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# Myanmar's forgotten bourse eyes long-awaited expansion

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By Aung Hla Tun

YANGON (Reuters) - In a quiet room in an aging office block of Myanmar's commercial capital Yangon, a worker scribbles on a whiteboard beneath a row of out-of-sync clocks, updating prices in what could be the world's smallest stock market.

Welcome to the Myanmar Securities Exchange, among the best-kept secrets of a repressive country hamstrung by Western sanctions and blighted by 49 years of military rule.

There's no trading floor, no flashing screens and no televisions showing financial news channels. Just eight employees who handle over-the-counter transactions and manually update share prices, using a whiteboard, a marker pen and a stencil. Every so often, a customer drops by.

Set up 15 years ago as a joint venture with Japanese broker Daiwa Securities Co, Myanmar's stock market has attracted just two companies -- an echo of broader problems in the resource-rich country that half a century ago was among Asia's wealthiest and today is among its poorest.

But as Myanmar's new civilian government presses ahead with reforms that could lead to greater political and economic freedom, and as China pumps in billions of dollars to develop its vast energy reserves, plans are afoot to expand the exchange.

Daiwa is working with the Tokyo Stock Exchange to establish rules and computer systems for a bigger stock market, a Daiwa spokesman said. The plan expands on Daiwa's 50-50 joint venture established in 1996 to set up the current exchange with Myanmar's Finance and Revenue Ministry.

"With the new administration, there has been growing interest in developing a financial system, so we, Daiwa and the Tokyo Stock Exchange are now in cooperation to contribute to the development of Stock Exchange system," Daiwa said in an e-mailed response to questions from Reuters.

Mainland Southeast Asia's biggest country has been one of the world's most difficult for foreign investors, restricted by sanctions, starved of capital and marred by mismanagement.

But its eight-month-old parliament is stirring hopes of reforms that could slowly open the country of 50 million people that just over 50 years ago was one of Asia's most promising, the world's biggest rice exporter and a major energy producer.

A senior official from the Ministry of National Planning and Economic Development said the government wanted to expand the number of listed companies as part of efforts by the 10-nation Association of South East Asian Nations (ASEAN) of which Myanmar is a member, to form an interlinked stock market by 2015.

"The emergence of a stock exchange is very important for us in bringing the country in line with the rest of ASEAN," said the official, who asked not to be identified.

"Some important laws have already been drafted. After enacting these laws, the Securities and Exchange Committee will be formed. Then there will be rapid progress," he predicted.

That ambition is one of many signs of change since the army nominally handed power to civilians after the first elections in two decades last year, a process ridiculed at the time as a sham to cement authoritarian rule under a democratic facade.

Recent overtures by the government hint at possibly deeper changes at work -- from calls for peace with ethnic minority guerrilla groups to some tolerance of criticism and more communication with Nobel peace prize laureate Aung San Suu Kyi, who was freed last year from 15 years of house arrest.

The push to expand the bourse also underlines how competition is heating up among regional exchanges in Asia's so-called frontier markets following recent South Korean forays to help build stock exchanges in Cambodia and Laos.



## TRICKLE OF CUSTOMERS

Myanmar's first stock exchange was closed in the 1960s after a military takeover. Its successor, the Myanmar Securities Exchange Center (MSEC), is a modest operation. A trickle of customers each week buy and sell shares in two listed companies on a bourse few Burmese or foreign investors know exists.

No new companies have signed up beyond the first two: Forest Products Joint Venture Corp (FPJVC) and Myanmar Citizens Bank. Both are jointly owned by the government and private investors.

For those who got in early, returns have been generous. FPJVC sold shares between 1993 and 1996 -- mainly to well-connected bureaucrats -- and has delivered dividends of about 25 percent a year, more than double local bank interest rates.

"If possible, we'd like to buy some more shares of FPJVC," said Zaw Win, 76, a retired officer from the Ministry of Forests whose 15 shares bought in 1993 have more than doubled in value.

Daiwa signed a deal on April 5, 1996, to start the exchange but within a month the pact was cast into uncertainty, as the military junta began rounding up hundreds of pro-democracy supporters in a crackdown on Suu Kyi.

That sparked outcry in the West. Thousands of pro-democracy supporters rallied in Yangon. U.S. soft drink giant PepsiCo Inc sold its stake in a Burma venture. U.S. apparel firms canceled contracts with Burmese suppliers. The White House urged Burma to halt its "pressure tactics."

A year later, in response to widening human rights abuses, the United States imposed sanctions. The junta tightened its grip on power. Economic reforms withered.

The exchange's executive director, Soe Thein, a former official in the Finance and Revenue Ministry, assembled a small team of staff to draft laws and regulations, raise public awareness and set up a securities exchange commission to achieve his dream of a capital market within five or six years.

"But it failed to come up to our expectations," he said.

Much like neighboring Thailand and India, which both have thriving capital markets, Myanmar has enormous potential for tourism and development, boasting rich natural resources -- from gas to teakwood and gemstones.

Its new government has promised sweeping reforms -- from tax reductions for exporters to micro loans for farmers, interest rate cuts on bank loans and higher returns on savings. In recent weeks it has sought input from the International Monetary Fund about unifying its official and unofficial exchange rates.

The recent gestures followed expansion of fledgling banking and telecommunications sectors and the privatization of hundreds of state assets from late 2009, including mining firms, an airline, gas stations, cinemas, shipping companies and factories, albeit mostly to cronies of the former army regime.

But its banking system is crippled by sanctions, which most expect to stay in place until the government releases an estimated 2,100 political prisoners.

Soe Thein, however, remains optimistic.

"It takes time to set up public companies," he said.

And his little bourse may even soon face competition. South Korean bourse operator Korea Exchange said in January it had sent a delegation to Myanmar to hold preliminary talks with the government about the possibility of opening a separate exchange.

The firm is already involved in running the new Laos Securities Exchange and is setting up a long-delayed stock market in Cambodia. Both are joint ventures with the respective governments.

(Additional reporting by Timothy Kelly in Tokyo; Writing by Martin Petty; Editing by [Jason Szep](#) and [Robert Birsel](#))

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