

Thura NewsViews

Politics

- Myanmar President Thein Sein does not rule out the possibility of staying in office for the second term if his “country and people desire” this. He said this at the first news conference he held since taking up office in March 2011. The event gathered 130 domestic and foreign reporters in Nay Pyi Taw on October 21. When talking about the second term, the President was referring to the general elections that are expected in 2015 and that would determine the real status of democracy in the country since USDP, the ruling party with Thein Sein as its chairman, did not have a real competitor in the last elections held in 2010. The parliamentary by-elections that took place in April 2012 showed the popularity that the National League for Democracy, an opposition party with Aung San Suu Kyi as its leader, enjoyed among the people. The latter has also expressed her willingness to take office as the President if the people’s will was behind this decision.

At the news conference Thein Sein said that Myanmar had not received official invitation to the Cobra-Gold US-Thai military exercises that will be held next year adding that the country may send its officers to the USA for technical training.

- Authorities in Myanmar are facing greater pressure to act in order to resolve the renewed interethnic conflict between Buddhist and Muslim communities in the Rakhine state in the country’s west. Tomas Ojea Quintana, UN special envoy on human rights in Myanmar, has called on the country’s government to “start addressing the root causes of the problem”. In a statement released on 24 October UN Secretary General Ban Ki-moon also urged the Myanmar authorities “to take urgent and effective action” referring to “all cases of lawlessness” adding that inaction could hurt reforms undertaken by the government.

In his turn President Thein Sein has invited residents of the Rakhine state to maintain peace saying that “such unrest could tarnish the image of the country”. The latest outbreak of violence caused the death of 89 people, 136 injuries and destruction of 5,351 houses in seven townships in the state in a span of nine days from 21 to 30 October, the state press reported on November 01. At least 32,231 people have been displaced, according to government figures.

The conflict presents a serious challenge for the new government not least because of the fact that the Muslim minority community, calling themselves ‘Rohingya’, involved in it are not recognized as citizens by the law. They are considered by many people in Myanmar as illegal migrants from Bangladesh although some of them have been living in the country for generations. In view of this, the UN envoy has also appealed to the government of the newly opened Southeast Asian nation to “address the endemic discrimination

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November highlights

Swiss and Norwegian-Danish embassies open in Myanmar

Singapore Airlines launches daily flights to Yangon

Myanmar in figures

GDP (PPP)- \$82.72bn (2011)

GDP (official ex.rate) - \$50.2bn (2011)

GDP growth rate—6.7% (FY2012-13 proj.)

Population—58.4mn people (2009)

Inflation—8.9% (2011)

Foreign trade—\$16.1bn (FY2011-12 est.)

FDI- \$40.42bn (2011)

International reserves—\$7bn (July 2012)

Kyat/\$ = K851/1\$ (CBM 01/11/12)

against the Muslim community which should include a review of the 1982 Citizenship Act". The authorities' solution to the problem which has proved to be a short-lived one has been to separate the Buddhist and Muslim communities. President Thein Sein has set up a committee to probe the reasons behind the tension in the Rakhine state but the report that it was due to deliver has been delayed.

The conflict in Rakhine state also puts the investment climate in Myanmar at risk. Some of large investment projects in the oil and gas sector including those developed by Korea's Daewoo International and China National Petroleum Co., are located in the conflict zone.

Infrastructure

- A total of 7.8 trillion kyat (\$9.5bn) will be allocated from the union budget for construction and renovation of roads and bridges in Myanmar in 2012-2031, the Ministry of Construction disclosed to the public. The program consists of four 4-year phases running from 2012 to 2016, from 2017 to 2021, from 2022 to 2026 and from 2026 to 2031. The first phase will consume 2.823 trillion kyat (\$3.3bn).

The program foresees that 28 companies will be operating 60 main roads stretching for 3,600 miles under the build, operate and transfer (BOT) arrangement. These companies will be exempted from income tax for 30 years.

In addition to domestic roads, Myanmar is also planning to upgrade its international road links to prepare itself for entry into the ASEAN Economic Community in 2015. These works will include widening three international roads from 12 to 24 feet. Interstate highways will also be expanded to 12-foot-wide asphalt roads. Japan and Korea will help Myanmar in this endeavor. The latter, indeed, has a lot of catching up to do with other ASEAN countries in terms of transport infrastructure considering that there are only 40 km of road per 1,000 sq.km. as compared to 60 km in Laos and 480 km in Vietnam, according to the data of the Asian Development Bank.

