

## **WEEKLY NEWSLETTER (MYANMAR)**

**03May 2014 to 09May 2014**

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## 1.1 TIMBER SMUGGLING CONTINUES DESPITE HIGHER FEES

**Transport fees for trucks smuggling Tamalan timber to China have reached Ks 10 million according to truck drivers on the Mandalay-Muse route.**

“Trucks with 10 or 12 wheels attached with iron bodied container are used.

When the Chinese buyers come, they pay Ks 9 million and an oil barrel,” said one truck driver on the Mandalay-Muse road.

The smuggling only stops on days when government officials make a seizure, according to the driver who refused to be named. Drivers can earn Ks 300 million (US\$ 300,000) within three months smuggling timber.

“The price for one course and a truck loaded with 10 to 15 tonnes of timbers is KS 9 million plus one barrel of oil,” said another truck driver.

The government recently passed a ban on the export of raw timber in a bid to save the country’s remaining forests and encourage more local industry.

Despite the ban, illegal timber trade continues with smugglers finding new routes through the jungle. Some say that recent fighting between ethnic rebels and the army have made it easier to smuggle timber as there are less controls.

“The Chinese buyers purchase themselves. They do not even buy teak, only Tamalan,” said another trucker. Tamalan is a hard wood found in Myanmar which is in high demand in China.

A Forest Department official said: “Besides teak, Tamalan timber has been smuggled recently. Their quality is better than that of teak. We are operating projects to diminish these contrabands.”

## 2.1 OVER 1000 HOTELS IN MYANMAR WITH 20 NEW ADDITIONS

**Twenty hotels have been granted investment licences in April, bringing the total number of hotels in the whole of Myanmar to over 1,000.**

The Ministry of Hotels and Tourism said in March that there were total of 960 hotels in Myanmar. The number of rooms has also increased to 37,482 with the addition of 21 new hotels.

The hotels are being constructed by local businesspeople and will be built in regions with particular tourist attractions.



Mandalay Region leads with over 300 hotels and the construction of hotels is also soaring in Yangon and Shan State, according to the ministry.

Hotels are getting much interest from local businesspeople but many are still negotiating with foreign investors, said Aung Zaw Win, director general for the ministry of hotels and tourism.

Foreign countries wanting to invest are Japan, Thailand and the UK, but the number of countries has decreased, Aung Zaw Win added.

By mid-2014, the number of hotels could reach up to more than 1,000 when hotels still under construction in Yangon, Mandalay and Shan State are due for completion, according to Aung Zaw Win.

Foreign investors have spent US\$ 1.7 billion in 40 hotel projects and local investors have spent up to US\$ 2 billion, according to ministry data.

## 2.2 GOV'T GRANTS HOUSING CONTRACTS TO FRIENDLY COMPANIES

**The government will grant a contract to build the Pynmapin Housing Project to First Myanmar Investment Ltd (FMI), without any tender process.**

The government and FMI will own a 30/70 percent respective stake in the project, which will include 1600 flats for middle-income families and around 1100 for lower-income families.

Sources close to the project say that the FMI was to be given the project since the end of last year without announcing a tender, as per usual for government contracts. Even upper-levels of government approved it.

another government housing project, Pearl Garden Housing, will also include 27,000 flats. The two projects are to be meant for lower-income families as and will be built on public land. But sources indicate that the Pearl project only targets the middle-income families.

Recent reports show that only companies close to the government have been granted contracts on public housing projects.

Shwe Than Lwin Company was given a green light to build housing on a ten acre plot located between Sedona Hotel and the Central Bank. The company gave back this plot to the government on the grounds that it would not make a profit, only to change its mind and request for the land back as soon as the project was deemed profitable.

The lack of competitive bidding systems has caused a loss for the public in general. Foreign companies should also be invited to develop affordable housing projects rather than giving contracts to companies who are more interested in turning a profit than providing decent and affordable housing.



The government often gives the land while the construction companies fund the construction costs for all affordable housing projects.

The profit sharing ratio between the government and company is either 50:50 or 49:51. However, the profit sharing ratio of Pale Garden housing project is 30:70 which is lower than usual.

### 3.1 'NO ENCOURAGING DEVELOPMENT' IN FISHERY SECTOR POLICY

**When compared to its neighbouring countries, the fishery breeding sector in Myanmar is largely incompetent and cannot compete in the global market, says an official with the Myanmar Fishery Products Processors and Exporters Association (MFPPEA) at a public meeting on Tuesday.**

According to the latest information, during fiscal year 2013-2014, the export value in the fishery sector decreased by US\$ 116 million more than that in the previous year's period.

“When we reviewed the fishery sector during the three-year period, there is no encouraging development,” stated Htun Aye, the chairperson of MFPPEA.

“It is the reality, not distortion. We want the fishery sector to be successful [but] Myanmar still cannot compete with neighbouring countries in global market.”

