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Singapore | 30 Dec 2014

The Yangon Myothit Project: Lessons to be Learned About Governance, Entrepreneurship and Media Responsibility

*By Stuart Paul Larkin**

EXECUTIVE SUMMARY

- City mayor Hla Myint's announcement to parliament of the Yangon Myothit Project to develop 30,000 acres for the expansion of Yangon was criticized in an *Eleven Myanmar* (daily) article entitled "Do You Think the Entire Nation Stupid". The contract was rescinded and an investigation was initiated by the President's Office following the public outcry.
- The daily newspaper caught the public mood over the perceived "land grab" of unprecedented scale and raised a number of important governance issues pertaining to the project process and the conduct of state-business relations, urban planning and jurisdiction.
- What this case also highlights is the need for the president to take a "hands on" approach with infrastructure projects of national importance. Excluding the country's leading tycoons from big projects tends to lead to less reputable players stepping in to fill the void.
- Tycoons may see a need to upgrade their operations in order to distinguish themselves from less established players. Developing corporate social responsibility programmes would be a

more effective strategy than retreating into the shadows for fear of unfavourable treatment in the media.

- Myanmar's nascent democracy could succumb to populism, with hate campaigns periodically waged on ethnic minorities, exacerbated by insensitive handling by a free press (and social media). Important sources of development finance for poverty reduction could be at risk if the mass media stokes people's fears concerning China's rise.

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INTRODUCTION

On August 22nd 2014, on behalf of the Yangon Region Chief Minister Myint Swe, city mayor Hla Myint announced to the Regional Parliament details of a massive project to expand Myanmar's commercial capital, Yangon. The Myanmar Satanar Myothit public company was to be permitted to develop 30,000 acres of mainly farmland in Kytmyindaung, Seikgyi Khananungto¹ and Twante townships in what is to be known as the Yangon Myothit Project that will cost US\$8 billion. The company undertakes to provide 20,000 modern low-cost houses, a school for 2,000 orphans and a home for 2,000 elderly people, and five six-lane bridges over the Yangon River; and to complete 70 percent of the construction within three years. The rest, it seems, would be up to them.

Yangon has very high real estate prices stemming from a dramatic increase in demand following the country's "opening up" (and related speculation). This can be seen, for example, in office rentals where prime space averages US\$88 per square meter according to the property agents Colliers, compared with US\$75 in Singapore and US\$25 in Bangkok². So the addition of substantial land development in southwestern Yangon would be a welcome supply-side response to help stabilize the city's real estate market. But following the sensational newspaper reportage by the daily *Eleven Myanmar*, the lack of consultation and transparency in the case has stoked fears of land grabbing on an unprecedented scale, and this provoked a public outcry.

As a result, the project has been suspended and an investigation by the President's Office has ensued. The goal of establishing a balance between timely delivery of *outputs* (new approved projects) and adequate *process* to ensure the public interest is served appears elusive. *Eleven Myanmar's* coverage expressed concern about a range of issues that can be grouped under 'governance' and 'Chinese entrepreneurship'. The scale and strategic location of the Yangon Myothit Project render it of national importance while the controversies it has generated resonate far beyond the project itself.

¹ Also spelled as Kyinmyindaing and Seikkyi Kanaungto.

² *Nikkei Asian Review*, "Yangon Real Estate Prices Soaring", 9 September 2014, <http://asia.nikkei.com/Markets/Property/Yangon-real-estate-prices-soaring>

ELEVEN MYANMAR CAPTURES THE PUBLIC MOOD

The *Eleven Myanmar*'s headline: "Do You Think the Entire Nation Stupid?" on 24th August 2014³ – was as good an expression of public outrage as any Murdoch tabloid could have mustered. The unusually long article has 11 numbered sections and raises several points of public concern. Under section No. 2, there seems to be two things the public dislike most about the project: first, the project was very secretly drawn up and, second, the company Myanma Satanar Myothit, a public company, had suddenly emerged with no public information about its owner and activities. In fact, the newspaper first reported the story the day before under the headline "Concern that Cronies Will Gain More from 'Low Cost' Housing Projects" and in a matter-of-fact style. But it did not take *Eleven Myanmar* long to realize the full significance of the story and how some familiar themes may strike a chord with the general public.

