

**WEEKLY NEWSLETTER (MYANMAR)**

**23May2015 to 29May2015**

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## 2.1 BIDS INVITED FOR UPGRADE TO YANGON - MANDALAY HIGHWAY

**The Ministry of Construction is planning to upgrade the Yangon-Mandalay highway to an international standard following a high-profile crash last year.**

Though hundreds of accidents take place each year on the expressway, last year on May 12, 2014, a bus left the road and fell off a bridge, killing 12 people and injuring another 29.

The Yangon-Mandalay highway opened in 2009, though experts have said it is missing many of the safety features found on international-standard highways, such as roadside reflectors, warning signs and rumble strips to alert drivers when their vehicles are leaving the road.

Public concern over the highway has grown, particularly following the May 2014 crash. Ministry of Construction officials have routinely said that while transport on the road is not yet perfect, there is a master plan to continue upgrading it and it had been opened early for the public's use.

“We are trying to make it a perfect expressway,” said U Win Pe, director general of the Road Department under the Ministry of Construction.

“In order to achieve this, we plan to invite tenders for a build-operate-transfer contract.”

U Win Pe said the ministry has so far received 126 applications from local and foreign firms, of which 26 applications are being carefully looked at. However, the structure of the build-operate-transfer contract has not been detailed, as many stages are still being scrutinised.

“It's hard to say what the contract will look like, but I hope an answer will be coming soon,” he said at a Nay Pyi Taw press conference on May 26.

The master plan calls for the Yangon-Mandalay highway to eventually be upgraded to eight lanes, from its current four. U Kyaw Lin, permanent secretary at the Ministry of Construction, said upgrading the road will help it meet international norms of driving faster and safer while traveling comfortably.

But the frequent use of the highway by cattle, motorcycles and farm vehicles causes cars to break and swerve, which could be alleviated with more lanes. Rest places also need to be placed at 50-mile intervals along the road for comfort of travel, while CCTV cameras and fences are needed near the road for safe driving, according to U Kyaw Lin.

Traffic police say driver negligence, excessive speeds and drunk driving are the main causes of accidents. U Win Pe said Chinese and South Korean companies have also flagged their interest in the tender, along with local companies. He added the government will attempt to keep the toll rates the same.

## 2.2 HLUTTAW APPROVES LARGE LOAN FOR DALA-YANGON BRIDGE BUILD

**The Pyidaungsu Hluttaw has given the go-ahead to a US\$138 million loan from South Korea to build a bridge between Yangon and Dala – a project that will cost nearly \$170 million.**

The \$137.8 million loan from South Korea's Economic Development Cooperation Fund, which will go to Myanmar's Ministry of Construction, gained approval on May 28 when four members of parliament seconded the motion and none moved against it. The terms of the 40-year loan include a 15-year deferment period and an interest rate set at 0.01 percent, as well as a service fee at 0.1pc of the loan.

Myanmar will contribute the remaining \$30.3 million necessary to complete the project.

Support for the loan came from MPs eager to see development in Dala township and other areas across the river from downtown Yangon, such as Ayeyarwady Region.

U Khin Shwe from Yangon Region's No 9 constituency said he backed the loan because it would help develop Twante, Kawhmu and Kungyangone townships along with Dala – which, facing water scarcity issues, could benefit in particular from the project if it incorporates water supply piping.

The Ministry of Construction and South Korea have decided the project's primary construction duties will be carried out by Korean technicians, although the work will also employ Myanmar workers and experts, Deputy Minister for Construction U Soe Tint said at the Hluttaw meeting.

However, Pyithu Hluttaw representative U Thein Swe for Ann township in Rakhine State said that the government needs to reconsider the plan, suggesting the sole use of Korean workers.

U Thein Swe added that the government should negotiate both the prices for construction materials, and to reduce the project's timeline, as currently plans indicate a five-year timeframe.

The ministry will try to get construction materials at international-standard prices and to build as quickly as possible, he said.

