

Business

Exchange Rates (September 10 close)

Currency	Selling	Buying
Euro	K1428	K1452
Malaysia Ringgit	K293	K316
Singapore Dollar	K892	K908
Thai Baht	K35	K37
US Dollar	K1280	K1288

US banks call for waiver on Asia World port



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c.hammond@mmtimes.com

THE US Treasury department is reportedly looking into the use of Asia World Port Terminal (AWPT) after receiving a joint letter from two US associations, warning that sanctions on the port could spur a de-facto trade embargo on Myanmar.

The Clearing House Association - which is owned by many of the world's largest commercial banks - and the Bankers Association of Finance and Trade (BAFT) wrote to the Office of Foreign Assets Control (OFAC) in July, after discovering that a significant amount of trade, including from the US, moves through AWPT.

The port is owned and operated by a subsidiary of Asia World Company, a Specially Designated National (SDN), subject to US sanctions. This means that US financial institutions and their worldwide branches can't do business with the port, unless granted special permission to do so by OFAC.

The associations have requested that OFAC considers issuing a waiver, to allow US trade to and from terminals and jetties operated by AWPT.

The letter was written following "an unusual circumstance", in which a BAFT member noticed that Asia World's port terminal was named in their trade documents. Usually, documents just reference the port city - for example Yangon - rather than the name of an individual terminal.

The BAFT member obtained informal guidance from OFAC, which confirmed the requirement "to block the original documents and payments referencing AWPT".

This is a problem, according to the associations, because the port is a critical artery of foreign trade for Myanmar. Yangon has just four container terminals - Asia World's is the cheapest, fastest, and most frequently used, say industry sources.

Myanmar International Terminals Thilawa, operated by Hong Kong-based Hutchison Port Holdings, is the country's largest terminal, but for many, AWPT remains the facility of choice.

"[It] offers the deep waters necessary for large container vessels, 'state of the art' equipment and ease of access to Yangon and the adjacent industrialised area where most manufacturing takes place in [Myanmar]," said the letter to OFAC.

As a result, around half of all the

Asia World Port Terminal says it is the largest by volumes in Yangon.

Photo: Aung Khant



country's trade flows through the port, "likely including the vast majority of containerised trade of the sort financed or facilitated by US and other global financial institutions".

An Asia World representative said that import and export cargo in Myanmar through the ports of Yangon has increased "tremendously" since 2011. Cargo volume for Yangon's ports in 2011 was 383,990 twenty-foot equivalent units (TEU) and with more than 20pc growth each year, total cargo passing through the ports of Yangon rose to 719,567 TEU in 2014, he said.

"Asia World Port Terminal handled a total containers and general cargo volume of 436,936 TEU [in 2014]. This is about 60 percent of the total cargo volume of ports in Yangon. The efficiency of Asia World Port Terminal is recognised by many within the shipping industry."

Logistics managers and brokers in Yangon confirmed that a majority of imports, from the US and elsewhere, go through Asia World's port terminal.

This is likely due to a lack of awareness rather than a deliberate violation of sanctions, they said. One director at a Yangon-based logistics company said he had only recently received his first request from a client to avoid Asia World's terminal.

However, now that OFAC has

provided specific guidance against using the port, US financial institutions and US dollar clearing institutions are likely to begin blocking AWPT related transactions, said the letter to OFAC. "Due to the significant trade flows through AWPT such actions are likely to negatively impact trade with Burma," it said.

"Furthermore, global, non-US financial institutions with US dollar activity related to [Myanmar] may implement similar measures in light of the global impact of OFAC regulations. In a relatively short span of time, these actions could amount to a de-facto trade embargo on Burma."

BAFT and the Clearing House Association said they are concerned this may not be consistent with the intention of recently amended Myanmar sanctions regulations, and US foreign policy goals - given multiple supportive policy statements by the US administration.

US trade relations with Myanmar have improved significantly over the last few years. Until 2010, US imports from Myanmar were nil, and exports averaged around US\$10 million per year, according to the United States Census Bureau.