The Eleven Media Group⁴ has established something of a reputation in rallying public opinion. On September 11th 2011 in relation to the controversial Myitsone dam project, Col. Zaw Min, who is the Minister of Electric Power (1), told journalists "no one in Myanmar knows and possesses more experience than me concerning hydro-power". *Eleven Myanmar* (then a weekly) responded by reporting the critical views of several leading journalists, public intellectuals and members of parliament which stoked growing public demands for stopping the project, and this led to President Thein Sein's eventual suspension of the dam project.⁵ Since then, private media have further been emboldened by the end of pre-publication censorship (August 2012) and the licensing of 16 private *daily* newspapers in April 2013.

Liberals see free media as an essential part of the democratization process⁶ providing a civic forum for multiple voices in public debate; as a watchdog deterring corruption and malfeasance, and as a force promoting greater transparency and accountability in governance. In a volatile political environment, however, balancing media freedom with media responsibility becomes vital. Myanmar's private media is to be commended for drawing attention to important governance issues

³ *Eleven Myanmar*, "Do You Think the Entire Nation Stupid?", 24 August 2014, http://www.elevenmyanmar.com/index.php?option=com_content&view=article&id=7311:do-you-think-the-entire-nation-stupid&catid=32:politics&Itemid=354

⁴ Founded in 2000, the Eleven Media Group owns a stable of sports and general news publications in both Myanmar and English languages, in print and online. The *Eleven Myanmar* daily newspaper was established in May 2013.

http://www.elevenmyanmar.com/index.php?option=com_content&view=article&id=199&Itemid=382

⁵ Zin, Min, "Burmese Attitude Toward Chinese: Portrayal of the Chinese in Contemporary Cultural and Media Works", in *Journal of Current Southeast Asian Affairs*, 31,1, (2012).

⁶ For example, see Amartya Sen, *Development as Freedom*, 1999.

but the lack of a carefully considered and light touch in handling particularly sensitive issues such as ethnicity is worrying.

GOVERNANCE ISSUES

Land grabbing has become a major issue under the Thein Sein government. In 2011-2014, 1,497 of a total of 7,113 complaints received by the Myanmar National Human Rights Commission (MNHRC) were about land disputes, despite the fact that military or business land seizure cases have been increasingly re-directed to the parliamentary Farmlands Investigation Committee⁷. The governance issues raised by the Yangon Myothit Project pertain to the project process and the conduct of state-business relations, urban planning and jurisdiction. The mayor's announcement on 22nd August seemed to be the first time that anyone got to know about the project. Lawmakers, activists and media condemned the decision to make the award without competition or even disclosure of the winning company's ownership or experience. This was a legacy issue: things were being done in the same way that they had been done for many years and it seemed that not everybody had received President Thein Sein's reformist message. But within a few days, following fierce criticism from regional MPs over the lack of transparency and the absence of legislation for the new town plan, the regional government revoked the contract and announced that the project would go to tender. (Incidentally, going to tender is now frequently seen as a cure-all for governance shortcomings in procurement).

With no details of the project process revealed, collusive state-business relations have been suggested. The *Irrawaddy* web site reported that the Myanma Satana Myothit public company was run by two low-profile Chinese businessmen – Xiao Feng and Xiao Sen – believed to be migrants who had arrived in Yangon in the early 1990s. They reportedly knew the former mayor, Aung Thein Lin, and had undertaken a controversial small-scale development in Peoples' Park and had more recently won an 8-acre site from YCDC for residential development near Junction Square. They were otherwise rather obscure and, with their scant track record, should have been seen to lack enough credibility to undertake a huge development project of national importance. Their new public company had only been registered in December 2013 and had as yet not received an operating license. It had an initial capital of Kyat 1 billion (around US\$ 1 million) and its registered address was an apartment building that didn't contain any office space. The magazine suggested

⁷ The, Land Disputes Leading Cause of Human Rights Complaints, 12 November 2014, <http://www.irrawaddy.org/burma/land-disputes-leading-cause-human-rights-complaints.html>

that the Xiao brothers first approached Chief Minister Myint Swe through his son, and that “Xiao Sen is always around him [Myint Swe]”⁸.