“We can gain social, economic and technological benefits from the project,” U Soe Tint said. “It is a suspension bridge, so Myanmar can get more technological knowledge from [the Korean workers]. We will carry out it by listening to the people's voice.”

The bridge – whose design plan has yet to be finalised – will be 49 metres (160 feet) high and 251 meter (823ft) wide. With Myanmar's highest clearance, the structure will allow for vessels carrying 15,000 tonnes to move freely beneath the bridge.

### 2.3 YHT TO SURVEY FOR LOCAL PEOPLES' HERITAGE VIEWS

**The Yangon Heritage Trust (YHT), with assistance from the New Zealand government, will launch a project this month aiming to understand what Yangon residents value about their local environment.**

YHT, a non-government organisation, will carry out direct consultation with local residents. The project is also being supported by Yangon City Development Committee (YCDC), according to a 26 May announcement.

“This study will provide one of the first opportunities for downtown communities to express how they feel about the streets and urban environments they live in,” said the announcement.

There has been much discussion among local and international stakeholders about the future of downtown Yangon, which retains one of the world’s most complete ensembles of colonial architecture in the world.

YHT aims to protect the city from intense pressure for rapid urban development. However, in the end, it’s the people of Yangon who will need to decide how they would like to protect their heritage and see their city grow, said U Thant Myint-U, YHT’s chair.

the project will allow YHT to directly engage with local communities and establish connection with the people who live in Yangon’s heritage buildings, and will encourage local residents to think about what they do and do not value in their neighborhoods.

### 3.1 MARUBENI INKS MOU FOR COUNTRY’S LARGEST GAS PLANT

**Japan's Marubeni Corporation will conduct a feasibility study on a US\$1 billion gas-fired power plant in Thanlyin township, after signing a memorandum of understanding with the Ministry of Electric Power on May 27.**

the firm is part of a consortium also including Global Power Synergy from Thailand and Myanmar’s Eden Group. The partners are to spend the next nine months conducting the study for the 400-megawatt plant.

The gas-fired plant would be the largest in Myanmar, distributing electricity to the Thilawa special economic zone and the national grid, a press release said.

Gas-fired plants have emerged as a favourite generation method, as popular criticism against coal and hydro makes them difficult to implement.



Several of the companies involved in the Thanlyin power plant are involved in other parts of the energy sector in Myanmar.

Marubeni has experience constructing hydro and thermal power plants in the country. The Japanese company is also conducting a feasibility study for a coal-fired power plant in the south of the country. Its planned coal-fired plant in Tanintharyi Region's Myeik township will have a capacity of between 1800 and 2000MW. The \$2.5 billion project will be completed by a consortium including Global Power Synergy, EGAT International and Sri Synergy from Thailand and local firm Ayeyar Hintha.

Global Power Synergy is the affiliate company of Thailand's state-owned PTT, which is one of the final candidates for the Thanlyin refinery joint venture tender. This gas refinery is going to be supplied from future offshore fields, according to U Chit Khaing, managing director of Eden Group.

"The current agreement is only for a feasibility study, but we believe in the project's possibility," he said.

"We are expecting gas supplies from M-3 and M-2, which are new offshore discoveries."

PTT is the operator of M-3 and Eden Group has a share of M-2, which is operated by PetroVietnam. The two blocks could begin commercial production by as early as 2018, according to the Ministry of Energy.

The Ministry of Electric Power has also been planning another major gas-fired power plant for Myingyan, near Mandalay. Singapore-based Sembcorp Industries won the right to develop and operate the 225MW plant, with a price tag of \$300 million.

The ministry has planned a number of new projects to meet the rapidly growing demand for electricity, which is climbing by 13 to 15pc a year.

Six privately run gas-fired power plants in the Yangon area started operation in 2013.

Myanmar currently has 43 running power stations with installed capacity of 4987MW, of which 29pc comes from gas-fired plants.

Still, electricity demand is expect to grow significantly as the country develops.

The Ministry of Electric Power has estimated there will be a need to generate 23,594MW for the whole country's demand by 2030.

