

Myanmar: A military-commercial complex

AP PHOTO



Myanmar State Counsellor Aung San Suu Kyi smiles during a ceremony to mark the 70th anniversary of Mon National Day yesterday

By Michael Peel

The US decision to lift economic sanctions on Myanmar in October was hailed as a landmark step in the country's march from decades of near-isolation - and as a boon for American companies seeking to tap a big market where many had feared to tread. But critics say the move also had a darker side: it freed the sprawling commercial interests of a military that ruled for almost 50 years.

These companies include Myanmar Economic Corporation, a secretive conglomerate owned by the defence ministry that operates in strategic sectors ranging from ports to telecommunications. Another is Myanmar Economic Holdings Limited, which enriches military officers and veterans with proceeds from lucrative businesses including cigarettes and petroleum imports.

The enterprises project themselves as potential partners for foreign multinationals tempted by the economic prospects under Aung San Suu Kyi's civilian-led administration. But while they have made a public effort at reinvention, for many analysts they have not shaken off associations with an era of authoritarianism

during which thousands were killed.

Foreign companies in sectors from beer to steel have decided that taking on partners linked to a military accused over many years of corruption, land-grabbing and human rights abuses is better than not doing business at all. That commercial dilemma reflects the bigger question of how much has changed in the nation's power structure since the current government took office almost a year ago.

"It's hard to think about the future of military-owned companies without thinking about the army's future place in Myanmar," says Thant Myint-U, a Yangon historian and analyst. "Like it or not the army has been at the very core of the state - and these companies have been an adjunct to its state-building for decades."

These businesses want to follow similar reinventions that allowed military-connected companies in countries from Pakistan to Indonesia to profit after the return of civilian government. MEC's website pledges the company's support for economic development, higher living standards and the eradication of poverty in Myanmar, where growth rates are among the highest in Asia.

Hla Myo, a former army major who is a general manager at MEHL, enthuses that he and his colleagues are "very passionate" about working with US and European companies. MEHL officials are already "seeking opportunities in the west", to add to joint ventures with Asian partners.

“ It's hard to think about the future of military-owned companies without thinking about the army's future place in Myanmar.

THANT MYINT-U
HISTORIAN

Doors to the wider world that were shut during the sanctions era are now ajar. Anthony Nelson, a director at the US-ASEAN Business Council in Washington

says there are "potential positives" in exposing the military conglomerates to international norms.

"US multinationals in particular will bring higher standards for rule of law, accounting, labour and respect for the environment than they are used to," he says. "Multinationals will need to look at opportunities and weigh the reputational risk that comes with engaging with military-linked companies on a case-by-case basis."

The attractions for big business are obvious in resource-rich Myanmar. The arrival of international companies, many in consumer industries, has brought in approved foreign investment of more than USD30 billion since 2011, the year the military formally stepped down, according to official figures.

Equally apparent are the reputational risks posed by doing deals with those who prospered during the junta and the military-backed government that followed. Coca-Cola disclosed in 2015 that its main business partner in the country had links to the jade trade. The industry was then under US sanctions and has been plagued by allegations of corruption and rights abuses.

Microsoft struck a software and services deal in the same year with the Shwe Taung conglomerate, whose founder has denied US Treasury suspicions, outlined in a leaked 2007 diplomatic cable, that he was involved in the drugs business. Neither the multinationals nor their partners have been accused of any wrongdoing.

Enterprises with close military ties present an even greater possible hazard. They are suspected of being the main beneficiaries of a wave of crony privatisations of state assets just before the junta stepped down, according to a 2015 report by Transparency International. Yeshua Moser-Puangsuwan, the report's author, says the military's modus operandi has always been to "insert themselves in various parts of the economy and use this to enrich their shareholders. Despite the political changes in Myanmar, the military remains solidly in control - and its books are still closed to public scrutiny."

The military-linked companies highlight the power the armed forces retain in this regional trading hub wedged between China and India. Aung San Suu Kyi's National League for Democracy might have won the November 2015 election with a landslide, but the military holds a quarter of parliamentary seats - giving it an effective veto on constitutional change. It also holds important ministerial posts and a majority on a special security committee with powers to overrule parliament.