Htun Aye advised that the government should take steps to boost the fishery sector to earn more foreign revenue, as marine resources are abundant in the country.

Toe Nandar Tin, the vice-chairperson of MFPPEA echoed, “The government does not see the reality in this sector. There will be no development in the market unless fish and shrimp farmers can breed or process. Now, we've seen a decline of \$ 8million in export value in just one month - - and this is not even the export season. This value will be only reduced again during the export season.”

Although Myanmar has approximately 450,000 fish and shrimp farms, most of them lack capital and technology and are unable to run their businesses properly.

### 4.1 SMES FACE MORE FOREIGN COMPETITION FOR FUNDING

**Local small and medium-sized enterprises (SMEs) are facing tough times with limited access to funding and may be taken advantage of by foreign partners, said an official of the national trade chamber.**

Myint Zaw, joint secretary of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), suggested local SMEs shun foreign partnership.



“It’s better for local SMEs to stand alone, as those from other countries are making an entry,” he said.

Myint Zaw noted that at Tatmadaw (Army) Convention Hall, there had been frequent SME exhibitions hosted by companies from Thailand and Malaysia as the government opens doors for foreign players.

Myanmar has set the year 2015 for SME development while other ASEAN member countries are joining in light of the ASEAN Economic Community (AEC).

He said that local efforts to strengthen local SMEs will take some time, even with international assistance.

For example, a Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) programme meant to strengthen SMEs is a long term project.

Myint Zaw also criticised lack of access to funding among local SMEs. Japan recently approved an SME lending programme for local companies. But as it is approved on a first-come first-serve basis, many SMEs would be left disappointed.

Local SMEs are subjected to the annual interest rate of about 8.5 percent. In the first national business survey, 97 percent of the over 3,000 respondents were SMEs. Nearly half of them are very small enterprises with fewer than 10 employees. About 30 percent of them employ 10 to 49 employees while 10 percent employ 50-249 employees. Only 3 per cent hires 250 employees or more.

#### 4.2 MORE THAN Ks 350 MILLION IN ILLEGAL GOODS SEIZED

**The customs department has seized more than Ks 350 million in commodities over the month of April, most have not paid tax duty at various airports, seaports and check-points.**

Items included cell phones, computers, cameras, electronic devices, cosmetics, medicines and a car.

They were seized at Yangon International Airport, Yangon Ports and Terminals, and Mandalay Check-Points. According to the department, 37 cases were filed last month.

#### 4.3 COMPANIES FACE HEFTY FINES FOR FAILING TO FILE TAXES

**The Internal Revenue Department (IRD) on Tuesday gave a stern warning that companies in Myanmar must file their taxes by June 30, otherwise they stand to face a heavy fine that could be up to 150 times the size of their actual tax bill.**

“Trying to dodge tax could be a risky task. If they don’t follow the rules and procedures, a heavy fine will be imposed,” said Aung Myo Oo, the head of the Seikkan Township IRD.

The department is holding legal conferences in every township to explain how to improve the collection of taxes. Myanmar currently collects the lowest amount of tax in local output among Asean countries.

Under section 21 of the commercial tax law, a company must pay 10 per cent of its due tax as a fine for failure to: register with the tax department, inform about running its business, pay monthly tax, file three-month and annual statements, pay annual tax, follow the rules and procedures, pay tax by the specified date and show required receipts or documents upon filing tax.

#### 4.4 CORRUPTION, LACK OF SKILLED LABOUR HURT DEVELOPMENT, SURVEY FINDS

**The 2014 Myanmar Business Survey found that corruption, the lack of skilled labour and scarcity of technology are the main obstacles for economic development in the country.**

The survey – which was unveiled on May 6 at the Union of Myanmar Federation of Chamber of Commerce and Industry building – was conducted by the Organisation for Economic Cooperation and Development (OECD), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), UMFCCI and Hanns Seidal Foundation.

This survey stated only a few of the common hindrances from 34 major obstacles found in current business activities.

It further highlighted obstructions in economic reforms and privatisation, and questioned the requirement of bribery for registration; although 40 per cent of enterprises do not need to pay more than the official fee for a given licence, the other 50 per cent still have to pay extra charges for a permit.

Similarly, the scarcity of skilled labour and technology adds to the delay in business cycles, the survey found.

Difficulties in transportation, lack of political stability and monetary problems such as high interest rates, create further inconveniences. Shortages of electricity across the country followed the above-mentioned obstacles.

During the survey, 60 per cent of respondents replied that lack of skilled labour is the major obstruction, and pointed to current difficulties in hotels and restaurants, service and commodity production industries. The rapidly expanding computer and IT sector is also facing labour problems.

#### 4.5 BEAN TRADERS INVOLVED IN CREDIT SCANDAL

**Businesses trading in beans and pulses have been asked by the Ministry of Commerce to submit their credit and debit lists by May 6 following a scandal involving billions of Kyats, according to an arbitration committee.**

The scandal has involved merchants from Bayinaung bean market in Yangon Region who sold large amounts of beans and pulses by delivery order to buyers from India without having any product at hand.

