

WEEKLY NEWSLETTER (MYANMAR)

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2.1 LOW-COST HOUSING WINNERS OUT OF LUCK

Over 100 people may be out of luck after winning rights to purchase low-cost housing from Shwe Lin Ban project in Yangon’s Hlaing Tharyar township, according to Daw Thida Than, a staff officer at the Department of Human Settlement and Housing Development.

A total of 768 different units at Shwe Lin Ban were meted out to applicants who had to first fill out application forms and then won a lucky draw for rights to purchase a unit. Daw Thida Than said not all of the winners have yet shown up to register their claims, despite being notified repeatedly.

“Out of the [768] winners, 135 people have yet to register,” she said. “We’ve called them three times. We will reject their names if they don’t register their purchase of the apartments within the allotted time.”

A raft of low-cost projects has been developed to assist those who are being priced out of the increasingly expensive market, with government bodies such as Yangon City Development Committee planning several developments, usually on the city’s outskirts.

Financing the purchase of houses and also low-cost housing has been a significant obstacle to increased house ownership.

overnment-backed entities have worked to develop affordable financing options for potential buyers, with Construction and Housing Development Bank (CHDB) to offer mortgages to those who won the draw to buy units at Shwe Lin Ban.

The bank has recently extended its loan term to eight years for buyers at the housing project, as its previous four-year loans had not been enough to support possible home buyers, according to CHDB managing director U Win Zaw.

“Of course our bank lengthened the term. After stretching it out, more people are interested and the number of borrowers increased,” he said.

Daw Kay Khine has applied for a mortgage to purchase a unit in the Shwe Lin Ban project in Hlaing Tharyar township. She said the longer loan term makes it much more financially feasible for her to purchase a unit.

Those wanting to make a purchase with a CHDB loan must first open an account with the bank. The seller, buyer and bank then have to sign a contract.

Generally, CHDB requires a down payment of 30 percent of a low-cost apartment before providing the remaining 70pc as a loan. Extending the term aims to make repayments less of a burden for buyers.

It had about 100 borrowers for units at Shwe Lin Ban before the change, but now has over 200, he said.

CHDB received its licence to begin operating in July 2013. Set up by the Ministry of Construction, it aims to give long-term loans for house buyers.

CHDB officials have said they aim to extend their offerings with other low-cost housing projects in Yangon.

2.2 NEPAL QUAKE HIGHLIGHTS BUILDING CODE

The Myanmar Engineering Society is urging developers to follow the National Building Code, after the Nepal earthquake raised concerns on the ability of local buildings to survive disasters.

The code is still in draft form, and was initially written in English in 2012. Although it must be passed by parliament to become law, experts say they hope it can serve as a voluntary guide to developers until it is approved.

Myanmar Engineering Society (MES) spokesperson U Kyi Lwin, who is also involved with drafting the code, said some contractors and developers have used the code, although awareness of it has not yet been spread widely.

“Currently we’ve only completed an English draft ... If the code receives commitment from decision makers, the whole country will be using it systematically and buildings are going to be stronger,” he said.

Nepal was struck by an earthquake on April 25 that left an estimated 7500 people dead.

Experts say the earthquake has highlighted Myanmar’s need to address building standards, to help mitigate destruction in the event of a local earthquake. The lack of a nationwide document on construction standards results in uneven quality of buildings across the country.

Developers often use different international codes or locally developed practices as reference points, which vary significantly in producing quality buildings.

“When the National Building Code official appears, every contractor will have to build systematically, constructing buildings that are more resilient to natural disasters,” said U Kyi Lwin.

The MES is currently translating the document to Myanmar. After that is complete, they will submit it to the Ministry of Construction, which will edit the code before final confirmation by parliament.



“We just drew up the code and will wait for a decision. Currently we are translating to Myanmar because the draft is only in English – but if it is confirmed, it needs to be understood by everybody,” he said.

Experts have also said that the recent earthquake in Nepal has highlighted the importance of having strong rules on construction in Myanmar.

U Kyaw Thu, program specialist at UN-Habitat, said there is an urgent need to get the code in place.

“This code can really help for resilience of buildings and safer residences, rather than building randomly,” he said.

The draft National Building Code has seven chapters, covering areas including structure, health and safety and building services. The structures section, Chapter 3, deals in part with making sure buildings withstand natural disasters.

While all buildings face a certain amount of risk, those built not to code and with unqualified engineers are the most at risk.