- The Myanmar authorities are also endeavoring to reform the water transport sector in the country. The Ministry of Transport of Myanmar will put the Inland Water Transport Corporation that is currently under its control up for partial privatization, Nyan Htun Aung, the head of the ministry, said on October 28. Joint ventures will be created for management of some companies that make up Inland Water Transport. This will be done to transform these enterprises into financially sustainable entities as they will no longer be supported through the budget. The planned privatization represents a good opportunity for investors as water transport is one of the main means of going around the country. IWT annually transports 25m passengers and 4m tons of cargo. Privatization of water transport is also a socially sensitive issue because it is currently the cheapest means for many local commuters.
- The Asian Development Bank (ADB) has put the task of improving transport infrastructure as a priority for its country partnership strategy in Myanmar. Developing infrastructure will help bridge the divide between urban and rural areas in the country and bring it closer to its ASEAN neighbors, ADB said in a press release circulated on October 26. For these purposes, the regional financial institution will partner with the government to determine key projects in transport and energy. It will also work with communities "to improve livelihoods in rural areas where the majority of people live, including in ethnic minority areas".

ADB will also allocate grants that will help ministries in Myanmar better plan and deploy development programs and projects, manage the reform process, improve data collection and educational system.

The interim country partnership strategy will run from 2012-2014. Once Myanmar settles its arrears to ADB, the latter will come up with an investment program for the country. Despite Japan's efforts to reach a decision on Myanmar's outstanding foreign debt, there is still no agreement on the issue. The next meeting of Myanmar's main creditors including Japan, World Bank, ADB and Paris Club of sovereign creditors is scheduled for January.

Special Economic Zones

The Myanmar authorities expect work on the Thilawa Special Economic Zone to commence in early 2013. This will make it the first project of its kind developed with foreign aid. A consortium of Japanese companies have been working on a blueprint for the special economic zone. It is located near Yangon and already has some infrastructure put in place. It also neighbors the Thilawa deep-sea port where 51% of stake is controlled by Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) and 49% is held by Japan External Trade Organization (JETRO). UMFCCI plans to offer its stake to the public once the project starts off.

At the same time, the launch of another special economic zone located in Dawei in southeastern Myanmar is targeted for 2015 as the Thai government tries to speed up its development. Two meetings on the project between the Thai Prime Minister and the Myanmar Vice-President are scheduled to take place on November 7 and 8 and will be followed by sessions of bilateral high-level committees. The latter have three points to discuss in order to prepare for the first phase of the launch of the Dawei SEZ including the 132-km Thailand-Myanmar road link, the deep-sea port, power plant and transmission pipelines to supply gas for it. The earlier cancellation by the Myanmar government of the project for a coal-fired power plant in the zone has put brake on the SEZ and sent its operator Ital-Thal Development (ITD) looking for new local cooperators as Max Myanmar, one of the country's largest corporations, declared that it would not be involved in it. ITD is also striving to find financing for the \$8.5bn-valued first phase. The Thai government has pledged a \$1bn loan for infrastructure projects within the SEZ while Japan is expected to provide a soft loan of \$3.2bn.

While the launch of the Thilawa SEZ is expected in early 2013, it is unclear whether the law on special economic zones will be finalized by that time. It has been mulled in parliament for some time now as lawmakers are trying to ensure transparency and provide additional benefits to potential investors.

Companies

KPMG, one of the big four in audit and consulting, is coming back to Myanmar. It has recently announced that it will re-open its office in the country shortly. Initially KPMG will be providing tax and advisory services to companies in Myanmar. The country office will be supported by counterparts from Thailand, Japan and Singapore. Some of KPMG's areas of specialization in Myanmar will be financial services, healthcare, hospitality and infrastructure, Michael Andrew, the chairman of KPMG International, has said. Another global audit firm PricewaterhouseCoopers will be opening its office in Yangon on 6 November.

Tenders

- The Department of Civil Aviation under the Ministry of Transport in Myanmar has selected seven firms in the pre-qualification tender for construction of Hanthawaddy International Airport 50 miles away from Yangon. They are Yongnam-CAPE-JGC Consortium, Taisei Corporation, Gamuda-Grec JV, Bouygues Batiment International, Intel International, VINCI Airport and Incheon Airport Consortium. The companies were chosen based on their financial strength, experience, equipment resources and qualified personnel. Now the department will proceed to the next round of the tender for the project.
- Myanma Posts and Telecommunications (MPT) and Yatanarpon Teleport Co. (YTP), are announcing an open tender for expansion of the 3G mobile telephone network capacity in major cities throughout the country. The winner will supply all the relevant equipment and services for the project. Detailed information, including technical specifications, tender terms and conditions, and tender forms (which will only be made available to those qualified on November 1, 2012) can be obtained from Yatanarpon Teleport (Yangon Branch) or by phone: +951-652 300 , +951-652 233 (Ext.) 1101 during office hours. The last date for submission of applications is November 9, 2012.