

WEEKLY NEWSLETTER (MYANMAR)
07Jun 2014 to 13Jun 2014

I. SHIPPING & LOGISTIC

- 1.1 MYANMAR TO IMPORT 500 TONES OF PETROL FROM THAILAND 2

II. PROPERTY

- 2.1 HILTON SIGNS WITH EDEN TO OPEN FIVE-STAR HOTELS 2
- 2.2 RENTAL FEES IN YANGON STILL ON THE RISE 3
- 2.3 MYANMAR INVESTORS WOODED TO BUY SICHUAN PROPERTY 3

III. RESOURCES

- 3.1 MYANMAR'S RUBBER PLANTATIONS FACING LOSSES DUE TO PRICE DROP 4

IV. FINANCE & ECONOMIC

- 4.1 78 MORE FOREIGN-INVESTED FIRMS ARRIVE THIS YEAR 5
- 4.2 VIETNAMESE INVESTORS' RISING INTEREST IN MYANMAR 5
- 4.3 TOYO RADIATOR PLANT TO LOCATE IN THILAWA SEZ 6
- 4.4 KYAUKPHYU SEZ TO MOVE OUT OF MUD VOLCANO EFFECTS 6
- 4.5 US-BASED BALL CORP TO INVEST IN THILAWA SEZ 7
- 4.6 TELENOR TO DEBUT CHEAP SIM CARDS IN SEPTEMBER 7
- 4.7 SAND DREDGERS GRIT TEETH OVER TAX GRABS 8



1.1 MYANMAR TO IMPORT 500 TONES OF PETROL FROM THAILAND

Aung Nan Thar Company has been given official permission to import up to 500 tonnes of petrol across the Thai-Myanmar Friendship Bridge after ferry services were suspended in January this year.

Border authorities have cracked down on petrol smuggling across the Thaungyin or Moei River, but this has not stopped traffickers resorting to using pipelines to smuggle fuel across the river border.

"The official importing of petrol will not be successful in the long-term if only one person is doing it. Everyone needs to do this in unison. If illegal imports continue, companies doing official imports won't be able to compete. That's why the local authorities need to help regulate against traffickers in order for the business to be successful," said an official from Aung Nan Thar Company.

Two 11-tonne petrol tankers crossed the bridge on Tuesday and another four crossed on Wednesday. They will continue to supply the remote border town of Myawady until they have reached their 500 tonne quota.

Aung Nan Thar Company signed a contract with a Banchak Petroleum oil refinery to import diesel, petrol, octane, and gas oil to supply Yangon, Nay Pyi Taw and Mandalay and other major towns.

The company received permits from the Department of Commerce and Consumer Affairs under the Ministry of Energy to import the petrol to feed Myanmar's growing demand.

2.1 HILTON SIGNS WITH EDEN TO OPEN FIVE-STAR HOTELS

U.S. hotel chain Hilton Worldwide Holdings Inc, has signed a joint venture with Eden Group Company Limited on June 11 to open five hotels in the next four years.

Two hotels currently run by Eden Group in the capital Nay Pyi Taw and at Ngapali beach resort will be rebranded as Hilton Nay Pyi Taw and Hilton Ngapali and upgraded to five-star hotels.

"Hilton will be taking on the management part as a priority and Eden will take on the finance," Than Htut, Eden Group Company director told a press conference.

The renovation of the Hilton Nay Pyi Taw will be finished before November, aiming to provide up to 200 rooms for the 24th Asean Summit and closing ceremony.

Hilton also plans to manage hotels in Bagan, Mandalay and Inle Lake, the country's main tourist destinations according to Andrew Clough, senior vice president for Hilton Worldwide.



"The introduction of five Hilton properties to the key destinations of Nay Pyi Taw, Ngapali, Bagan, Mandalay and Inle Lake marks our commitment to Myanmar," he told Reuters news agency.

Hilton's first hotel project in Yangon, originally scheduled to open this year is now expected to open in late 2015 or early 2016 due to unexpected delays.