#### [4.1 FIRST FOREIGN INSURANCE LICENCE GIVEN FOR THILAWA](#)

**A Japanese firm has been granted the first licence to a foreign company to run insurance in Myanmar.**

The temporary licence issue on May 25 restricts Sompo Japan Nipponkoa insurance to Thilawa special economic zone. Company representatives say it will aim to provide services appropriate for investors building up facilities such as factories, warehouses and office buildings on the zone.

“Our first product to be delivered shall be an insurance that covers construction works, namely Contractor’s All Risk insurance,” said Keiji Okada, chief representative of Sompo’s Yangon Office.

As the construction work is completed, it will gradually shift to products such as fire, marine cargo, liability and accident insurance, he said.

“We are ready to operate. Whenever clients in Thilawa SEZ require [it], we can serve them.”

Last year, the government announced plans to allow foreign insurance companies to do business in the special economic zones. It has also said the door will be opened in the future to foreign insurance in some form across the country, though no firm plans have been set.

Deputy finance minister Dr Maung Maung Thein said Sompo was chosen first due to its strong track record. It has had a Myanmar representative office for two decades and is one of the largest insurance companies in Japan, with a large total capital.

Sompo’s Keiji Okada also said the Yangon was the firm’s first foreign office – not New York or London – when it set up outside of Japan in 1942.

Dr Maung Maung Thein said it important the insurance companies have regional experience. Another requirement for insurance companies aiming to receive licences to work on the SEZs is that they must already be operating in two other ASEAN countries.

“We are concerned that some inferior-quality companies will try to do business in Myanmar,” he said.

Sompo has submitted US\$30,000 for a licence fee to Myanmar Investment and Commercial Bank, and will have to make \$10,000 annual payments.

One other foreign company has also submitted the \$30,000 licence fee, though its name has not yet been publically revealed, he said.

The Ministry of Finance plans to issue more licences in the future, and has distributed its criteria to the foreign representative offices on how to apply for business licences. One of the stumbling blocks is the requirement to have had a local representative office for three years.

“We’ve sent out our criteria and let them know that we will issue licences in the future if they meet it,” he said.



Dr Maung Maung Thein said Japanese companies in particular are interested in licences to operate on Thilawa, which has strong Japanese government and corporate backing.

Tokio Marine & Nichido Fire, Mitsui Sumitomo and Sompo Japan have all applied for a licence. “Among them, Sompo has finished all the paperwork, submitted the fee and is in line with the ministry’s criteria. So, it has been granted the first licence,” he said.

Sompo’s initial licence is for six months, after which the Ministry of Finance will consider granting a permanent licence.

“We granted temporary licences to watch their performance,” he said. “We will consider their performance before granting a permanent licence.”

There are currently 16 foreign insurance representative offices in Myanmar, though one more international-scale player is set to be added on May 30.

#### 4.2 BIG WESTERN BRANDS SEW WAY FORWARD

**Only a thimble-full of American fashion brands now import from Myanmar, though they were once the largest players in the domestic garments business.**

More than 50 percent of Myanmar’s garment exports were shipped to the United States before the introduction of sanctions in 2003 put a stop to the US trade. The effect of the sanctions was crippling – nearly overnight, garment factories were forced to close, or look to other markets, with buyers from countries like Japan and Korea picking up some of the slack.

Now, in Yangon’s Thingangyun township, more than 1000 people – women, mostly – are leaning over their sewing machines, working for a South Korean-owned factory to produce clothing for a giant American retailer once more.

While the garment industry is returning to health, there is much more to be done to entice more Western – particularly American – brands to return. European companies like Adidas and H&M are making larger and larger local orders, and in the case of H&M, are now working with 14 local factories, while their American counterparts stay smaller.

Over the past year, American retailer Gap has tripled the quantity of clothing it is ordering from its two Myanmar factories. However, it has no immediate plans to add more factories, according to Debbie Mesloh, senior director of government and public affairs with Gap.

Gap is attempting to make its supply chain more nimble to take on the likes of H&M and Zara. Last year, it became the first major American firm to restart imports from Myanmar, labelling its clothing “Made in Myanmar (Burma)”.