The Yangon Myothit project had at first not been presented as part of an overall master plan for the expansion of Yangon, and such a plan was announced five or six weeks later, and even then no details were given of the 77 projects the master plan prioritizes⁹. Yangon City Development Committee (YCDC) had drawn up the 25-year development plan with the assistance of the European Union and Japan International Cooperation Agency, identifying key areas such as water supply, power supply, roads, bridges and public transport. It is not clear how and how much farmland will be converted to development land to accommodate the city’s urban expansion.

The sensational ‘Nation Stupid’ article described the Yangon Myothit Project area as being one fourth of Singapore or nearly equal to Hong Kong’s Kowloon or Pudong in Shanghai. The project location, adjacent to the nation’s commercial capital, Yangon, is another factor that renders the project of national importance. This raises related issues the newspaper didn’t explicitly state: Shouldn’t the central government directly administer projects of national importance or at least exercise particularly vigorous oversight? In any event, for national economic planning an integrated urban land use plan at the national level is essential. Furthermore, while decentralization and federalism are often promoted as being good for economic development, if such moves are not matched by strengthened accountability and transparency they carry additional risk of institutional capture by local elites.

CHINESE ENTREPRENEURSHIP

The article further raised issues that pertain to Chinese entrepreneurship. While not naming the Xiao brothers as owners of the project company it asserted in flawed English that “there are Chinese businessmen involved in that company” (Section No. 4).¹⁰ “The cash flowing to this project may connect [sic] to the combating of anti-corruption cases in China... four senior officials from the CNPC Company have been taken action with bribery [sic]... the question is the black money from China entering Myanmar? If the Chinese businessmen involving in the Yangon

⁸ The *Irrawaddy*, “Rangoon Expansion Plan Clouded by Company’s Shady Past”, 2 September 2014, <http://www.irrawaddy.org/investigation/rangoon-expansion-plan-clouded-companys-shady-past.html>

⁹ *Eleven Myanmar*, “Yangon 2040 Plan to Cost US\$ 4.5 Billion, YCDC Says”, 30 October 2014, http://www.elevenmyanmar.com/index.php?option=com_content&view=article&id=7974:yangon-2040-plan-to-cost-us-4-5-billion-ycdc-says&catid=44:national&Itemid=384

¹⁰ “Do You Think the Entire Nation Stupid?”, op cit. The article has 11 numbered sections.

Myothit Project, are they born here?” (No. 5) and suggesting their citizenship status should be disclosed. “... Chinese are manipulating Myanmar’s real estate market. Myanmar Financial Investigation Unit said that the flow of black money into Myanmar can collapse Myanmar’s currency... more than 50 per cent of those did business with opium, drugs and black-market dealings [sic], they bought houses, land plots, cars and save at the banks.” (No. 6).

The article introduced ethnicity as a dimension to unscrupulous entrepreneurship and then proceeded to link it to a host of other issues: illegal migration, China mainland corruption extending to Chinese nationals living in Myanmar, illicit cross-border capital flows, money laundering, manipulation of asset markets including real estate, drug smuggling and other black market activities. While these activities undoubtedly take place, their relevance to the story is not established. Without demonstration of the links, the article inadvertently encouraged existent prejudice against businessmen of Chinese descent in Myanmar in general. For another example:

In 2012, the news spread out saying that president Thein Sein had allowed 40,000 acres of land to extend Yangon. Regarding the news, the cronies and entrepreneurs manipulated the land prices in Aye village located on the bank of the Kyitmyindaing Township where an acre must be paid from Ks 1.8 million to Ks 16 million. And then, the Chinese people also¹¹ manipulated the land prices in Aye village. (Section No. 8).

While *Eleven Myanmar*’s intended meaning is not always clear in the English translation, its coverage above can be misconstrued because it appears to conflate cronies, entrepreneurs and Chinese people to create in the public mind the image of a single category of unscrupulous Chinese businessmen responsible for many of the country’s ills.

Eleven Media is to be commended for drawing attention to the governance issues raised by the Yangon Myothit Project but the treatment of ethnic issues requires special care. The entrepreneurs involved in this particular project may well have behaved in a shadowy and untoward way but it should be noted they are not representative of the Chinese in Myanmar. The media seem not to differentiate between bona fide businessmen and those “carpet baggers” in search of a “fast buck”. Also, there is no evidence to suggest that the business ethics of any particular ethnic group are any

¹¹ My italics for emphasis.

lower than entrepreneurs of other ethnicities since all entrepreneurs must adapt to local conditions to succeed and develop their businesses.