This has not deterred the company's expansion in the face of Myanmar's economic reforms and a surge in the number of tourists visiting the country.

Chit Khaing, the chairman of the Eden Group, added that the venture will bring more job opportunities better skills to the country.

The hotels and tourism industry is one of the fastest growing sectors in Myanmar which has seen a growing interest from global companies including Hilton, Accor Group, Shangri-la Group and Pan Pacific Hotels Group.

2.2 RENTAL FEES IN YANGON STILL ON THE RISE

The rental fees for houses and apartments in Yangon will be increasing until July, according to the real estate experts.

The monthly rent for housings varies between Ks 200,000 to 300,000 (US\$200 to 300) for an apartment; Ks 2.5 to 30 million (US\$2,500 to 3,000) for a condo; and Ks 4 to 5 million (US\$4,000 to 5,000) for a proper house.

"As there is influx of foreigners to Myanmar this year, the leasing of houses, condominiums and apartments is most common," said Yi Mar Swe from the Myanma Aungmyay Estate Business.

"The high-price renting of apartments is most frequent but we also get some acquisitions. But land deals are cold and we mostly receive enquires," she added.

The most popular residences and condominiums for foreigners are found on Pyay Road, including 8 mile and 9 mile, and in Yankin Township. With the growing number of foreigners coming to live and work in Myanmar, the price for housing has been growing exponentially.

"The places that weren't even seen before like those around Guttalit and Chawtwinkone townships are now become a centre-point for foreigners. Myanmar house owners are interested in hiring foreigners as they give higher rental fees," said a real estate agent.

Currently, hiring and leasing housing is leading the estate business. An appendix to the Income Tax Law has been enacted on March 24 which regulates paying duty on apartment deals but this has yet to come into effect and there is still no visible change in the estate business.

2.3 MYANMAR INVESTORS WOODED TO BUY SICHUAN PROPERTY

Singapore-based LUXE Real Estate has organised a promotional event in Yangon, convincing Myanmar investors to buy Chinese apartments worth US\$150,000 each in Chengdu, Sichuan.

“Regarding our property construction in Chengdu, inquiries come from several countries. The reason we choose Myanmar is because of good ties and increasing trade (with China). We understand the country has large investment in Singapore, Hong Kong and Thailand, said Calvin Chao, a LUXE official.

He said Sichuan, located in the Northwest of China, was on the verge of property development boom and that real estate price would significantly increase for the next five years.

Regarding property ownership in China, he said Chinese laws allow foreign ownership some 10 years previously.

“The wealthy people may buy. This implies that investors would benefit because Chengdu is expected to develop further,” said an American at the event.

“Those flooded with ready funds will be able to invest easily. As Myanmar is in the transition period, property prices are rising. Foreign investors will be interested in Myanmar property. They want to make profit (windfall),” he added.

Critics said Myanmar and China were seen by the West as having volatile legal system. This might not yield confidence for buying property.

An observer of the property market said Myanmar business people often moved their wealth to other countries, however.

3.1 MYANMAR’S RUBBER PLANTATIONS FACING LOSSES DUE TO PRICE DROP

A number of rubber plantations are operating at a loss due to falling price of natural rubber which drops to US\$1,700 per ton this month from \$2,600 at the end of 2013.

Rubber farmers have aired their grievances, particularly the widening deficit between production cost and selling price.

farmers growing inferior rubber varieties are hardest hit by the price drop. Local rubber price hinges on the international price fluctuation. In booming market, rubber price used to soar to \$3,000 per ton.



At present, local price for ribbed smoke sheet (RSS3) rubber is being quoted at \$0.6 per pound, dropping from \$0.7. This is for export-quality rubber. The lower grade is traded at \$0.4.

The country exports rubber through border trade and maritime transport. The problem in volatile rubber market is exacerbated by the fact that the local rubber production is on the rise while the price is spiraling downward.

