

Myanmar's Business and Investment Opportunities

At Session Three of the Myanmar Roundtable, the speakers were **Mr Ye Min Aung**, Secretary General, Myanmar Rice Industry Association (MRIA), **Mr Aung Naing Oo**, Director-General, Directorate of Investment and Company Administration (DICA), Ministry of National Planning and Economic Development (MNPED) and **Mr Than Htut**, Director, Eden Group of Companies, Myanmar. **Dr Larry Wong**, Programme Director of TIES, ISIS Malaysia moderated the session. ISIS Senior Analyst, **Firdaos Rosli** and ISIS Director Information Services, **Susan Teoh**, report.



From left: Ye Min Aung, Larry Wong and Than Htut

The first speaker, **Mr Ye Min Aung** spoke on the topic of 'Recent Developments in the Agriculture and Agro-based Industry of Myanmar'.

The objectives of his paper were to:

- Highlight recent developments in Myanmar, in relation to concerted efforts to increase productivity for sustainable self-sufficiency of the country and to establish Myanmar as a major player in the global market;
- Elaborate on some of the key drivers — public-private partnership, opportunities for foreign and local investment, and comprehensive supply chains — which are all at various stages of implementation.

The premise of his paper was that Myanmar is slowly but surely getting right the basics and balance for sustainable food security and hence is well-positioned to realize key potentials, as well as opportunities for economic development.

Agriculture is the highest economic activity in Myanmar, accounting for 43 per cent of its gross domestic product (GDP); 70 per cent of its labour force is in agriculture. Agriculture and agro-based industry is mainly undertaken by the private sector. There is very little or minimum intervention by the government. The private sector is also very active in agro-based industry development activities, with the establishment of several important agricultural associations.

Myanmar's agro-based food industry constitutes over 70 per cent, as regards both volume of production, and number of industries. It also employs the largest number of workers. Out of a total of 43,239 registered members of private industries, food industries account for 35,827. The largest food industry members are rice mills, bean processing mills and oil mills.

Amongst the recent developments in Myanmar's agriculture and agro-based industry was the formation of specialization companies in major production sectors. Experienced exporters, in partnership with local traders, millers or processors, participated in the process, aimed at attaining a more comprehensive, inclusive and effective supply chain mechanism, with the ultimate intention of transforming the companies into public companies.

The government has made some changes in its trade environment, such as reducing commercial and income tax for exports from 10 per cent to 0 per cent (except for some 18 special commodities); reducing cargo inspection stations at border checkpoints; liberalizing the documentation process for trade procedures; and introducing an online licensing system.

He concluded that Myanmar is on the right track in its agriculture and agro-based industry policy and that there are abundant opportunities for investors in this area.

The second paper, by **Mr Aung Naing Oo**, titled 'Investment Environment of Myanmar: An Emerging Frontier,' was read by **Dr Larry Wong**.

Myanmar is the largest country in mainland Southeast Asia, with an estimated population of 60 million. Coupled with a huge supply of labour, this beautiful country is also blessed with natural resources such as water (its river system originates in its own territory); energy, gem stones, the best rubies in the world, jade, semiprecious stones, copper, gas, oil, coal, iron, gold, fishery and forest products, besides

many others. In food production, it is number two in the world in pulses and beans, and a major exporter of rice and beans. It is also blessed with a young working population.

Myanmar opened its doors to foreign direct investment (FDI) with the enactment of the Foreign Investment Law on 30 November, 1988. It should be noted that the FDI is mainly in the energy and mining industries, which account for about 90 per cent, while agriculture is very small. Myanmar is encouraging FDI into the agricultural sector (see Table 1).

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

But according to Myanmar's official statistics, Malaysia, which brought in the country's 4th largest FDI during the period 1989-2001, has dropped to 7th place in 2012, below countries such as China, Hong Kong and Korea, that had previously less than half of Malaysia's investment in Myanmar. Malaysia has to reposition itself with Myanmar in order to revitalize its investment or risk losing its edge in this resource-rich country (see Table 2).