Since the US lifted a number of sanctions on trade with Myanmar, bilateral trade has increased fast. This year to date, exports to from the US to Myanmar are worth \$120 million

and imports are worth \$68.2 million - rising from \$92.9 million in exports and \$92.7 million in imports for the whole of last year.

"A reversal of this trend may have the unintended consequences of damaging the Burmese economy and potentially being interpreted by the government of Burma as a change in policy on the part of the US government," said the letter.

It requests that OFAC consider issuing a general licence under the sanctions regulations, to allow trade transactions involving the shipment to, or from, a terminal or jetty owned, operated or managed by Asia World, "provided that no funds are being paid directly to or from Asia World".

The licence should allow trade

'In a relatively short span of time, these actions could amount to a de-facto trade embargo on Burma.'

Letter to the US Office of Foreign Assets Control

transactions in any currency for US financial institutions and their branches, and in US dollars for foreign financial institutions, it said.

The Clearing House is owned by a number of global banks including Bank of America, Barclays, BNY Mellon, Citi, Deutsche Bank, HSBC, JP Morgan, Santander and UBS.


A spokesperson for the US Treasury told *The Myanmar Times* that OFAC is unable to comment on whether transactions involving AWPT are subject to US sanctions.

However, he noted that the SDN list includes a number of well-known businesspeople and their businesses including Steven Law, Asia World and Asia World Port Management.

"US persons are prohibited from any transaction or dealing, directly or indirectly, in property in which a blocked person has an interest," he said.

A US embassy spokesperson said the country remains committed to supporting Myanmar's ongoing transition toward a more democratic, open society. "This includes encouraging responsible investment in this country to support development and to improve the quality of life and standard of living of the people," he said.

"Among the tools that we use to encourage progress, including diplomatic engagement, are the remaining financial sanctions."



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US relaxes sanctions on Yangon port

THE US treasury department has issued a general licence allowing trade to pass freely through Yangon's blacklisted Asia World Port Terminal and other key infrastructure hubs with a specially designated national connection.

This is Washington's first relaxation of sanctions on Myanmar since the country's historic election on November 8. The move will allow US trade to pass through Yangon port without violating sanctions, and is likely to boost nascent trade ties.

Senior administration officials said the general licence, initially valid for six months, is "not in any way a reaction to the recent elections in Burma" nor an overall change in Washington's sanctions policy. It is instead a "discreet technical fix," they said.

A large percent of Myanmar's trade passes through AWPT.

"For the past several months after discovering there was a connection between AWPT and [sanctioned individual] Steven Law, banks have been delaying and freezing trade transactions related to AWPT," they said.

The Office of Foreign Assets Control had received over 100 requests to issue a general licence to allow trade to flow through the port, officials said, adding that not only US financial institutions, but also third-country exporters and financial institutions were beginning to hold up trade going into and out of Myanmar.

While Yangon has other ports, Washington was concerned that fears of sanctions and an increase in compliance costs would lead US banks to pull out of the Myanmar market.

"With the historic election in Burma it's a US government priority to support the National League for Democracy as it makes its economic and political transition," the officials said. "We see this general licence as potentially the single most important thing that we can do on the economic front to give the NLD some breathing space over the next several months as it forms its government."

In addition to relieving US banks, the licence is aimed at rectifying the impact of sanctions on small and medium enterprises, they said.

The licence applies not only to AWPT but also to Yangon International Airport, which is operated by an Asia World Group subsidiary, and to all other trade links. - Clare Hammond

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More China-bound smuggled timber seized

A thousand tonnes of illegal timber were seized in Kachin and Sagaing states, with authorities saying the ownerless logs were destined to cross over the border.

PHOTO: AFP

12 men convicted in 'Muslim Army' trial

The defendants were each given a five-year sentence for allegedly receiving training from an armed network, but human rights groups say the charge was never substantiated. NEWS 3

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