The outerwear has been well-received by American consumers, and Ms Mesloh said she was optimistic about the market's overall potential as a sourcing destination, calling it "explosive".

"I think a lot of people are kind of watching Gap to see how we do and the challenges that we have, and how we work on these challenges," she said. "The business environment is different.

"We really felt like it was an opportunity to come in and grow the industry in a good way."

And the domestic garment industry certainly is growing. Though different figures exist, one insider said exports totalled about US\$1.5 billion in 2014. This is 25 percent more than the Myanmar Garment Manufacturers' Association's number of \$1.2 billion in exports in 2013 and strong growth on 2012's \$900 million in exports.

Yet operating in Myanmar comes with a host of challenges. The local industry often employs underage workers, for instance, and its factories can be unsafe.

Gap's current Myanmar factories are owned by South Koreans, owners it has worked with in other countries. It employs a third party to regularly audit the factory, taking a rigorous look at a range of issues from child labour to building safety.

These audits are becoming more common among international brands, yet often face opposition. The audits can be so challenging that local companies have trouble meeting them.

Local factory owners complain that while European brands are returning and American firms are eyeing the market, it is the foreign-owned factories in Myanmar that benefit, as the audits preclude them from landing contracts.

U Aung Win, vice chair of the Myanmar Garment Manufacturers' Association and managing director of locally owned Maple Garment, said the audits conducted by major Western brands were too tough for nearly all Myanmar-owned factories to comply.

Instead, most of the Western buyers are teaming up with suppliers they know from other Asian countries like Korea, China and Taiwan, rather than taking a chance on a Myanmar-owned factory.

U Aung Win said the checklists often require expenditures on improving equipment and buildings that local players are often not able to make. As a result, local factories generally miss out on the huge orders of 100,000 or more pieces from Western brands, and instead must make do with much smaller orders of as little as 2000 or 3000 pieces from regional players.

"Local investors are suffering," he said. "The big brands should relax the rules for four or five years. We are a poor country."

Yet the kind of rules U Aung Win would like to see relaxed would likely prove controversial in the rest of the world. Many foreign brands will not allow workers below the age of 18 in the



factories from which they source, though the practice is common among Myanmar factories, for instance.

Still, experts hope that over time, local factories might be able to shift their methods to meet more international standards.

Eight garment industry players in Myanmar, including H&M and Gap, have joined Business for Social Responsibility's (BSR) Myanmar Responsible Sourcing initiative. It aims to assist the local industry to grow in a sustainable manner.

BSR Asia Pacific vice president Jeremy Prepisci said that is important to approach the local industry with humility, adding the sourcing is likely to come anyway and it comes down to a shared vision of the future.

"The question isn't so much whether the issues are something the employer does or doesn't want to deal with. The issues are ... important to be working on and addressing over time," he said.

Speaking for BSR, he said Myanmar was a new market for many brands, and they were doing their due diligence on the opportunities and risks. He added that quality and price mattered, but so does the sustainability of the industry.

"We're not going to solve these problems overnight," he said.

Myanmar factories offer some benefits, such as competitive labour costs, but they also offer a range of headaches.

Mr Prepisci's organisation has initially been focusing on child labour and land acquisition issues, such as due diligence on land ownership and partners. Other industry headaches include poor electricity supply, the lack of a deepwater port and recent labour strife.

In addition, Gap contends with challenges unique to American buyers. It must be careful to comply with the remaining American sanctions.

The US also does not provide duty-free access to Myanmar garment imports under its Generalised System of Preferences, though Europe reinstated duty-free access retroactively for 2012 in its duty-free program. As a consequence, European buyers are coming to Myanmar in greater numbers than their American counterparts. The EU imported 235 euros (US\$256 million) of garments alone from Myanmar in 2014, a 79pc year-on-year increase, while total US imports of all products from Myanmar was \$93 million in the same year.

