

WEEKLY NEWSLETTER (MYANMAR)
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2.1 SHWE TAUNG-YCDC PROPERTY DEVELOPMENT PROJECT LAUNCHED

The joint property development between Shwe Taung Group and Yangon City Development Committee has kicked off.

The development, known as Junction City Project, will comprise two phases – the construction of five-star hotel, shopping mall and office tower for the first phase followed by serviced apartments and banquet hall.

Shwe Taung Group said the first phase will commence this year and complete by 2016. The construction of 25-floor hotel with 348 rooms has started.

It also stated that the project will boast 23-floor office tower, the 28-floor serviced apartment building and the six-floor shopping mall, including a Cineplex and a parking lot.

Its past property projects included Junction 8 in Yangon in 1999, Zawana Shopping Centre in 2007, Junction Mawtin in 2010 and Junction Square in 2012.

It developed Junction Centre in Nay Pyi Taw in 2009.

With investment capital of US\$500 million, its business empire encompasses energy, construction, engineering, housing and hotels.

3.1 SURVEY COMMENCES ON RAILWAY TO CHINA

Ground surveys are underway to prepare for the construction of a railway linking Kyaukphyu township in Rakhine State with China, through the border town of Muse in Shan State, a report by the Ministry of Rail Transport on Monday said.

The report notes that religious and historical buildings are located on the 950 kilometre (590 mile) route, the report said. The ministry pledged that it would adhere to international standards in the project and that it would proceed with transparency. Monday's report, however, provided little information.

The project was the brainchild of the previous military junta. A Memorandum of Understanding (MoU) for the rail project was signed as part of a plan to build a railway connecting Kyaukphyu township to Kunming city in China. The section within Myanmar extends 950 kilometres from Kyaukphyu Township in Rakhine State to Muse Township in Shan State. The plan called for this line to be extended to Kunming city in Yunnan province, creating a Kyaukphyu-Kunming corridor.

the railway runs parallel to the controversial Shwe Gas Project, which exports natural gas from offshore Rakhine State to China. Although rich in natural gas, it is estimated that only 25 percent of all households in Rakhine State have access to electricity.



The Shwe Gas Pipeline project has met fierce resistance in Myanmar, who view it as an issue of national security and the surrender of sovereignty over Rakhine State to China. Meanwhile, civic groups in Rakhine State have called for a halt to resource-exploitation projects as well as the Kyaukphyu-Kunming railway project, which some allege will see a more resources shipped from the state to China.

"We have not been informed of what they intend to do or how they will do it," Tun Kyi of the Shwe Gas Pipelines Watch Group said on Wednesday, referring to the rail line. "If [the government] continues resource-exploitation projects without informing the public, they will definitely face protests," he added.

The Kyaukphyu Special Economic Zone Project, which will be connected to the Kyaukphyu-Kunming railway, is preparing to invite tenders from international bidders.

Union Minister for Rail Transport Than Htay earlier said that construction of the Kyaukphyu-Kunming railroad would not ignore the desire of the people.

The MoU signed by the junta says that China will pay most of the cost to build the railroad. It will be constructed under the build-operate-transfer (BOT) system, with transfer to the government occurring after 50 years of operation.

Beijing is also negotiating a planned motorway to run parrallel to the railway. A feasibility study has already been completed, though negotiations have yet to be completed, officials said.

The MoU to construct the Kyaukphyu-Kunming railroad was signed by Myanmar and China Railway Engineering Corporation in 2011 April. It will cost at an estimated US\$20 billion. Presidential Office Minister Aung Min, who was ministry of railways at the time, and retired vice-president Thiha Thura Tin Aung Myint Oo oversaw the deal.

"At the time of signing the MoU, China reports revealed that China would finalise the project within three years. But up to now, China has not signed the MOA with Myanmar," said an official of the rail ministry who was not to be named.

3.2 PARBOILED RICE PRICE TO BE 15 PER CENT CHEAPER THAN WHITE RICE

The distribution and sale of parboiled rice will be launched costing 15 per cent less than that of white rice per sack, said Thaung Win, secretary of Myanmar Rice Millers Association.

"Relevant authorities, including Myanmar Rice Millers Association and the Ministry of Health, have jointly certified that parboiled rice is suitable for consumption. It is nutritious and has vitamin C. It will be cheaper than white rice and packaged in small sack for the convenience of consumers," said Thaung Win.



The mill construction to house 10 imported parboiled rice machines is 90 per cent complete and the production at full capacity can reach 300,000 tons, according to Ye Min Aung, board director of Myanmar Agribusiness Public Corporation.

We have been trying to distribute parboiled rice for local consumption. It would be nice if the local market for it becomes bigger. Parboiled rice is produced by steaming and drying the rice before it is crushed. So without any content of broken rice when eaten, it yields full nutrition. As for the ordinary rice, when it is rinsed, vitamin B1 is reduced. But this does not apply to parboiled rice,"said Dr. Soe Htun of Myanmar Rice Millers Association.

