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Investing in Myanmar

Of all the countries in Asia, Myanmar is one of the most enigmatic, writes Jeremy Newton, director in Hong Kong. Formerly known as Burma, and a British colony until 1962, it is now working to transition to a modern economy by addressing years of infrastructure decline.

The opportunities for investors could be massive, though there are also risks and challenges. The country's international reputation, for instance, has recently received a severe bruising with the alleged military crackdown on the country's Rohingya Muslim minority.

It remains to be seen how this will be solved and the extent of the impact on the reputation of Aung San Suu Kyi's fragile democracy as it responds to the crisis. If she and the military leadership can restore stability and win back international confidence, the government's ability to maximise funding and infrastructure development assistance may be restored.

With a population now exceeding 50 million and a GDP per capita ranked at 150 out of 190 countries, there is much work to do with almost all sectors of the economy needing some sort of renewal. Encouragingly, however, GDP is growing, albeit from a very low base, with growth this year expected to be over 7% and around 8% in 2018. Further, Myanmar's British heritage enables it to benefit from having institutional and legal systems which are based on UK structures.

The UK is one of many countries that has recognised the potential for investment in the country. Its trade department has a number of people based there, and the UK is seeking wider global partnerships following its scheduled exit from the EU in 2019.

Another key player in Myanmar's infrastructure development is China - the biggest power in Asia - through its 'Belt and Road' initiative, the giant international economic development programme based on the old 'Silk Road'.

China has already funded a giant hydro-electric dam in the north of the country and will be looking for further opportunities. Other potential investors within the Asia-Pacific region include Japan, Singapore, Thailand, Korea and Taiwan.

Multilateral agencies such as the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development and the Asian Infrastructure Investment Bank (AIIB) are also keen to provide funding where they feel it is needed and appropriate.

The list of economic sectors requiring investment in Myanmar is a long and comprehensive one. The ageing power generation and distribution network, for instance, is incapable of providing for current, let alone future needs. Less than 40 per cent of the population has access to electricity, and the communities that do suffer from frequent 'brownouts' or worse.

There is also a strong need for investment in water supply and disposal infrastructure, as well as in the telecoms sector, although mobile network contracts have recently been put in place.

Mining is another area where economic development could boost earnings: the traditional gems market continues to be strong, and minerals, including coal, have potential given implementation of more modern mining technologies.

In terms of transport, Myanmar has upgraded its aviation infrastructure, with an attractive new terminal now open at Yangon International Airport and a brand-new airport in Naypyidaw, the new capital of Myanmar 300km to the north of Yangon, the previous capital city. This optimistically planned city, which opened in 2005, has resulted in some major highway routes being constructed. However, the nation's rail network remains significantly short of investment, although plans are afoot to upgrade Yangon's 46km-long Circular Rail line.

Other sectors offering opportunities for foreign investment include healthcare and education, particularly in the tertiary sector, where there is a strong need for educationalists. Agriculture presents a real opportunity. Many years ago, Myanmar had a reputation as the 'rice bowl of south-east Asia', and while the sector still accounts for more than 30 per cent of GDP, it is currently constrained by production inefficiencies and poor transportation links.

Tourism, too, is an area of the economy with real growth potential. Myanmar has relaxed its access restrictions to embrace a wider range of visitors over the past few years, but there is still an issue with the quality of accommodation and, again, transport links. The government is aware that its tourist industry needs to offer compelling reasons for return visits and this is something that needs to be developed.

All these sector opportunities add up to a huge range of investment options for external funders, companies and consultants willing to enter the marketplace and face the many challenges.

As well as the current negative international perceptions of the country arising from the Rohingya crisis, other issues include the fact that the government, while enthusiastic about foreign direct investment, is itself still learning about the process of contracting, legal frameworks and supervision. This essential prerequisite of any safe investment strategy is, encouragingly, being addressed with international expertise assisting the drafting of the new company law and investment law.

Adopting the public-private partnership (PPP) procurement methodology should present definite advantages for a country short of capital funds. However, there is currently no standardised approach, with each ministry setting its own rules and methodology – although the government is currently exploring the standardisation of English-language bidding documents. The next challenge will be establishing attractive internal rates of return to encourage private sector engagement.

A further challenge in dealing directly with the Myanmar government will be required compliance with probity obligations in their own countries. Myanmar is currently ranked 136th in a list of 176 countries by Transparency International, although such strictures have not impeded foreign investment in other ASEAN countries whose own ranking might not be too different from Myanmar's.

The ruling party, the National League for Democracy, knows it has four years left of its current elected mandate to demonstrate visible improvements. That is leading to pressure for quick results, which in reality will be difficult to achieve.

All this means that patience in dealing with Myanmar institutions really is a virtue. Having the right connections and finding the right partners is also critical.

While Myanmar is not the optimal global location when seeking early returns, matters are improving and there is a real desire, which is shared by government, institutions and corporations alike, to make things happen.

The regulatory environment, as mentioned, is also improving and there is clear recognition that comprehensive national renewal can only come with the assistance of foreign direct investment. The genie is out of the bottle, and it's unlikely to be going back in.

Myanmar is certainly a challenge, but with challenge comes real opportunity. Choose the right project, assisted by the right consultants, at the right time in this so-called Golden Land, and fortune really could favour the brave.