H&M now sources from 14 local factories, and the company's Myanmar country sustainability manager Julia Bakutis said the company had also opened a local source office in Myanmar this year. Yet while H&M and Gap and other companies are competitors on an international scale, they share many of the same challenges inside the country.

One prominent concern for the industry has been the lack of a minimum wage. Though Myanmar has passed legislation introducing a minimum wage, there is so far no dollar figure attached.

The issue has been a catalyst for garment strikes, though the members of the BSR say they are doing their best to address the minimum-wage issue in a responsible manner.

H&M has dealt with the situation by setting a minimum monthly wage with recommendations from stakeholders, until an official minimum is set.

“We require from our suppliers that at least this figure be paid as a base wage to the textile workers,” said Ms Bakutis. “When we met with the Ministry of Labour we also expressed our expectations about setting minimum wage levels and annual review mechanisms to ensure that workers receive a good wage”.

“We believe that meaningful collective bargaining is very important and are looking at ways to strengthen it,” she said. “Workers’ ability to organise and negotiate about their rights is key to improve working conditions.”

International brands may be keen on some of the advantages to sourcing from Myanmar, but they are well aware of the downside of sourcing locally. How they address these challenges will be critical in determining the future direction of the local industry.

#### 4.3 STATE BANK OF INDIA TO OPEN REP OFFICE

**The State Bank of India (SBI) is to become the fourth Indian bank to open a representative office in Myanmar and may be joined within the year by Punjab National Bank, which has reportedly applied for a licence.**

SBI, which is the largest commercial bank in India in terms of assets, and the country’s largest state owned bank, received its licence to open a representative office in March last year. Under the licence terms, the bank can only carry out liaison activities and will not be able to offer financial services.

The office, which will officially open next week, will be run by chief representative Anil Bankey. It has been a long time coming – Indian media reported in 2004 that SBI had sent a team of officials to Yangon to assess whether the time was right to open an office.

when Myanmar invited foreign lenders to apply for full licences last year, SBI was the only Indian bank to submit an application, but was eventually unsuccessful. It lost out to nine other Asia Pacific headquartered banks, all of which had been running a representative office in Yangon for at least a year before the tender was called.

“Unfortunately India did not get any of the banking licences, and there is no formal banking relationship between India and Myanmar yet,” said Sailas Thingal, deputy chief of mission at the Embassy of India.



“This is a problematic area for the improvement of trade and investment relations between our two countries. Our governments realise that to enhance bilateral trade we really need a banking relationship, and that this is one of the bottlenecks we face,” he said.

A semi-formal agreement between the United Bank of India branch in Moreh, Manipur, and the Myanmar Economic Bank in Tamu in Sagaing Region, facilitates border trade between the two countries.

In 2012, United Bank of India became the first Indian bank to open a representative office in Myanmar since 1963, when the Ne Win government nationalised all foreign bank branches. Following this, the Export Import (Exim) Bank of India and the Bank of India opened representative offices in 2013.

Punjab National Bank, another of India’s major state owned banks, has reportedly applied for a licence. According to several sources it has recently been approved, but the bank could not be contacted for comment by press time.

While several major Indian companies including Tata Group and ONGC Videsh have made large scale investments into Myanmar, overall trade and investment figures between Myanmar and India are relatively lacklustre.

Trade with India represented just 4.23 percent of Myanmar’s total bilateral trade in fiscal year 2015 to January, according to the latest figures available from Myanmar’s Central Statistical Organisation (CSO). In comparison, trade with Thailand made up 18.48pc of the US\$23 billion total over the same period, and trade with China comprised 34.67pc.

Bilateral trade is expected to increase once infrastructure along the 1600-kilometre (1000-mile) border between the two countries is more developed.

However, a number of major projects have been subject to long delays, including the Kaladan Multi-modal Transport Project, that will connect Calcutta with Sittwe Port, and the India-Myanmar-Thailand Trilateral Highway.

Indian companies pledged \$11.5 million in foreign direct investment in fiscal year 2013, rising to \$24 million in 2014 and \$208.9 million in 2015 to January, according to CSO data.