“We see some contractors here who are not licensed: They build only with carpenters. Those buildings don’t have strong resistance, so when an earthquake happens, the buildings become dangerous,” U Kyaw Thu said.

UN-Habitat has surveyed areas in Sagaing and Bago regions and Taungoo city in Shan State, drafting a map showing at-risk townships. The survey was then reported to regional governments. Local government can then refer to the map for a location’s exposure to earthquakes when extending townships or building industrial zones or power projects.

U Kyaw Thu said the next step is to survey Yangon and Pyay township, aiming to complete reports on the two by 2016.

“Knowing about earthquake faults and constructing strong buildings goes a long way to reducing injury from natural disasters,” he said.

[2.3 KFC’S FIRST LOCATION WILL BE ON BOGYOKE AUNG SAN ROAD](#)

KFC announced the location of its debut Myanmar outlet yesterday, as it gets closer to becoming the first major American fast-food chain to open in the country.

Its restaurant on Yangon’s Bogyoke Aung San Road, opposite Bogyoke Market and FMI Center, will be the first to sell its signature fried chicken. No opening date has yet been announced for the location.



“Our hope is for KFC to become a welcome respite from the hustle and bustle of downtown and a place where people can connect and bond,” said JR Ching, Yoma Strategic head of business development, in a press release yesterday.

KFC announced an agreement in October 2014 with Singapore-listed, Myanmar-focused Yoma Strategic Holdings to bring the restaurant chain to Myanmar.

Yoma Strategic plans to open several more locations in Yangon before the end of the year.

Mr Ching previously told The Myanmar Times it is also considering further expansion in the country at a later date.

He also said KFC will be an aspirational product, targeting the growing middle class, when it launches locally. KFC is particularly well-known for the 11 herbs and spices used in its chicken recipe.

FC will face several competitors in the local market, including South Korean chain Lotteria, which opened its first Yangon outlet in 2013 and has also expanded to Mandalay.

KFC claims to be one of the world’s largest restaurant chains, with US\$23 billion in global sales and more than 19,400 restaurants in 120 countries.

3.1 COAL POWER CONTINUES OVER LOCAL OBJECTIONS

The Ministry of Electric Power plans to move forward with several coal-fired power plant projects despite the opposition of some civil society groups.

The ministry has signed memorandums of understanding for at least 11 coal-fired projects in the country since 2010, though so far they are still at the early stage of feasibility studies, with no shovels yet in the ground.

Some local residents and civil society groups have opposed the plans over possible environmental and social impacts.

Early last year, a senior ministry official told The Myanmar Times that the recently agreed-on projects will not be implemented without agreement from the public.

However, the Ministry of Electric Power also faces an urgent need to improve electricity generation, with demand growing by at least an estimated 13 percent a year. Hydro power is expensive and hard to implement, as is natural gas, while renewables such as solar and wind are still at the early stages of making a contribution. Therefore, coal presents a tempting option to increase base load generation.



A ministry announcement in 2014 said it would like to increase the amount of electricity generated by coal power plants. It signed its first memorandum of agreement for a coal plant to be located in Kengtung in eastern Shan State in March. The company will be allowed to move to the next step in the project with the agreement, and will now have the project site and area approved after the feasibility study is completed.

A Thai-based company called Lumpoondum is to implement the 660-megawatt coal-fired plant, though it has generated significant local opposition.

Since the agreement, others have signed memorandum of agreement to build coal-fired power projects.

Thailand-based Toyo-Thai Corporation Public Company signed an agreement with the Department of Hydro Power Planning, under the Ministry of Electric Power, to build a coal-fired project in Mon State.

The firm aims to construct a 1280-megawatt coal-fired plant using what it calls “Ultra Supercritical” advanced Japanese technology, in Ann Din village of Ye township in Mon State.

The US\$2.8 billion project would take four to six years to be built, with a 30-year concession under a build-operate-transfer system. Ultimately, the project is to be transferred to the ministry.

Some local residents have vocally opposed the Ann Din coal-fired power project. Thousands of locals joined a May 5 rally against the project, demonstrating with signs reading “No Coal” and “No Toyo-Thai”.

Government officials say they will continue moving forward with coal plants.

“We will sign memorandums of agreement for other projects,” said U Aye San, director general of the Department of Hydro Power Planning. “But it will take time to get the feasibility studies finished. The companies need to do this to get to the next steps of project implementation, such as investment procedures and financing.”

U Aye San added that coal is only one option, with the idea being to use of a mix of generation, including hydro, gas, coal, solar and wind, to provide reliable electricity output.