“The incident is partly caused by sudden rise of bean price. They have sold beans without having any beans at hand. They can compensate in more amount in this crisis if they do it sooner. If they compensate later, the soaring bean price will put them in worse situation,” said Ohn Saing, the chairman for Bayinaung wholesale centre.

Trading companies such as Moe Thet Company Ltd. sold over 10,000 tonnes of beans and were accredited US\$ 12 million which they are now being urged to pay back.

The bean merchants association and the Yangon Wholesale Centre presented the case to the Ministry of Economic and Commerce which in turn has formed an arbitration committee to help settle the debts owed by Moe Thet Company and other traders.

If the debtor pays back all that now, he can settle 90 percent. But the lists cannot be confirmed yet. According to the lists he gave, he can compensate 80 percent to 90 percent. If so, he won't lose much. That's why he submitted them to us quickly,” said Ohn Saing.

the committee has received all debit and credit lists submitted by the company and requested all dealers also submit debit and credit lists should further problems arise.

The prices of beans and pulses has been on the rise since early April due to a reduced crop yield this year and strong demand from India, according to traders from the Bayintnaung Wholesale Centre.

“Buyers from India are continuously purchasing beans here. This year's crop has also dropped. So bean prices won't go down. Instead, it's creeping up,” said Tun Lwin, chairperson of beans and sesame seed traders association.

Myanmar cultivators have also focused on green mung bean to export in large quantities to China where they will get higher prices.



#### 4.6 OOREDOO PARTNERS WITH ROCKET INTERNET FOR ONLINE SERVICES

**The Ooredoo Company announced it will link up with Rocket Internet to operate e-commerce, online and digital services in Myanmar and Asia.**

Ross Cormack, the CEO of Ooredoo Myanmar said, “E-commerce has a great potential in Myanmar along with increasing numbers of smart phone usage. People will shop commodities and services online with their smart phones. Giving services for e-commerce is enriching people’s lives technologically. We expect this joint venture with Rocket Internet would become the leader in e-commerce sector.”

As part of the cooperation between Ooredoo and Rocket Internet, Asia Internet Holdings has been established in 15 market places worldwide including Myanmar, Thailand, Singapore, Vietnam, Philippines and Australia for online retail sales and payment methods.

This investment complies with the country’s business rules and regulations and hopes to initiate within the mid-year of 2014.

Rocket Internet is considered a leading business in the area of online payment and e-commerce.

#### 4.7 GOVT TO LAUNCH TRADE DEVELOPMENT COUNCIL TO ENERGIZE EXPORTS

**The government announced it will form the Myanmar Trade Development Council in 2015 in a bid to promote exports, according to a report from the International Trade Center (ITC).**

At present, the German International Cooperation Agency led by the Development of Export Department under the Ministry of Commerce, is providing cash assistance for the National Level of Trade Development Strategy that is being drawn up by experts from the International Trade Center, together with local private societies.

The five-year, long-term national strategy will involve four phases, including the Pre Engagement Phase, Inception Phase as well as Design Phase and Implementation Management Phase.

Of these, three phases have already been completed.

“According to the market demand, the strategies leading to export development and development for capabilities of exports are one of the Public-Private Dialogues that to be jointly drawn by the government, private and civic societies,” said Lin Naing Oo from the ITC.

Similarly, the Ministry of Commerce is now drawing up three projects to help boost Myanmar’s trade sector.



Moreover, the ministry is also carrying out several projects with international assistance, including the Enhanced Integrated Frame Work-EIF, National Export Strategy-NES and National Trade Facilitation Implementation Plan-NTFIP.

#### 4.8 FOREIGN BANKS WILL BRING POSITIVE IMPACTS: CBM'S VICE CHAIR

**Local banks have nothing to fear from foreign banks operating in the country, according to the chairperson for the Central Bank of Myanmar.**

Sett Aung, the vice chairman for the CBM, gave assurances that foreign banks will be operating within limitations and would not jeopardize any business of the local banks.

“There is nothing to be confirmed because it is in initiated status. It is in dialogue. It couldn't be said which banks [will be permitted to operate] or when they will be allowed to run,” Sett Aung said.

Thein Tun, the chairman for Myanmar Bank Association, explained that local banks fear they cannot compete with foreign banks when it comes to investment capital, because even the total sum of all local banks' capital would be less than just one foreign bank.

Despite those concerns, if foreign banks are allowed to operate in Myanmar, CM officials say there will be positive impacts, such as having the benefit of low interest rates, easy access to financing for enterprises and the development of the country's burgeoning financial sector.

The CBM said that three categories will be permitted for foreign banks if they are to do business in the country: operating a rep office, cooperation with local banks and running a branch office.