#### [4.4 WORLD-CLASS DUTY-FREE COMING TO MYANMAR AIRPORTS](#)

**Singapore Windsor Holdings has signed a 10-year agreement with DFS Group to develop and operate duty-free retail outlets at Yangon International Airport and Nay Pyi Taw International Airport.**

DFS Group is a Hong Kong-based luxury travel retailer, majority-owned by conglomerate Moët Hennessy Louis Vuitton (LVMH).

“In addition to a duty-free store at Nay Pyi Taw International Airport, we will open duty-free outlets at the existing departure and arrival terminal of Yangon International Airport, followed by a much larger duty-free retail space when the new terminal at Yangon International Airport is completed towards the end of this year,” said a notice on the Singapore Exchange (SGX).

By the end of 2015, Singapore Windsor will operate almost 2000 square metres of duty free retail space at the two airports. The notice did not mention plans to introduce duty-free services to Mandalay International Airport.

The new international terminal in Yangon airport is expected to handle three times the current passenger traffic volume. Myanmar’s airports already offer duty-free alcohol and tobacco, but not yet to an international standard, according to the notice.

DFS is headquartered in Hong Kong and has offices in Hawaii, Los Angeles, Shanghai, Singapore and Tokyo. Singapore Windsor is a Singapore-listed, Myanmar-focused company, with interests in telecom infrastructure construction, trading, distribution and retail, serviced offices, and car hire and rental services.

Last week, the group’s wholly owned subsidiary SMI Auto Services signed a five-year franchise agreement with Europcar, to provide vehicle rental and limousine services throughout Myanmar. The deal is renewable for another five years, if both parties agree to it.

#### [4.5 BANGKOK BANK AND ICBC CLEARED TO OPEN ON JUNE 2](#)

**Two more foreign banks have been given permission to open their Myanmar branches beginning on June 2 by the Central Bank of Myanmar.**

With the official nod given to Bangkok Bank and Industrial and Commercial Bank of China late on May 26, two-thirds of the nine foreign banks that won a tightly-contested tender last year have now been allowed to open.

Foreign banks face a number of restrictions in Myanmar, as they are only allowed to service foreign-invested companies and domestic banks, and are limited to one branch each.

“The two banks have undergone a stringent entry process as defined by the Central Bank of Myanmar in 2014,” the Central Bank said in a press release.

Over the past year, Bangkok Bank said it has been working on branch fit-out, the installation of IT and business systems, personnel recruitment, knowledge transfer, and the development of local employees in business systems and financial products.

“These preparations are now complete and the Yangon branch is ready to open,” it said.



Bangkok Bank president Chartsiri Sophonpanich said its Myanmar representative office had opened 20 years ago, but with the full branch it will play a major role in providing information and service to businesses interested in Myanmar. It will also be able to provide an additional range of services and connect to Bangkok Bank's international network.

Yesterday, ICBC officials declined to comment immediately.

#### 4.6 MOBILE TEAMS FIND ILLEGAL GOODS

**The Ministry of Commerce's mobile enforcement teams have discovered illegal items in 120 containers this month, as they investigated containers held in port for more than 60 days.**

Often, the illegal items were smuggled goods like reconditioned cars and roof tiles, hidden behind other products such as textiles and food.

Ministry of Commerce director U Win Myint said some containers have sat in the ports' warehouses for over two years, with no importer claiming them.

"We have been informed that some trading companies have closed down, so they have no desire to claim the containers," he said.

"But others are unjust companies attempting to distance themselves from the contraband. We are contacting the owners, and we will announce soon why they can't claim their property," he said.

Myanmar's trade policies are being changed to protect against unfairness and provide more convenience for traders, said U Win Myint.

Some of the illegal imports are also dangerous. U Win Myint said some of this month's seized goods are vehicles which have obviously been in accidents, which importers aim to repair and resell on the country's roads. This has been an ongoing problem, with government officials discovering in 2013 that five auto import firms were ordering broken vehicles to repair and sell in the local market.