The government has a target of 100pc electrification rates by 2030, and has been coordinating closer with international organisations such as the World Bank and Asian Development Bank, as well as national institutions from Japan and China, to achieve its targets for electrification rates.

3.2 ROC OIL BACKS OUT OF LAST UNSIGNED BLOCK

Australia's Roc Oil has withdrawn from the group which won the rights to shallow-water block M-7 last year, leaving its partners to discuss the block's future, according to government officials.

Roc Oil and its partners Tap Oil and Smart E&P won the rights to the block in a 2014 bidding round for a total of 20 offshore blocks. Production Sharing Contracts, which govern resource exploration and extraction, have now been inked by the likes of Shell, Chevron and Total for the other 19 blocks, with only M-7 remaining to be finalised.

“Roc Oil has pulled out of the bidding group. We are now restructuring procedures to move forward with the Production Sharing Contract,” said a Ministry of Energy official, who declined to be named as he is not allowed to speak to the media.

The official said Roc's decision to pull out may be related to its purchase by a subsidiary of China-based Fosun International earlier this year, in a deal that saw Roc Oil de-listed from the Australian stock exchange.

“De-listing means its owners don't want to make new investments,” said the official. He added the Production Sharing Contract will now be signed with Tap Oil and its local partner.

either Tap Oil or Roc Oil had returned request for comment by yesterday, though Tap Oil's March 2015 quarterly report, released April 30, does confirm the move.

“In April, Roc Oil advised the [Ministry of Energy] and the joint venture that it has withdrawn from the bidding group. The remaining joint venture participants, Tap and Smart E&P International Ltd, its local joint venture participant, are in discussions with the [Ministry of Energy] regarding the award of the [Production Sharing Contract],” it said.

Service company Smart E&P is one of Myanmar's better-known oil and gas companies.

Smart chair U Kyaw Kyaw Hlaing said he had been aware for some time that the ownership of Roc Oil had changed hands.

“We knew the Chinese company bought Roc Oil. But it has only been a month since we were informed by Roc that it is withdrawing from our group,” he said.

Tap Oil has agreed to take over rights to block M-7 and to finalise production sharing terms and conditions with Myanmar authorities.

“We have presented our partnership with Tap Oil for M-7 to Myanma Oil and Gas Enterprise,” he said. “Now we are waiting for their response to move on with signing the Production Sharing Contract.”

Government officials had initially hoped to have all 20 Production Sharing Contracts finalised by last month, though it will likely be June at the earliest before the government gives the adjusted partnership the official green light.

The shallow-water M-7 block is in the Mottama basin, covering some 13,000 square kilometres (5019 square miles). It lies near three of Myanmar's four offshore sites that are in production, including Yadana and Zawtika.

The Myanmar Investment Commission issued permission in March to Roc Oil, Tap and Smart E&P to invest in M-7.

4.1 STRONG PIPELINE' FOLLOWS FIRST ONSHORE LOAN BY UOB

UOB has a “strong pipeline” of projects set to follow its loan to a hotel development this week. The deal marked the first onshore loan by a foreign bank in Myanmar, according to company representatives.

Singapore-based UOB received permission to open its Yangon branch for May 4, and announced the loan to Rangoon Excelsior in a press conference on May 6.

The bank has had a representative office in Yangon since 1994, making it the foreign bank with the second-longest continuous presence in Myanmar, behind Singaporean rival DBS. UOB was declared one of nine winners of a foreign bank licence last year, and its Yangon branch is now up and running.

The bank is working on “a strong pipeline of deals”, said UOB country manager Harry Loh in an exclusive interview on May 6.

“We are not only bringing investors from Singapore into Myanmar, we are in fact bringing investors from [places such as] Hong Kong, China and Thailand, into this part of the world,” he said.

Its first onshore loan is to Rangoon Excelsior, a French-Myanmar joint venture, to refurbish a Yangon hotel at the corner of Bo Soon Pat and Merchant streets. UOB did not disclose the terms of the loan.

Mr Loh said that while he acknowledged the introduction of foreign banks had met some local opposition, the foreign banks will complement the local banks well, and will focus on supporting FDI into the country.

“UOB will be supporting the foreign investors here, supporting their expansion in the country,” he said.



“And all this will indirectly help to contribute to growth because it will create more jobs and boost incomes and create more employment.”

UOB will also collaborate with local banks, through areas such as knowledge sharing. It has held seminars for local banks in areas like risk management, project financing and trade financing.