4.1 78 MORE FOREIGN-INVESTED FIRMS ARRIVE THIS YEAR

Singapore, Japan and South Korea continue to be the top sources of foreign investment in Myanmar this year, with companies from the three Asian Tigers leading the way among the 78 foreign invested firms given permission to invest in Myanmar in the first five months of this year.

Companies from Hong Kong, Thailand, Indonesia, China, Malaysia, Taiwan, Sweden, India, Brunei and Laos followed suit.

Two types of foreign investments were allowed: 100 per cent foreign-invested firms and joint ventures with local partners.

Foreign investment flowed into a wide array of sectors, including garment factories, electricity production and distribution, agriculture, hotels, construction and construction materials, communication services and devices, production and distribution of soft drinks and lead production and purification.

Cumulative foreign investment in Myanmar totaled 46.485 billion at the end of April.

4.2 VIETNAMESE INVESTORS' RISING INTEREST IN MYANMAR

More than 50 business groups from Vietnam have been conducting market research in Myanmar in order to look for investment opportunities, said Pho Nam Phuang, director of Investment and Trade Promotion Centre, on Friday.

The research is being conducted at shopping malls and supermarkets in Yangon and Mandalay, she said in the press conference at Union of Myanmar Federation of Chamber of Commerce and Industry.

“The research will cover customer’s habits and obstacles to Vietnamese companies operating in Myanmar. The results would be submitted on relevant ministries in coordination with UMFCCL,” said Myo Thant, joint secretary general of UMFCCL.

Myo Thant said Vietnam’s ITPC did another research on the distribution system last year.



In a related development, Vietnam plans to hold Ho Chi Minh City Expo 2014 at Tatmadaw Hall, Yangon from June 26 to June 30.

The event will showcase agricultural equipment, construction machinery, interior design decorations, leather products, garments, cosmetics and commodities from over 80 Vietnamese enterprises. The Vietnamese traditional food fair is to take place also.

“Along with the products from Ho Chi Minh City, the Myanmar merchandises will also on display at the expo. We plan to meet with business corporations in Mandalay too,” said Pho Nam Phuong.

In addition, the Vietnam-Myanmar Trade & Tourism Fair will be held at UMFCCI building on June 26.

4.3 TOYO RADIATOR PLANT TO LOCATE IN THILAWA SEZ

Toyo, a business conglomerate from Japan, will invest and construct its plant for car radiators in Thilawa special economic zone, said Ichiro Maruyama, minister-counsellor at Japanese embassy.

“Japan’s leading manufacturer for motor parts is preparing to build its plant in Thilawa SEZ. Myanmar Japan Thilawa Development is in talks with the company. The plant would be established in Myanmar. Raw material would be imported from Japan for the production of vehicle spare parts,” he said.

In related development, another business deal was signed on Friday involving a US-based corporation to locate its plant at the Myanmar-Japan joint venture for special economic zone, according to Japanese ambassador Tateshi Higuchi.

Ball Corporation will construct its Thilawa plant to supply beverage cans. The corporation, established some 130 years ago, is the market leader for cans production.

4.4 KYAUKPHYU SEZ TO MOVE OUT OF MUD VOLCANO EFFECTS

Plans are underway to reassign the Kyaukphyu special economic zone to a new site away from mud volcano effects in Rakhine State.

The present designated plot for project development is located within the range of environmental impacts from active mud volcano, making it difficult to obtain insurance coverage.

“The site for Kyaukphyu SEZ has already been designated. But its location is within 2-kilometer of a mud volcano. This will cause difficulties in dealing with insurance companies.



Therefore, we will find a better site which is not a religious ground, cemetery and farmland,” said Aung Kyaw Than, co-secretary of the project’s Tender Invitation and Selection Committee.

Sinapapore-based CPG Consultancy has been contracted as consultant tasked to woo international developers for the project development. The job contract was signed on May 26 in Nay Pyi Taw.