The Ministry of Commerce's Mobile Teams formerly enforced trade rules near the overland border areas. Last year they relocated to Yangon's major ports, including Myanmar Industrial Port, Hteedan, Asia World and Bo Aung Kyaw, though enforcement officials noted they would be difficult areas to work in. A senior Mobile Team director previously told The Myanmar Times that the biggest trading companies generally operate through Yangon, adding they are well versed in tax dodging and often have government connections to back them up.

#### 4.7 CHINESE GIANT WORKS TO WIN THE PEOPLE

**Though the Kyaukphyu area is set for large-scale investments, it is in Rakhine State, which is also home to some of the country's poorest communities.**

Kyaukphyu hopes to become a hub for the oil and gas industry and is to be home to one of Myanmar's three Special Economic Zones – yet local residents risk being left behind in the rush to develop.

Chinese companies in particular have shown interest in investing the region, with a number of companies entering bids to build parts of the SEZ. No winner has yet emerged, as negotiations, which were set to wrap up in December, have been repeatedly delayed.

Yet Chinese investment has proven controversial. Some Chinese companies have provoked popular backlashes, including the firms behind the Myitsone dam and the Letpadaung copper mine. Others, though, are looking to change their approaches from deals resting on government to agreements with broad popular support – which often includes a Corporate Social Responsibility (CSR) component.

CITIC claims to be the largest Chinese conglomerate. Japanese investors and Thailand's CP Group owning a significant portion of the firm. CITIC is trying its hand at local CSR as it also looks at local business activities, such as bidding for some of the Kyaukphyu SEZ work.

CITIC Construction vice president Frank Ma Chuanfu said his firm realises it needs to communicate on the ground level to overcome some negative perceptions of China people. In the past, some government-to-government business has run into trouble, and it will take time to overcome these perceptions.

The company is importing a CSR project it has run in Thailand for 15 years. The program gives a US\$1.5 million grant to the Ministry of Livestock, Fisheries and Rural Development to fund projects in 50 selected villages across the country. Most states or regions will end up with three such selected villages.

“Kyaukphyu is in one of the least developed areas, and we are concerned for the CSR project there,” said Frank Ma Chaunfu.

Each of the 50 selected villages will receive K30 million (US\$27,000) to serve as an agricultural development fund, managed by a committee made up of elected villagers.

The program aims to function as a targeted microfinance program. Poramete Aridete, director of National Village Fund Thailand, said at first individual loans will be no more than K200,000, for periods of not more than one year. The program's representatives will also purchase the agricultural implements on behalf of the committees, rather than the committees purchasing them directly.

The loans are set at a rate of 0.5 percent per month, for a maximum of 6pc per year, well below the usual microfinance limit of 30pc a year.

Visiting Ma-u-pyein village, one of the first Myanmar villages in the program, requires a three-hour boat ride and a half-hour hike over a mountain range from Kyaukphyu. It is a remote area, and the poverty and need for capital is evident.

Local villagers said the rates on offer with CITIC's program are attractive, but they are still unsure about the program.

"We're unhappy with our alternative rates, as we have to give between 15 to 20pc minimum a month for informal lending," said U Ba Shwe, a village fund committee member from Gantgar North village in Kyaukphyu township.

"But we still have questions for the training team, as these kind of programs are new for us."

U Ba Shwe said the limit on the first loans of K200,000 is too small for those looking to start a business from the proceeds, but in the future it may become more money.

Others say that while the program is helpful on the whole, they are worried about the possibility of corruption with these activities.

Ma Su, 30, said the K200,000 limit per person had not been strictly adhered to, with some connected villagers ending up with K2 million and others only K50,000.

"That's only enough money to buy one piglet," he said. "How can we make a bigger profit?"

Although business has arrived, locals said they have not connected the two.

Another labourer working at a nearby jetty, Daw Aung Thein Hla, 38, says she does know about the plans for Kyaukphyu SEZ, despite living in Kyaukphyu town.

"I have no idea what I'll be doing if those projects arrive," she said, after reporters explained the purpose of the SEZ.