Three other foreign banks have opened their Myanmar branches already, and they are pursuing different approaches toward partnership with local banks. Some of the foreign banks have zeroed in on one of a handful of the stronger local banks as partners, while others like UOB aim to work with all the local banks on a case-by-case basis.

Mr Loh said that by restricting potential partnerships, a foreign bank is restricting potential opportunities. In areas such as trade financing, the local banks already have their existing clients.

The nine foreign banks coming to Myanmar, including UOB, are limited to one branch and cannot conduct retail business or directly finance Myanmar companies, though they can work with international companies and local banks.

In any market there are always laws and regulations, said Mr Loh.

“We will definitely play a very significant role to capture [the] FDI opportunity which the Myanmar Investment Commission has even estimated crossing US\$5 billion this year. So [there’s] already a huge potential for us, and we will focus on that,” he said.

Mr Loh added UOB does not consider itself to be just a Singaporean bank, pointing out it has a strong regional presence, with existing locations in 8 of the 10 ASEAN member countries.

Asked about challenges the bank faced, Mr Loh said UOB is keen to see the new Financial Institutions Law in place. With the foreign banks coming in, there is a need for laws to be spelled more clearly.

We’re very glad that they’ve done this, and we’re looking forward to it so a lot of things will be much clearer,” he said.

Mr Loh also highlighted improvements to skilled labour as important for the financial sector. UOB has launched a scholarship program in partnership with the University of Yangon and with the Yangon University of Economics.

Singapore ambassador to Myanmar Robert Chua also welcomed the branch’s opening in a speech at a separate launch event.

“I believe that UOB together with the other Singapore bank OCBC will contribute to the development of Myanmar’s banking sector and support foreign investments in Myanmar’s growing economy,” he said.

4.2 OCEAN FISHERIES TO BE CLOSED ON JUNE 1 FOR THREE MONTHS

OCEAN fishing will be suspended from June 1 to the end of August to allow depleted fish stocks time to recover, according to a statement from the Ministry of Livestock, Fisheries and Rural Development.

The suspension had been proposed by U Kin Sein, member of parliament from Tanintharyi Region, in February, and was subsequently approved by parliament and announced by the ministry yesterday.

Fish stocks are rapidly dropping offshore, according to U Han Htun, a fisheries businessperson and member of Myanmar Fishery Federation. He said he reckons up to 80 percent of stocks have disappeared in some locations.

“There was a previous season where fishing was banned in 2011-12, but it lasted only about two months. Authorities also allowed fishing at about 65pc in this period last year, because otherwise fishing enterprises would lose their profits,” he said yesterday.

This year, fishing will be off-limits for a longer period, with no recourse for businesses looking to continue fishing despite the moratorium.

“Reducing the amount of fish caught in the sea gives hope for a fish comeback,” said U Han Htun.

Although fish production figures are hard to come by, export statistics show declining volumes of fish shipped abroad each year. A Myanmar Fisheries Federation spokesperson said fish exports in 2012-13 totalled US\$653 million, dropping to \$536 million in 2013-14, and could further decline to as low as \$500 million for this fiscal year.

The closed season for fishing business is drawing opposition from some, who claim the move may hit the local industry too hard.

U Maung Soe, chair of the Myanmar Marine Fisheries Association, said there will be trouble not only for businesses but also for workers who will be unemployed during the period. For this reason, the association has applied to the ministry to loosen some rules to allow for a moderate amount of fishing during the closed season.

“In Yangon Region there are more than 1000 fishing boats, and so, many fishing enterprises,” he said. “All of them will have trouble continuing, and other businesses related to marine fishing will be shut down.”

U Maung Soe said cold storage factories, fisheries exporters and fish processors as among those which may also suffer. Some may have to temporarily halt their businesses, though others are stocking up on raw inputs, aiming to continue work over the suspension period.

He added the association will request permission to continue fishing at 50pc over the suspension period.

Others say it is likely that not every businessperson will follow the rules of the moratorium.

U Myo Nyunt, managing director of General Food Technology and Industrial, said his company will halt exports during the suspension period, though added he was concerned not all fisheries businesses will follow the rules.

“There will be fishing, and the closed season won’t be effective for maintaining our resources,” he said.

[4.3 DICA CALLS FOR MORE LOCAL FEEDBACK ON DRAFT INVESTMENT LAW](#)

The Directorate of Investment and Company Administration (DICA) has called for more local discussion of the draft version of Myanmar’s new investment law.

The new law will be a consolidation of the existing Foreign Investment Law and the Myanmar Citizen’s Investment Law. In theory, it will create a level playing field for local and foreign investors.