MEC and, in particular, MEHL are woven into the country's political architecture. A 2009 US diplomatic cable published by WikiLeaks said "[MEHL's] influence and holdings are key components of the elaborate system of patronage the regime uses to maintain power." The cable also quoted a local businessman who alleged MEHL officials took bribes from foreign companies seeking contracts, licences and permits. MEHL did not respond to a request for comment.

The two conglomerates' size and importance to the state is confirmed by the official list of the largest domestic taxpayers. MEHL and its subsidiaries Myawaddy Bank and Myawaddy Trading accounted for three of the top five income taxpayers in 2015-16. Myawaddy Trading and MEC's Dagon Beverages subsidiary are both in the top five sales taxpayers.

Other than these details, MEHL and MEC remain opaque. They publish little about their ownership, management or finances. MEC's impulse for privacy is ironic because one of its specialties is communications. It is part of a consortium, including Viettel, itself owned by Vietnam's



© The Financial Times Limited 2016. All Rights Reserved. Not to be redistributed, copied or modified in any way.

Myanmar: A military-commercial complex (continued)



Lawmakers of the National League for Democracy party (NLD) and military representatives leave the parliament

defence ministry, that was announced in January as the winner of Myanmar's fourth telecoms licence.

MEC's website lists more than 30 other subsidiaries and affiliates. Some are longstanding manufacturing ventures, such as a ship-breaking yard and a disposable syringe factory. Others target new markets such as mobile payments. Still more are pitched at an emerging wealthy elite in the country: a promotional video shows a young couple hitting golf balls at MEC's Okkala Golf Resort in Yangon before refreshing themselves with MEC-made canned drinks.

That is a sharp contrast to the face the company presented at its vast grey Yangon headquarters when the Financial Times visited. "You guys should not be here," scolded a staff member, as he gestured frantically to the exit. "Just go back before our seniors see you. Leave quickly. Go, go!"

MEC did not respond to written questions the FT submitted later at its office.

“Previously they were seen as untouchable [...] we don't know how far Aung San Suu Kyi's government will push them to comply.”

VICKY BOWMAN
EX-BRITISH AMBASSADOR TO MYANMAR

MEHL, MEC's more prominent cousin, is officially a source of welfare to serving and former armed forces personnel and their families, according to company documents seen by the FT. Some of its joint ventures have a strategic edge: it is in business with China's state-owned Wanbao in the country's largest copper mine complex, which has long been dogged by land disputes and allegations of violence by the security forces. The companies have denied wrongdoing.

Other MEHL subsidiaries and affiliates have partnerships with Kirin, the Japanese brewer, and

Posco, the South Korean steel-maker. Korea's Inno Group has joined MEHL to develop a \$120 million Yangon scheme that will include apartment buildings and a convention centre.

None of the foreign companies directly addressed the question of what assurances, if any, they had been given over their partner's military ties. Kirin says it has "no concerns at the moment" about MEHL, which it described as a "pension fund for military veterans." Posco, which declined to give ownership details of its joint venture, says it was "not involved in any abuses or illegal

actions" in Myanmar. Inno Group did not respond to a request for comment.

MEHL insists it has changed to become more like a normal company. The defence ministry no longer has a stake, according to Hla Myo. More than 320,000 individual shareholders - ranging from veterans to serving officers and military institutions - now own the group, he says.

It made a pre-tax profit of 102 billion kyat (about \$75 million) in 2015-16, of which just under a third was paid back to the shareholders, he adds. Hla Myo says MEHL is seeking partners to revive moribund industries and is in talks with a western paint company about reviving its paint business.

Critics say MEHL's wealth may be much greater than publicly acknowledged. It has a prominent position in a jade trade estimated by Global Witness, the UK-based campaign group, to have been worth as much as \$31 billion to Myanmar in 2014 as it supplied the world's largest market in China.

At the 2014 Myanmar gems emporium, the official government auction, MEHL's Myanmar Imperial Jade subsidiary recorded the second-highest sales figures of any company, with private and joint venture lots totalling almost \$150 million, Global Witness claims.