Japanese company Mitsui and Myanmar Agribusiness Public Corporation are cooperating to establish four integrated Rice Complex Projects (IRCP) including mills for parboiled rice, white rice husking, rice bran oil and rice noodle located in industrial estates for processing rice and rice products for value-added exports. The mills will be in Nay Pyi Taw, Yangon Region, Bago Region and Ayeyawady Region.

4.1 MASSIVE RAKHINE SEZ TO BE BUILT BY THREE COMPANIES

Construction of the massive Kyaukphyu Special Economic Zone in Rakhine State will be divided into three parts, with separate companies selected for each one, a member of the bid evaluation and awarding committee said.

Tenders for construction of the 404 hectare SEZ, located on an island in the Bay of Bengal off Rakhine State, will be divided into three sections: one for the deep sea port, another for industrial zones and a third for housing estates, committee member Ba Shwe said.

He said the consortium hired to oversee construction of infrastructure for the project would also advise on the tender process, which will adhere to international standards.

The consortium is led by Singapore-based CPG, which was chosen last month from the about 30 companies and consortia that expressed interest in the project.

The 1,000-acre Kyaukphyu SEZ project is adjacent the landing point of the dual pipeline that transports gas and crude oil to China.

The CPG consortia will receive \$2.4 million, about 5 percent of the estimated \$277 million that will be spent on constructing the SEZ.

4.2 GARMENT SECTOR SEES MORE INVESTMENT

Six foreign invested and three local invested firms were given the green light to invest at the first meeting of newly-reorganised Myanmar Investment Commission on May 31.

The meeting was held at Yangon Region branch with 43 items on the agenda, including investment proposals.

The companies receiving approval included garment makers, surgical-equipment producers and a petroleum distributor. They were from Hong Kong, Thailand, Indonesia, Korea and China.

Local firms that received approval include a frozen fish exporter, veterinarian medicine producer, and a producer of construction equipment.

The MIC was reorganised on May 28. The new chairperson is Zayar Aung, Union Minister, Ministry of Energy. Htay Aung, Union Minister of Hotels and Tourism, became vice-chairperson, a newly created position.

4.3 THAI COUP HAS HAD NO EFFECT ON BORDER TRADE

The suspension of democracy in Thailand has had no effect on border trade with Myanmar so far, according to the Ministry of Commce. Migrant workers, however, are facing a host of problems stemming from the political conflict in their host country, groups representing them say.

“There has been no impact on border trade from Thailand’s political situation,” said Thein Tun Oo, director of Tachilek Border Crossing in Shan State.

He said border trade totalled more than US\$11 million from May 1 to 28. “Trading has not been interrupted,” he said, adding that the amount last month was double what it was in the same month a year ago. Trade in March and April was \$10 million and \$7.8 million respectively, he added.

Border trade in Taninthari Region was also proceeding normally at both its crossings, Ranong and Mawtaung, Thein Tun said. The only problem is the curfew restricts vehicles from crossing the border. Ranong’s trade is primarily marine and this is unaffected by the curfews, officials there said.

In the long term, however, some economists warn that instability in Thailand could affect Myanmar as well as the region as a whole. The Association of Southeast Asian Nations plans to launch the Asean Economic Community next year could be affected by the political situation in Thailand, they warn. Moreover, with Thailand under military rule it will face economic sanctions from Western governments, and this could dampen the economies throughout the regions, economist Thein Myint Wai said.

The coup has had an immediate impact on migrant workers in Thailand, according to reports from them. After six months of civil unrest, the Thai military declared martial law on May 19 and then seized state power three days later.



Migrant workers, especially those who cross the Myawaddy border point daily for work in Thailand's Mae Sot province, say their incomes are taking a hit.

“People who work at night face difficulties due to the curfew,” said Moe Gyoe, chairman of a nongovernmental group that helps migrant workers. The curfew, which begins at midnight, prevents them from working overtime, he said, adding that overtime boosts wages from 180 baht to 300 baht per day.

Migrant workers have also complained that commodity prices have shot up in Thailand due to the civil unrest that precipitated the coup.

The closures of jetties on the Mori River near the Myawaddy border crossing have also made it difficult for workers to remit funds to families, Moe Gyoe said. Despite the hardships, however, few migrant workers are returning from Thailand, he added. “Most are staying put, whether they have legal documents or not,” he said.

Min Hlaing, chairman of the Federation of Overseas Employment Agencies, said official recruitment from Thailand had fallen considerably since unrest broke out in the Kingdom.

It is estimated that about four million Myanmar migrants are working in Thailand, with about half of them doing so illegally. Frequently, they work in construction sites, farms and as domestic helpers.

4.4 MYANMAR SEES INFLUX OF TOURISTS SINCE APRIL

Over 300,000 international visitors have entered Myanmar since the beginning of the fiscal year on April 1, most coming from Thailand, according to immigration authorities.

