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## The reality of investing in Myanmar

**BOTTOM LINE:** Despite difficulties, Malaysia needs to boost Myanmar investments

By Firdaos Rosli



UPON arrival at Yangon International Airport, I asked a colleague the time difference and she said "turn back your clock 30 years before Malaysian time".

More than 50 years ago, Rangoon (renamed Yangon) was one of Asia's major commercial centres. Since then, Myanmar's social and economic growth has "paused". But recently the country has been gradually embracing reform based on the State Peace and Development Council's seven-step "road map to democracy".

The west, particularly the United States, European Union, Australia and Norway are now reconnecting with Myanmar. Apart from cheap unskilled labour and rich natural resources, is the country really an attractive investment destination?

When the clock stopped ticking under military rule, millions of dissidents, including skilled workers, left Myanmar. Since then, most of the diaspora has acquired more in education, skill sets, training and experience than those who stayed behind.



*A Myanmar worker checking the printed sheets of a local journal in Yangon last month. President Thein Sein is appealing to skilled workers among the diaspora to return and support the country's reform agenda. AFP pic*

A pool of skilled workers is key to developing an economy when existing labour markets are not providing adequate supply of workers with the right qualifications and experience. This issue is also connected to the low quality of education and vocational training in the country.

Alternatively, companies could also employ foreign skilled workers. Companies are offering good compensation schemes, including hardship allowance and other rewards, in order to attract skilled employees to work in a less modern environment such as Myanmar.

According to Myanmar's Directorate of Investment and Company Administration, the country received more than US\$40 billion in foreign direct investment since 1989 -- of which 88 per cent is in the power, oil and gas and mining sectors. These sectors, including the manufacturing sector, require a good talent pool.

Perhaps the apt response is to woo back Myanmar's skilled diaspora. In May, President Thein Sein made his second appeal to this group to return and support the country's reform agenda.

So far, not many of them have returned due to unclear public policies despite various reform initiatives introduced by the government.

Recently, Myanmar's new investment law is stuck at the lower house and has been redrafted as it could potentially injure local industry by offering huge investment concessions to foreign investors. The new draft, however, is now criticised for benefiting existing tycoons who have dominated the economy to this very day.

A clear policy direction will definitely yield positive results as it will streamline the priorities and work processes of various stakeholders towards a common goal.

Big multinational corporations such as Coca Cola, General Electric, Suzuki and Toshiba have indicated their interest in investing in Myanmar. Even Malaysian-owned YTL Corporation is interested in building a hotel in Yangon.

Investors want to know the potential risks and viability of each proposed project. Investment protection must also be clearly explained by the government. Ideally, financial packages and advisory services must be readily available as well.

Investors tend to anticipate future policy changes as they inevitably affect the bottom line of the business. However, the true cost of doing business in Myanmar, such as land cost and permit requirements, is not publicly known and data dissemination on investment is relatively restricted.

Due to limited investment information, the role of government-to-government interaction is paramount in connecting investors with the captains of industry and key policymakers. If further enhanced, such a process can provide solutions on specific concerns and issues of investing in the country.

Two visits by Prime Minister Datuk Seri Najib Razak and International Trade and Industry Minister Datuk Seri Mustapa Mohamed earlier this year will strengthen the existing political and economic relationships between the two countries.

Malaysia has recognised Myanmar as an important trading and investment partner by opening a Malaysia External Trade Development Corporation office in Yangon recently.

Existing technical assistance by the Malaysian government could also be intensified further by offering specific technical expertise by Malaysian multinational corporations in areas of oil and gas, construction and banking.

The private sector in Singapore has already been actively engaging with their counterparts in Myanmar. There are private sector recruitment agencies in Singapore that offer not only human resource services but also accounting, financial and advisory services for investors, including Malaysians, all under one roof!

Malaysia was instrumental in Myanmar's accession into Asean. Petronas started to invest in the country in 1990.

But according to Myanmar's official statistics, Singapore has invested US\$1.8 billion in the country -- double that of Malaysia. So the question is, where do we go from here?