to catch up and began posting news updates on their Facebook pages but then so did the government. Rather than holding press conferences, the Presidential Spokesperson Ye Htut regularly uses Facebook to announce the government's position.

On the one hand, Facebook in Myanmar can be seen to have widened public debate that has been stifled, limited or simply outdated in older print platforms. On the other, it has also led to the spreading of misinformation, rumour and hate speech, often through anonymous users and hidden agendas.

“When I started using Facebook in 2009, there was not much news to read or look at. By 2010 some media groups would write and update the news on their Facebook pages. Later we used Facebook instead of blogs, and we could trust the news. But lately I notice that there are some Facebook pages which are unclear exactly who created them. It is questionable that how many of them are true,” said Kyaw Myo Hlaing, technical director for Credo Wave.

Many Facebook users, whether private users, businesses or news media, often associate truth or popularity with the number of ‘followers’ or ‘likes’ which can also be misleading.

Aung Kham, the chief editor of the Yoyarlay news site, argues that it is often a lack of public understanding on the influence and uses of social media that lead to the sort abuses that can end up sowing hatred or mistrust.

“Although social media has expanded, we can’t assume it as a fourth pillar. Online users are increasing and businesses depend on social media for advertising. In the developing countries, the public has little knowledge about social media. They don’t know which source can be trustworthy,” said Aung Kham.

With growing numbers of users, whether Facebook in Myanmar will be able to regulate itself as a trustworthy platform for public debate perhaps remains to be seen.

What is certain is that as internet usage grows, most small, new businesses are not hesitating to use social media platforms as a innovative and cheap alternatives to older forms of advertising.

[4.8 RICE PRODUCTION MUST RISE AND HOME USE FALL IF EXPORTS TO GROW: EXPERT](#)

Poor productivity and high domestic demand stand in the way of Burma becoming a major international rice exporter again, an industry expert said.

“[Burma] has huge natural resources for growing rice like the Irrawaddy Delta, however, average rice yields have been flat and actually dropped slightly over the last decade,” said Adam John of the Agricultural and Food Policy Studies Institute.

“Domestic rice consumption is still very high,” John said in an assessment for the rice industry publication *Oryza*.



Although Burma is a substantial rice producer—ranked seventh in the world—export trade volumes are “not consistent year to year,” John said. “It may be argued that Burma sees international rice markets as a way of getting rid of surplus rice stocks.”

But John noted that more rice might become available for export if Burmese continue a trend to eat less of the crop.

“Domestic rice consumption is still very high with 50 percent of daily calorie consumption per person coming from rice, but there has been a decreasing trend where locals are substituting rice for other foods,” he said.