This is why some observers are far from convinced by the companies' story of civilian-era reform. MEHL's top 10 directors all hold military ranks, according to company documents seen by the FT. The board is overseen by a "supreme group" of seven of the country's top officers, headed by the armed forces' command-in-chief.

A foreign government official who has met MEHL representatives describes the encounter

as "out of a wholly different world", conducted by "a bunch of retired military old guys. I didn't see any serious attempt at reinvention."

Vicky Bowman, a former British ambassador to Myanmar who heads the Myanmar Centre for Responsible Business, says the companies need to "change their game" on corporate governance, transparency and compliance with laws such as pollution controls.

"Previously they were seen as untouchable," she says. "We don't know how far Aung San Suu Kyi's government will push them to comply."

There is little sign that Myanmar's overstretched administration has the appetite - or political clout - to take greater control. The information minister's office did not respond to a request for comment.

Sean Turnell, an Australian academic and unpaid economic adviser to the Myanmar government, says officials want to eliminate the privileged access enjoyed by the "crony" conglomerates, including the military-linked companies. But he stresses that there will be no "vendettas", reflecting caution on Aung San Suu Kyi's side.

Eric Rose, a US corporate lawyer specialising in Myanmar, expects the Trump administration's "less ideological approach to business" to enable more US investment - including possible deals with companies that were linked to the notorious junta, if they prove serious about change.

"The opportunities for growth are enormous," Mr Rose says. "And US companies are best placed to help the old military businesses reform."

ROHINGYA CRISIS

Violence is a reminder of military's autonomy

The crisis in Myanmar's western state of Rakhine is a reminder of the military's enduring power in the country despite the transition to Aung San Suu Kyi's civilian-led government.

The armed forces have shrugged off an international outcry over allegations that troops have committed murder, rape and arson in Muslim Rohingya communities in the region. The Rakhine campaign has fed fears about the fragility of a transition in Myanmar that was hailed around the world as Aung San Suu Kyi's National League for Democracy won a landslide election victory in November 2015. The killing last month of Ko Ni, a prominent NLD legal adviser and Muslim rights campaigner, triggered worries about the potential for rising political violence.

The military launched its campaign in Rakhine after the October killings of nine border police by what authorities claimed were Rohingya militias. Since then, at least 65,000

people have fled to neighbouring Bangladesh and allegations of atrocities committed by soldiers have emerged.

Parts of Rakhine remain under a security lockdown, blocking efforts to independently investigate the claims. It is the latest outbreak of deadly violence to embroil the Rohingya, who are branded immigrants by Buddhist nationalists and have been excluded from citizenship and other civil rights.

Aung San Suu Kyi, who is constitutionally barred from the presidency but is the country's de facto leader, has called for more time to deal with the Rakhine crisis. Some government officials have dismissed the allegations as fabrications.

Aung San Suu Kyi's stance has drawn criticism from rights campaigners and a group of her fellow Nobel Peace Prize winners. Supporters say her cautious response is in part a reflection of the military's autonomy from civilian control.

Tech startups look to Lisbon as Brexit rattles London's scene



The Lisbon Web Summit took place in November

By Edward Robinson

BACK in 2012, Jaime Jorge did something few of his Portuguese compatriots ever did: He turned down a job at Google in London. Jorge, then a 24-year-old software developer, chose to start his own enterprise instead. Five years later, Codacy, the company he co-founded with Joao Caxaria, uses algorithms to automatically correct mistakes in software code for scores of businesses worldwide, including PayPal and Adobe.

They've never looked back. "Instead of working 18 hours a day for someone else, we did this cool project for ourselves," Jorge says at a cafe in Baixa, Lisbon's historic district. "We had an alternative."

That's something new in a small nation long beset with a stagnant economy and a stressed banking industry. For years, Portugal's best and brightest bolted for plum jobs at global consulting firms such as Accenture or tech giants like Google. Those brave enough to start their own tech companies almost always decamped for London, where a mix of British creativity, government support, and venture capital had fostered a bustling startup scene. Half the investments in European fintech startups from 2011 to 2016 went to British companies, according to CB Insights, a New York research firm.