DICA launched a public consultation on the draft law on March 10 for 16 days. It later extended the deadline for comments until the end of April, following international criticism that the feedback period had been insufficient.

“The new investment law will be a legal cornerstone of Burma’s efforts to reengage with the global economy and international investors, yet the government’s public consultations have been deeply inadequate,” said Jessica Evans, senior international financial institutions advocate at Human Rights Watch in a March statement.

However, according to Daw Tin Aye Han, director of DICA’s Investment Promotion Section, most proposals received by the directorate to date have been from foreigners.

“We’ve had many suggestions from foreigners but not from the locals. We want feedback from the locals,” she said.

The official deadline for public consultation has passed, she said, but DICA will continue to accept suggestions until the draft has been finalised and sent to the Attorney General’s Office. It will then be submitted to parliament later this year.

The draft law has already been updated based on suggestions received, said Daw Tin Aye Han. The updated version was made public on DICA’s website on May 6.

“We now want local feedback on the updated version. We haven’t set an exact date to finalise the draft, but we are trying to enact it as soon as possible. We hope to be able to submit the draft to parliament in the coming session,” she said.

The new law was drafted by the Myanmar Investment Commission (MIC) in collaboration with the financial arm of the World Bank, the International Finance Corporation (IFC). The first draft was made available on DICA’s website in English before it was published in Myanmar language.

Following this, the directorate held one meeting with a group of local stakeholders, before the initial deadline for feedback at the end of March.

However, DICA director general U Aung Naing Oo, who is also the secretary of the Myanmar Investment Commission, said that the process has involved listening to many ideas from local business circles.

“We drafted the law only after consulting with the local business community, and we took many suggestions from them,” he said.

The law should provide easier entry to the Myanmar markets for all investors, both domestic and foreign, according to a Linklaters note earlier this year.

In addition, MIC will ensure the law complies with World Trade Organisation guidelines and the ASEAN Comprehensive Investment Agreement (ACIA).

The Foreign Investment Law was enacted in 2012 and the Citizens Investment Law passed in 2013.

[4.4 GEMS LAB ANGLES FOR GLOBAL RECOGNITION](#)

A privately owned gems laboratory equipped with the latest technology opened its doors yesterday, but it will take time for the industry to receive international recognition, insiders say.

Myanmar Gemological Laboratory will be able to provide a range of reports at a cost of K15,000 to K150,000 to identify natural or synthetic stones, including treatment and geographic origin, according to its founder U Wai La Win.

“If we can make hundreds or thousands of reports matching [the quality of reports by] internationally recognised labs, with local coordination, it will be quicker to get the reputation of local labs recognised in foreign countries,” he said.

U Wai La Win added there are about 10 such labs in the country, but most use somewhat outdated technology compared to his lab.

Leading Myanmar geologist Daw Yin Yin New said she supports the private sector as the government itself is decentralising.

“By competing with the private sector, processes on the government side become more competitive and qualified. There should be no more monopolising by the government, I think,” she said.

Government gems experts should also work closely with their private sector counterparts in efforts to receive international recognition. Currently, local stones often must be certified in foreign countries, but this business could be completed locally, she said.

“The government needs to liberalise and decentralise the sector by handing over mining processes to the private sector and simply collecting tax from them, like Indonesia. This avoids conflict of interest, though does not fully control all the country’s resources from leaving,” she said.

Gems dealers say they welcome efforts to bring international-quality gems appraisal to Yangon.

U Thaug Tun, owner of Yadana Theingi Gems and Jewellery, said when local gems are resold at international exhibitions, they must often be re-appraised to meet their standards.

Gary Nelson, a gems businessperson, said that while some of the laboratories here may not be globally recognised, they have a lot of experience and understand Myanmar gemstones.

However, laboratories bring a level of objectivity to gem appraisals. They have necessary equipment and can tell the characteristics of stones and how they stack up against international gems.

“They can identify stones very easily and very correctly,” he said.

part of the problem for local gems laboratories is the world was in the dark for so long about the industry in Myanmar, and it was also difficult for Myanmar people to take in international best practices.

Mr Nelson said the situation was different for U Wai La Win, as he studied and worked overseas for the Gemological Institute of America, and is bringing that experience back to Myanmar. In the past, most Myanmar labs catered to the local community.

Ideally, locally valued gems with a proper certificate should be accepted internationally, which will help local traders have the confidence to go to places like New York or London and present the stone, he said.