“Visitors from Thailand rank first with over 50,000 in number, followed by China and Japan,” said an official from immigration control in Yangon International Airport.

Thai visitors mostly tour famous sites such as Shwedagon Pagoda, Kyitehteyoe and Botahtaung pagodas.

According to the Ministry of Hotels and Tourism, Myanmar's tourism sector seems to have developed more this year. Thailand has been top on the list of foreign visitors to Myanmar since last year.

4.5 GOV'T TO EXEMPT EXPORT TAX FOR SMALL BUSINESSES

The government is planning to collect value added tax in advance instead of commercial tax, and to scrap taxation on small export businesses according to Min Htut, Director of the Internal Revenue Department.

“Currently, it has been reduced step by step to use value added tax instead of commercial tax. Soon, we are planning to exempt export tax to zero percent. Money that export business people have to pay will be returned. The next thing is that there will be vouchers with security marks at every step,” said Min Htut.

Myanmar is planning the tax exemption ahead of its joining the ASEAN Economic Community on December 31, 2015.

At present, tax rates are five percent for crude oil exports, 50 percent for teak exports, 30 percent raw jewels like jade and ruby, and ten percent for gasoline, diesel oil, and airplane petrol.

When putting commercial tax on local commodity production, services and trade sector, over US\$ 15,000 will be exempted for a whole year.

No tax will be collected from firms who earn less than USD 15,000.

4.6 WORKSHOP ON EXPORT STANDARD FOR SMES PRODUCTS TO OPEN

The workshop for upgrading export products involving small and medium enterprises will take place on June 6-to-11 in Bahan Township, Yangon.

Under the theme “Standardisation and Technical Transfer for Agro-based Products”, the workshop is expected to help SMEs products to penetrate the world market.

Organisers include Germany’s FRITZ WERNER Industry and Department for SMEs Development.

Foreign experts are slated to giving tips on international standard for main agriculture exports such as rice, bean, sesame and tea.

4.7 LOCAL GOLD PRICE DROPPING

The price of gold foil in Myanmar is dropping by over US\$10 a tical because the supply is higher than the demand.

The gold sheet has been traded at more than US\$660 early May before falling to US\$650 at the month's end.

“Within a week, gold price falls by more than Ks 10,000. As it is back-to-school season, the supply of gold is higher than the demand,” said secretary of Myanmar Gold Entrepreneurs Association Kyaw Win (from Oo Htone gold shop).

The international price of gold in the third week of May was more than US\$1292 an ounce, dropping to US\$1257 on May 30.

The rise and fall of international gold price is related with the demands in China and India.

Myanmar's gold market is subject to change on the internal supply and demand.

The local gold market, which saw the price soar to over US\$760 a tical last year, presently sees a recorded price drop of nearly US\$100.

The gold foil is traded at the price of US\$651 a tical in May while 15 carat gold costs US\$615 a tical.

4.8 MYANMAR TRADE CENTRE SLATED TO PROMOTE EXPORTS

The government is slated to open Myanmar Trade Centre this month designed to promote the country's exports, according to the Ministry of Commerce and Trade.

The centre, located in Yangon, will become the main venue for local and international businesses to develop new exporting opportunities for Myanmar products.

The country's main exports include agriculture, livestock, fishery, mining, manufacturing, wood and other products.

The trade volume of Myanmar in the fiscal year 2013-2014 totalled more than US\$24 billion, which the country earned more than \$11 billion from exports while it spent \$13 billion for imports. The trade deficit is about \$3 billion.

A greater strategy has been drawn to promote exports. The country is also undergoing a review for trade policy assessment.

Moreover, the country has carried out the Enhanced Integrated Framework programs in order to receive trade technology and financial aid from World Trade Organisation.

Although the European Union has granted trade privileges, the United States is still imposing sanction to pressure for advancing forward reforms.

The sanction means some 5,000 Myanmar products do not receive tax privileges under the generalised system of preferences.

4.9 MOGE LOOKS FOR JOINT VENTURE PARTNERS IN ‘CORPORATIZATION’ PLAN

Burma’s controversial government-controlled oil and gas agency the Myanmar Oil & Gas Enterprise (MOGE) is inviting foreign companies to bid to take part in a new round of industry developments.

MOGE is seeking expressions of interest to take part in joint ventures ranging from onshore block exploration to pipeline construction, said the Myanmar Times, quoting agency director Than Min.

No details of the potential joint ventures have been announced but firms interested in being considered must register by June 30, Than Min told the weekly newspaper, adding that it marked the beginning of a corporatization program for MOGE.

MOGE has long been tainted by its close links to the former military regime, which struck secretive deals to sell Burma’s offshore gas abroad, notably most of the 50 billion cubic meters so far confirmed in the Shwe field in the Bay of Bengal to the China National Petroleum Corporation.

The Burmese government is preparing to apply for membership of EITI, the international Extractive Industries Transparency Initiative, which requires countries to be more accountable about business concerning natural resources such as oil and gas.