Now a confluence of forces is leading entrepreneurs to build their companies at home. Thanks to cloud computing and open source software, it's easier and cheaper than ever to assemble digital platforms anywhe-

re. And universities such as the Instituto Superior Técnico in Lisbon are teaching students the art of entrepreneurship rather than just grooming them for careers in multinational corporations. Besides, London is one of the most expensive cities in the world in which to run a business; a rank-and-file software developer there earns three times what a coder makes in Portugal, according to a report by Balderton Capital in London.

In 2012, Portuguese entrepreneur Carlos Silva and his partner, Jeff Lynn, were setting up an equity crowdfunding platform called Seedrs in the U.K. capital. They opted to base their software development team in Lisbon. "I knew there was untapped engineering talent here, and from a cost perspective it would be far more efficient than setting up in London," Silva says.

As a result, tech hubs are taking root in unlikely locales across Europe—in Barcelona, Munich, Vienna, even Brno, the Czech Republic's second-biggest city. In Lisbon, ventures have sprung up—ranging from Hole19, an international social network for golfers, to Uniplaces, which lets college students book housing across Europe. A 2016 study backed by Allianz Kulturstiftung, the German insurance company's foundation, ranked Lisbon as the fifth-best-performing startup community in Europe, ahead of such stalwarts as Stockholm and Dublin.

Portugal's tech scene is still tiny, with VCs investing USD18.5 million in nine deals there last year, according to Preqin, a global investment research company. But that's a sixfold jump from 2015, and Portu-

guese fintech firms are already making waves globally. Feedzai, backed by Citigroup's venture arm, uses machine learning to automatically spot fraud for clients in Europe and the U.S. CrowdProcess has developed an artificial intelligence program called James that enables hedge funds and banks to predict when fixed income assets will default.

Now comes Brexit. While Britain's decision to quit the EU probably won't trigger a tech exodus from London, it may accelerate startup formation elsewhere. Losing access to the European single market would cloud the strategic growth plans of founders who'd intended to use the U.K. as a springboard for expansion in Europe. Losing the freedom-of-movement rights that enable EU citizens to settle in the U.K. with minimal fuss may hurt, too. More than 40 percent of the founders of British startups earned university degrees outside the country, according to Balderton.

The uncertainty around Brexit is already doing damage. In 2016 venture investing in British technology companies fell 15 percent, to £3.6 billion (\$4.4 billion), the first drop in seven years, according to Preqin. Investors have canceled or delayed funding in at least 30 British fintech startups since the June 23 referendum, says Innovate Finance, a London trade group. In a speech on Jan. 17, Prime Minister Theresa May promised a "smooth, orderly" departure, but she also pledged to take the U.K. out of the single market. So Brexit-bred volatility has only begun.

Brexit could help EU members close the gap in the startup game. In January, France kicked

off an initiative called the French Tech Ticket that will grant 70 foreign entrepreneurs (and their families) residence permits, a year in one of the country's 41 incubators, and €45,000 to cover expenses. In April telecom billionaire Xavier Niel plans to open Europe's biggest accelerator, with space for 1,000 startups, in a refurbished Paris train station. Likewise, national and regional authorities in Italy, Portugal, and Spain have adopted a combination of tax incentives and grant programs to stimulate startup hubs.

■ Brexit could help EU members close the gap in the startup game

Yet these endeavors could stumble if they can't stoke that indefinable spark that animates Silicon Valley and London's Silicon Roundabout. Starting a tech venture and winning seed-round funding is so straightforward these days that it's become a rite of passage for many business grads. It's far harder to turn "pre-revenue" companies into thriving enterprises worthy of investment five to six years in. When this happened in California in the '90s and '00s, it spawned a generation of serial entrepreneurs, tens of thousands of jobs, and unprecedented wealth. While Europeans, desperate for growth, are trying to follow suit, they won't transform their economies unless they match the hype of startup creation with the staying power of an ecosystem.