At the time of writing, Myanmar's updated Foreign Investment Law is still stuck at the lower house, as it has been since early this year. The law is being redrafted, as it could potentially injure local industry, by offering huge investment concessions to foreign investors. The new draft, however, is now being criticized as one that benefits Myanmar's tycoons, who have dominated the economy till today.

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

Table 1: Foreign Investment of Permitted Enterprises since 1989 (as of 31 April 2012)

Industries	No. Projects	Amount (US\$ mil)	Percentage
Power	5	18,873.72	46.37
Oil and Gas	109	14,063.07	34.55
Mining	66	2,814.36	6.92
Manufacturing	164	1,760.70	4.33
Hotel and Tourism	45	1,064.81	2.62
Real Estate	19	1,056.45	2.60
Livestock & Fisheries	25	324.36	0.80
Transport & Communication	16	313.91	0.77
Industrial Estate	3	193.11	0.47
Agriculture	7	173.10	0.43
Construction	2	37.77	0.09
Other Services	6	23.69	0.05
TOTAL	467	40,699.05	100.0

Source: Directorate of Investment and Company Administration, Myanmar

Table 2: FDI in Myanmar

No.	Country	1989-2001	Country	1989-2012
1	UK	1380	China	13947
2	Singapore	1351	Thailand	9568
3	Thailand	1187	Hong Kong	6308
4	Malaysia	599	Korea	2938
5	USA	583	UK	2659
6	France	470	Singapore	1818
7	Indonesia	239	Malaysia	977
8	Netherland	238	France	469
9	Japan	229	USA	243
10	Korea	156	Indonesia	241
11	Phillippines	147	Netherland	238
12	Hong Kong	144	Japan	211
13	China	67	India	189
14	Canada	64	Phillippines	146
15	Others	243	Others	472
	Total	7097	Total	40424

Source: Directorate of Investment and Company Administration, Myanmar



Participants at the Roundtable

Aung highlighted promising sectors that Myanmar is keen in attracting FDI to. These are:

- The natural resources sector, which includes food processing (agriculture and fisheries), mineral processing (mining resources), wood processing (forestry) and petrochemicals (oil and gas resources).
- Labour resources — garment and electronic parts assembly;
- The services sector — the hotel and tourism industry, logistics and real estate.

He concluded by quoting from President Thein Sein, 'We will open doors, make reforms and invite investments as necessary for the development of the nation and the people.'

The third speaker, **Mr Than Htut**, gave a private sector perspective of Myanmar's business and investment opportunities. He listed the various business areas of his company, Eden Group Co. Ltd. — construction, energy, hotels and resorts, trading, banking and agriculture.

He echoed the views of the other presenters that Myanmar has great potential because it is blessed with many natural resources. He added that due to the country's natural resources, production industries could get cheaper raw materials.

With the recent political and democratic reforms, Myanmar hopes sanctions will be lifted and foreign investments will pour in. In early 2012, the United States, Australia, United Kingdom and parts of Europe lifted their sanctions towards Myanmar.

However, there are still challenges which the government has to deal with. Some of these include:

- Unresolved conflicts with ethnic minorities in certain parts of the country;
- Infrastructure deficiencies with regards to FDI and international trade;
- Lack of transparency in the government's plan for development of various sectors;



From left: Than Htut, Ko Ko Lay, Bridget Welsh, Larry Wong, Ye Min Aung and Tin Htut

- Poverty, especially in rural areas;
- Lack of financing and access to banking facilities; and
- Low power supply.

However, there are many opportunities in the country for investors. The 60 million population provides a potential consumer market for investors. Labour cost is low and because the country has just opened its doors, there are business opportunities in all sectors of the economy — agriculture, banking, construction, mining, finance, tourism, etc.

Myanmar is strategically located geographically as it shares its border with five

countries. With the development of four new ports, the country has now become more accessible.

US Secretary of State, Hillary Clinton, on 17 May 2012, encouraged the US to invest in Myanmar, saying: 'Today we say to American business: invest in Burma and do it responsibly; be an agent of positive change and be a good corporate citizen; let's all work together to create jobs, opportunities, and support reform.'

Than Htut ended by inviting investors to Myanmar now.