4.5 US-BASED BALL CORP TO INVEST IN THILAWA SEZ

Ball Corp, the American beverage cans manufacturer, will invest US\$40 million to build its plant at Thilawa special economic zone, according to the company’s announcement on Friday in Yangon.

“We are a leading manufacturer of steel and aluminium cans,” said a company official.

The company signed a lease to set up its business in the zone which is a Myanmar-Japan joint venture.

“In the first phase, Ball plans to invest \$40 million and will raise the capital outlay to \$100 million. The project will kick off as soon as possible and the production of beverage cans is to commence by July 2015,” said Min Tala Nyan, country manager for Ball Asia Pacific’s Myanmar Plant.

In a related development, Japanese ambassador Takeshi Higuchi announced the signing of a deal between a Japanese auto parts manufacturer and the special economic zone.

“This is Myanmar’s first-ever special economic zone – a national project supported by the governments of Myanmar and Japan. It is encouraging news that American and Japanese companies should sign respective contracts on the same day. I strongly believe that this would further cement the cooperation of Japan, the US and Myanmar. Japan will continue to support infrastructure development of the Thilawa zone under the Official Development Assistance programme,” said the ambassador.

“As a first phase, Ball Corporation plans to invest US\$ 40 million and later increase to up to US\$ 100 million. We will start the project as quickly as possible. Ball is set to start its production as of July, 2015. And we will sell beverage cans to the beverage manufactures,” said Min Tala Nyan, Country Manager of Myanmar Plant, Ball Asia Pacific Ltd.

4.6 TELENOR TO DEBUT CHEAP SIM CARDS IN SEPTEMBER

Telenor will introduce its telecom service in September by selling SIM cards for Ks 1,500 (about US\$1.60) apiece, company said in a press release.



It will not be necessary to register in advance to buy a Telenor SIM card. Customers can buy as many SIM cards as they like as long as they can show a National Registration Card, Telenor staff said.

Internet speed on the 3G network will depend on how many users are surfing in a particular area, but the lowest speed should range from 700 Kbps to 1 Mbps at peak user time and the highest from 4-6 Mbps, Telenor staff said.

The range in the the 2G network could be as low as 100-150 Kbps during peak hours in some locations. Telenor said it plans to offer a 4G service if there are enough handsets on the market to support one.

Telenor plans to construct 8,000 telecom towers across the country, but is facing a massive hurdle to install the first 1,000 stations by September. After the first thousand are installed it plans to add 300 to 400 per month.

The speed of mobile internet connections occasionally exceed 1 Mbps on the 3G network, but are usually about 100 Kbps. Internet connections via a smart phone are either slow or nonexistent, users say.

Telenor said it plans to open 200 SIM cards sales centres and will also sell the cards through 100,000 SIM retail shops nationwide.

4.7 SAND DREDGERS GRIT TEETH OVER TAX GRABS

Businesspeople in the sand trade complain they are being double taxed followed the introduction of a tax on dredging rivers in April this year.

A group of sand businesspeople met with Myanmar City Development Committee (MCDC) officials on June 6 to follow up their complaint about the twin taxes, as they must also pay MCDC taxes. Government officials countered that most businesses, not just sand dredgers, must pay taxes to MCDC as well as the relevant national government department.

U Maung Myint, chairman of an association of sand businesspeople, said that the tax burden was relatively low but went against the spirit of the law.

On April 1 the Mandalay Region hluttaw passed rules placing taxes on sand businesspeople as part of its law on ports and private boats. The law called for a tax of K375 for collecting one square foot of dredged sand, as well as K125 per square foot of sand for operating a motorboat to collect the sand.

The new taxes came in addition to a flat K60,000 tax from the MCDC Cleaning Department for collecting sand that was implemented in 2011.



MCDC officials said that there was nothing wrong with levying two taxes on one activity.

U Nay Win Myint, head of MCDC's Cleaning Department, said hotels for instance pay taxes to MCDC as well as the Ministry of Hotels and Tourism.

“That way they are supporting things like education,” he said. “We always consider the impact of businessmen from every angle who will pay the tax.”