The Portuguese certainly have the promotional part of the equation down. In November more than 50,000 techies descended on Lisbon for the 2016 Web Summit, a kind of Davos for geeks. On opening night, João Vasconcelos, secretary of state for industry, unveiled a €200 million fund to co-invest alongside VCs in local startups and foreign companies that relocate to the country. Then Vasconcelos, who's known as "the Godfather" in Portugal's tech circles, asked more than 150 local founders to come on stage. As cannons filled the air with confetti and balloons dropped from the rafters, Codacy's Jorge beamed alongside Vasconcelos and Prime Minister António Costa to the cheers of thousands of attendees. When it comes to strategy, Portuguese startups have a knack for ex-

panding internationally early in their development, a trait rooted in the seafaring nation's diminutive size and history as a trading power. "We have our own identity," Vasconcelos says. "For centuries we've gone abroad. The Portuguese entrepreneur is born with a global mindset."

They're also living in an economy that hasn't grown more than 1 percent annually since 2007. "The genesis of this whole scene was the financial crisis and the lack of jobs," says Stephan Morais, an executive board member at Caixa Capital, a Lisbon-based VC and private equity firm.

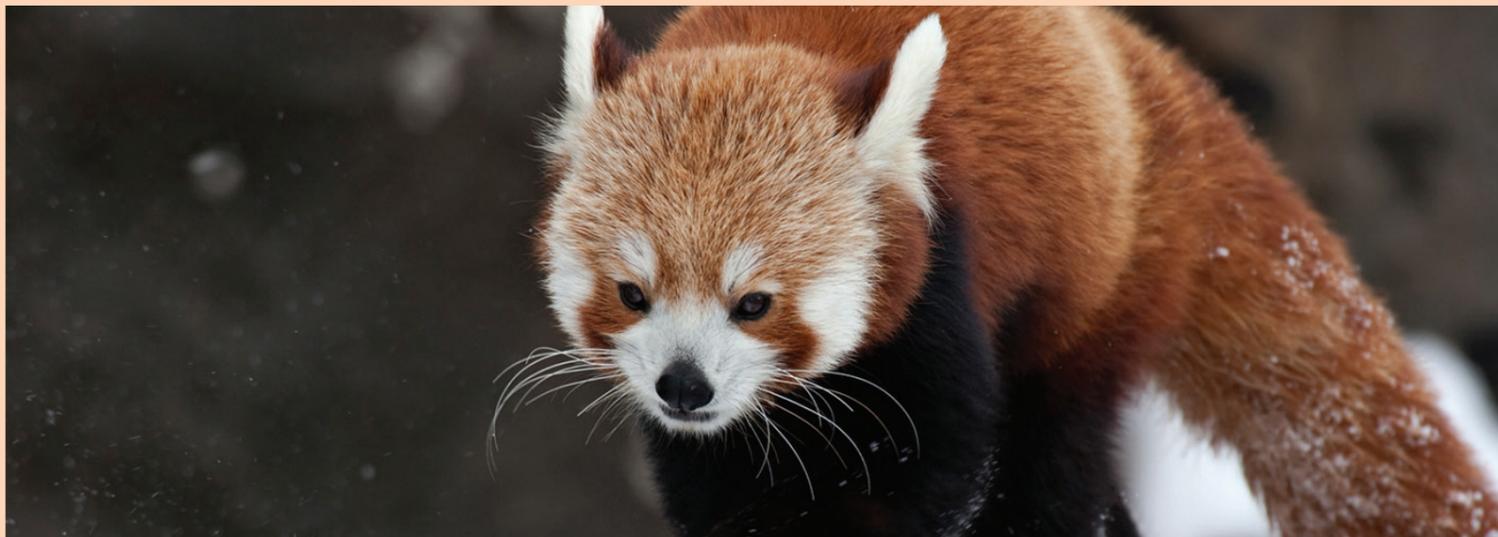
The epicenter of Lisbon's startup community is a six-story building located between a body-piercing parlor and a cafe in Baixa, an 18th century-era district of storefronts and streetcars. In 2011, Vasconcelos set up an incubator there called Startup Lisboa. Jorge and Caxaria founded Codacy in a room not much bigger than a broom closet. Now Startup Lisboa is home to more than 40 companies in what feels like a clubhouse, as its inhabitants tap away on laptops and talk shop.