SOME IMPLICATIONS

The case highlights the need for the president to take a “hands on” approach with infrastructure projects of national importance. Excluding the country’s leading tycoons from big projects tends to lead to less reputable players stepping in to fill the void. Major infrastructure projects such as the Special Economic Zones have been directed by central government making it all the more strange that a project as large as the Yangon Myothit was left to the regional government. Clear rules will be needed for setting clear criteria for determining which level of government oversees which project.

Awarding important infrastructure contracts to reliable and well established companies, local and foreign, should limit controversies like the Yangon Myothit project. Where practicable, using local companies is preferable but opportunities for new market entrants need to be created and an ossified cartel avoided. The government, in working with the private sector for the sake of feasibility and best project design should give further consideration to safeguarding the public interest. A distinction should be drawn between what is infrastructure and what is real estate to ensure the developer does not extract inordinate returns. Such a distinction was neglected in the Yangon Myothit Project. The two were mixed up: profits on real estate to cross-subsidize necessary infrastructure like bridges. Apparently, the developer was to receive an enormous amount of land to develop in return for delivering infrastructure. The benefits from and the possibility of breaking down large projects into smaller constituents spread across a larger number of firms seemed not to have been considered.

Regarding land policy, for smaller projects conducted solely by the private sector, it is just as well that a free land market is permitted to function. Indeed, the presence of speculators can facilitate developers in acquiring land and concentrating ownership. In larger projects, however, speculators can drive prices to exorbitant levels and the developer has to struggle to secure sufficient land at an economically viable cost. It is therefore advisable that the state takes responsibility for land agglomeration in the case of large projects, exercising eminent domain and compensating and relocating existing land users. All necessary project land could then be structured into the concession, removing a major risk and making the project “bankable”.

This case also act as a reminder that the legal and regulatory structure in Myanmar is far from developed as yet. While international financiers are attracted by proper protection and process reliability, money exerts a corrosive influence on governance.

Myanmar's local tycoons will also need to adapt to the new business environment. With a recently empowered private media on their backs, the instincts of some tycoons may be to retreat into the shadows. Others seek to differentiate themselves from their more dubious rivals through corporate social responsibility programmes aimed at demonstrating greater transparency and cultivating good public relations.¹²

The people with the power to grant infrastructure concessions are now elected public officials who can be held to account by elected legislatures and by an independent media. They will not want to be seen to fail with the projects they disburse and so will require a higher degree of reliability from the grantees. They will have to be more mindful of how the tarnished reputation of a tycoon can stick to them through association, especially at election time. The tycoons may therefore need to practise higher standards when dealing with institutionalized sources of international project finance. The multilateral development banks (MDBs) are obliged to follow higher standards of governance and will place more onerous demands on clients. As the tycoons transit from national to international sources of finance they will feel pressure to rise to higher standards of professionalism.¹³

CONCLUSION

The concession granted for the Yangon Myothit Project was rescinded in the wake of events that followed the city mayor's announcement to the regional parliament and reports by independent media. Clearly Myanmar has changed. *Eleven Myanmar* is to be commended for its reportage of legitimate governance concerns raised by the project but coverage of sensitive ethnic issues requires the professional standards of a responsible media. There is fear that a free but careless press (and social media) in pursuing sensationalism and profits may help contribute to Myanmar's nascent

¹² A recent study of Myanmar's top 60 companies showed that only 35 of them had websites. See Myanmar Centre for Responsible Business, Pwint Thit Sa Project: Transparency in Myanmar Enterprises, First Report, July 2014.

¹³ Those tycoons who are not on the US Specially Designated Nationals (SDN) List can still try their luck with the International Finance Corporation, (IFC), part of the World Bank Group, or the Asian Development Bank, ADB. The others can cultivate relationships with the new China-led MDBs – the New Development Bank, (NDB), and the Asian Infrastructure Investment Bank, (AIIB) – which in any event will have far greater infrastructure financing capabilities.

democracy degenerating into populism, with hate campaigns periodically waged on ethnic minorities. Also, important sources of development finance for poverty reduction could be at risk if the mass media stokes people's fears concerning China's rise.

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ISEAS Perspective is published electronically by the Institute of Southeast Asian Studies, Singapore.

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