4.5 BORDER RICE TRADE TO SURVIVE BILATERAL MOVE TO LEGALISE TRADE WITH CHINA

The launch of a legal rice trade between Myanmar and China will not immediately harm unofficial border trade, according to Myanmar Rice Federation (MRF) general secretary U Ye Min Aung.

The overland border trade in rice has grown significantly over the past few years, from being negligible five years ago to currently making up about two-thirds of total exports. While legal from Myanmar's position, the trade was not sanctioned by Beijing due to the lack of a bilateral agreement.

After a deal was struck last year, Myanmar traders are hopeful to begin the first formal exports to China as soon as this month. Yet while a legal avenue for trade is now opening, informal exports will also continue for the time being, according to U Ye Min Aung.

“If China wanted to take action against the border trade, it would have already started,” he said. “But we can't predict what will happen, which is why we are trying to go on with legal exports only.”

There have been instances of China shutting the border to informal rice imports, including one such move in September last year, which temporarily brought trade to a standstill.

U Lu Maw Myint Maung, a large-scale rice exporter and associate secretary of MRF's trade section, said that Chinese-imposed restrictions on the border trade market would negatively impact trade volume – but that they probably will not come in the short term.

It seems they're not thinking about restricting the border market due to high domestic demands,” he said.

Rice exports to China reached 752,000 tonnes in 2012-13 fiscal year, according to a report last year by the World Bank.

A number of other regional rice exporters also been given the official green light to ship rice to China this year using a quota system. The Myanmar Rice Federation is actively seeking higher quotas and targeting a cap of 300,000 tonnes of rice for years following.

4.6 TRADERS YUAN-DER ABOUT CHINA EXCHANGE

A YUAN-KYAT trading centre has opened near the main overland China-Myanmar trade portal, though businesspeople say it may take some time to catch on.

Traders usually clear payments through informal hundi networks rather than formal banks, particularly for border trade.

The gateway between Ruili in China and Muse in northern Shan State has become Myanmar's largest overland trading point, though local facilities have not kept up with rising volumes of goods passing through.

Ministry of Commerce adviser U Maung Aung said the exchange is an example of efforts by the two countries to facilitate trade.

In border areas, the government will allow trading in kyat, China's yuan and the US dollar.

The China Daily reports that Chinese authorities have consolidated four existing currency exchange agencies into the centre. The new centre aims to form an index number for Ruili, gradually standardising the yuan-kyat market and also promoting bilateral trade.

Although some traders in the area say they are put off by the informal nature of financing arrangements, most see no reason to move over to the official exchange centre.

U Soe Naing, managing director of Maha Nyiko Trading companies, which specialise in selling Myanmar agricultural products to Ruili, said official exchange centres and bank branches often are too restricted to be effective.

The official counters often limit daily exchanges to below 30,000 yuan (US\$4800), though traders often need several times this amount each day, he said. "The [informal] way has been suitable for traders for years. Opening banks or exchanges centres will not help to increase trade volumes," he said. "I don't think selling in the informal markets is uncomfortable, and I never feel it is unsecure."

Muse-based rice trader U Sai Kyaw said he is aware of the official exchange, which opened at the end of March, but he has not used it.

Most rice traders open a bank account in China, in Ruili or Jiegao, and use it for their business. To repatriate profits in kyat, he makes use of informal currency exchanges, he said.

State banks, such as Myanma Investment and Commercial Bank and Myanma Foreign Trade Bank, often do not have enough branches to serve traders on the remote borders, while routing money through Myanma Economic Bank means the traders have to pay tax.

Traders also say that transferring money between accounts can take a long time and cause bottlenecks, while the hundi system is much more responsive.

Commercial banks also place restrictions on trade in Thai baht and Chinese yuan, which hundi does not.



U Tin Ye Win, a government official who worked at Muse until April, said most traders currently use kyat or yuan through hundi, but it ought to be changed over time.

“Traders have their own ways. They buy goods and use currencies of each country, but not officially. It is convenient to some extent, but not for all – but this should be changed,” he said.

Trade between China and Myanmar reached about US\$6 billion in 2014-15, with about 80 percent completed overland, according to official figures.

Myanmar extensively imports Chinese consumer goods, while exporting resources from the extractive industries, as well as agricultural products such as rubber, pulses and fruit.

U Tin Ye Win said armed groups on the border often look to profit from exporting items such as timber, jade and mined products. However, their illegal take has slowly been dropping off as the government asserts control, he said.

Rebels had attacked a branch of Myawaddy Bank in Muse last week, an example of threatening the public and other businesses, he said.