Across town, entrepreneur António Lucena de Faria is standing in a classroom showing a guest from Brazil a diagram on the wall depicting a nine-step program for turning ideas into businesses. This is Fábrica de Startups, a four-year-old accelerator that runs boot camps for aspiring startup founders, including applicants from Brazil, Macau, and other Portuguese-speaking lands. This March, Fábrica will host "Tourism Ideation Week" to brainstorm new business models for one of the country's only growing industries. The best ideas will earn their authors a place in the five-week Discoveries accelerator program this summer.

Even so, laying the building blocks of a startup community is actually the easy part. It's a good sign that pioneers such as Jorge took a chance on starting a company in Portugal. But the key to scaling up, says Lucena de Faria, is making that option a mainstream feature of Portuguese business. That's not going to be easy in a country with a professional class long conditioned to avoid risk and seek fortunes offshore. "We have to change the culture of the country," he says. "That's the challenge."

The true test will come a couple of years from now, when Jorge's generation of startups solicits so-called growth-stage funding. They'll probably have to visit Silicon Valley or London or Singapore for that, because there aren't many European private equity investors who play at that end of the spectrum. If these entrepreneurs return with the capital to create more products, more jobs, and greater wealth, they'll be on their way to turning their gambles into something indelible. **Bloomberg**

Virginia search continues for red panda, absconder of zoos



By Ben Finley in Norfolk

Red pandas are the Houdinis of zoos. The raccoonlike creatures, who lounge on tree branches like stuffed animals made real, have escaped exhibits in the United Kingdom, California and Washington, D.C. They're often retrieved in days, if not hours.

But at the Virginia Zoo in Norfolk, Sunny has been AWOL for more than a week. The 19-mon-

th-old broke out on a stormy night — likely after her lust-driven male companion, Thomas, began to pursue her.

Red pandas, which are native to China, are in their breeding season, the zoo said on its website. And the animals, with their white-trimmed faces and furry red tails, can become “agitated.”

Sunny has so far evaded infrared cameras, search dogs and drones, not to mention zoo staff and vo-

lunteers. “I’m sure someone took it,” Brianna Maison, 22, a college student in Norfolk, said last week at the zoo with her children.

Sunny may have slipped from a wet branch, which helped her escape, the zoo said. And the theory surprised no one who passed by the exhibit at lunchtime Wednesday.

Frequent visitors said large branches from a tree in the enclosure had sloped above a pedes-

trian walkway. “We used to wonder what kept them from getting out,” said Karen McSpadden, 32, of Virginia Beach. “I guess nothing was.”

The branches looked freshly sawn. The zoo declined to comment on Sunny, referring The Associated Press to its website and Facebook page.

The tree-branch escape plan isn't new. A red panda named Rusty likely climbed to freedom

on rain-soaked branches at the Smithsonian's National Zoo in 2013, according to a news release. (Those trees were trimmed as well). But Rusty was found nearly 24 hours later. The search for Sunny continues.

Greg Bockheim, the Virginia Zoo's executive director, told the Virginia-Pilot last week that re-

Red pandas, which are native to China, are in their breeding season

ports of sightings continued. And he's taken them seriously, searching miles away with a thermal imaging camera.

“It's very upsetting, but I don't blame the zoo at all,” Amanda Mills, 29, of Chesapeake, said as her 6-year-old son Caeden gazed at Thomas. “I think somebody out there has got her and just isn't ready to give her up.”

Rob Vernon, a spokesman from the Association of Zoos & Aquariums, said zoo escapes in general are rare and the animals are often found quickly. But not always. A 10-year-old red panda in China was found in August after 242 days, according to media reports. The animal was less than 3 miles away. AP

ASK THE VET



by Dr Ruan Du Toit Bester

A CAT WOUND NEEDS PROPER CLEANING

A cat wound needs proper cleaning in order to prevent infections. There are different types of wounds that can occur: puncture wounds, cuts or burns.

Keep a first aid kit for emergency situations and use it when your cat is injured.

1. APPLY COLD COMPRESSES

If the injury is a burn wound, hold cold compresses on the area before proceeding to the following steps. The compresses are meant to ease the pain and reduce swelling.

2. STOP CAT BLEEDING

In case the cat is bleeding, apply pressure on the wound. Use sterile compresses to stop the bleeding.

If the cat has lost a lot of blood, go to the vet immediately.

3. TRIM THE AREA

Wear a pair of surgical gloves and gently trim the wound area with small scissors. Disinfect the scissors prior to use with a solution of hydrogen peroxide, to prevent the transfer of other bacteria to the wound. By trimming the wound area you will speed up the healing, allowing the air to circulate around it.

4. CLEAN THE WOUND

Clean the wound by placing the cat under running water. The water will flush bacteria. Use an antibacterial soap. Rinse well, getting rid of soap and other particles that may be stuck in the wound. You may use a sharp pointed tweezers to remove other particles from the wound, such as glass or splinters.

5. DRY THE AREA

Dry the area around the wound using a soft towel or paper tissues. Try to avoid touching the wound.

6. DISINFECT THE WOUND

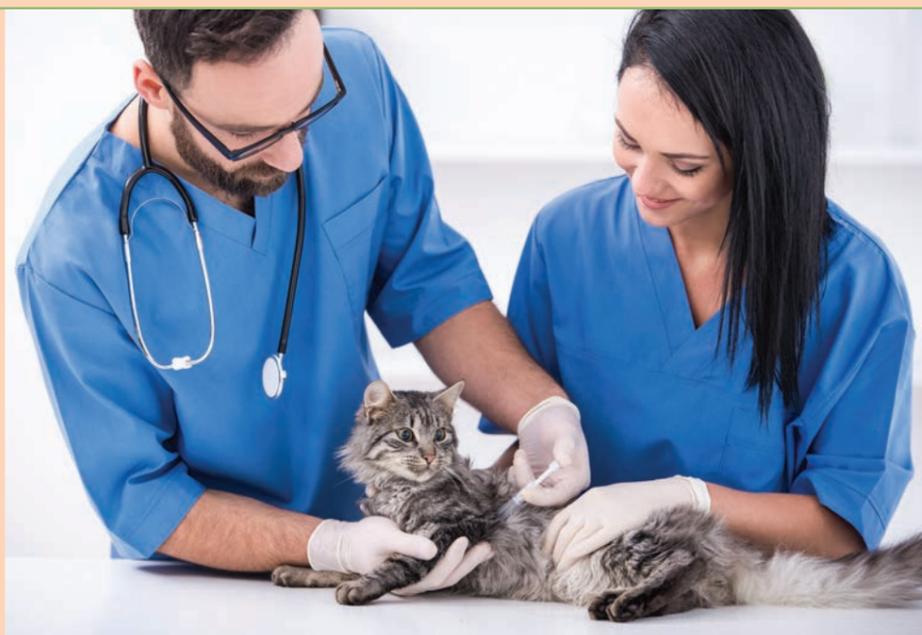
When the wound is dry, disinfect it by using an antiseptic cleaner, such as betadine, iodine or hibitane. Use sterile gauze to pad the wound. Don't use cotton pads, because these may leave fibers behind. Apply disinfectant on the area surrounding the wound also. Avoid touching the area after cleaning.

7. APPLY OINTMENT

After the area is dry, apply an antibiotic ointment to prevent an infection.

8. COVER THE WOUND

Cover the wound with a sterile gauze ban-



dage. Even if uncovered areas heal faster, bandages are needed to prevent the cat from licking the ointment and biting or chewing the wound.

Alternatively, you can opt for an Elizabethan Collar (also known as a lampshade collar or e-collar) which blocks your cat's access to the wound.

Clean and disinfect the wounds two times per day until you see signs of healing.

If the wound gets infected you will notice swelling, redness, damaged tissue, bad odor or discharge from it. Your pet will be in a lot

of pain. Don't hesitate to take your cat to the vet to get proper treatment and avoid further complications. The cat will need oral antibiotics and even more advanced treatment.

Hope this info helps
Till next week
Dr Ruan

Ask the Vet:
Royal Veterinary Centre
Tel: +853 28501099, +853 28523678
Emergency: +853 62662268
Email: royalveterinary@gmail.com