Doing Business with Burma

When I talk to people who have not been to Burma, they talk about it as a war zone, with tanks rolling down the street of Rangoon, Burma's largest city and commercial center. They-foreign investors, that is-are coming to Burma, and fast. In the lobbies of Rangoon's few business hotels, Western investors in suits are gathering with local businessmen in traditional sarongs to discuss joint ventures, land-lease terms, and profit repatriation rules.

For decades, Burma-which is also known as Myanmar-was distinguished for its ruling junta's imprisonment and torture political dissidents, execution of protesters, violent campaigns against ethnic minorities, and other abuses that made the country a byword for bloody dictatorship. Today, after little more than a year of democratic reform, the dominant description of Burma has changed in many circles from basket-case pariah to promising frontier economy. The Southeast Asian country is being touted as one of the world's last virgin markets-tantalizingly rich in natural resources like teak, oil, and gold-with a location between India and China that ensures access to enormous markets.

Myanmar is a gold mine, any way you look at it there's no flight to, or hotel in, Myanmar that isn't booked by business people looking at opportunities there to get involved in tourism, banking, telecommunications, and construction. Myanmar provides huge opportunity now, Burma has been a great trading hub many decades ago and it is ready to play the same role again. This time this will be bigger role more than trading it may have good manufacturing base in times to come as availability of labour at a reasonable cost is there. Burma also provides very friendly atmosphere to conduct the production facility.

Delegations from American companies such as Chevron, Coca Cola, Procter & Gamble, Google, and General Electric have visited Rangoon in recent months, and investors are being courted through a slew of symposiums with hopeful presentations by government officials.

Foreign investors keen to participate in Burma's economic takeoff, therefore, may be in for a hard landing once certain realities on the ground sink in. Dismal infrastructure and logistics come with the territory of a country ranked second-poorest in Asia, worsted only by war-torn Afghanistan. Though cell phones and new cars are becoming less of a rarity, more fundamental obstacles remain: only a quarter of the population has access to electricity and many rural roads are in such disrepair that they become impassible during the long season of rain.

A half-century of military rule drove an economy that was once of Asia's most promising into severe dysfunction and stagnation. After a group of hardline generals grabbed power in a coup in 1962, they implemented "The Burmese Way to Socialism," an idiosyncratic version of Soviet-style central planning that nationalized industries and isolated the economy. The Army assumed control of all economic policymaking. The wisdom driving their decisions was nakedly displayed in 1987 when, without warning, the junta demonetized certain bank notes on the advice of an astrologer. Overnight, much of the population's personal savings, typically stores at home in cash, were wiped out. Because of corruption, profligate military spending, and anemic GDP, public finances became so drained that the junta regularly press-ganged millions of people to work on infrastructure projects without pay. By the time the junta reopened Burma's economy at the end of the 1980s, Western countries would soon impose sanctions because of human-rights abuses.

It is on the back of this bleak history that Burma has begun a drastic reform process. In early 2011, the ruling Army handed over power to a semi-civilian government, which subsequently released hundreds of prisoners of conscience, and ended the house arrest of the Nobel Prize-winning opposition leaders, Aung Sun Suu Kyi; it pursued ceasefires with autonomy-seeking ethnic-minority armies along the border regions; and it eased draconian restrictions on political association, civil society, and the press. It has also made diplomatic overtures to the U.S. and the United Nations, both of which it previously shunned, and this year the junta allowed Suu Kyi and members of her once-banned party to run in elections. These developments and the promise of more-prompted, western countries are to resume diplomatic relations with Burma and suspend most sanctions.

There are concerns about Burma's ability to live up to its new, lofty billing. "It's happening very suddenly. We don't have the capacity to handle all of these swift changes, says Maung Maung Lay, vice president of Burma's main chamber of commerce, which this year has hosted delegations from the U.S., Britain, Australia, France, and other Western countries. "Myanmar will be overwhelmed." He worries that the state of Burma's human resources will be laid bare: in increasing numbers since the 1980s, university graduates fled the country to escape dire job prospects and the junta's wrath. "We're late by 50 years," says Than Lwin, the vice president of Burma's largest bank, Kanbawza. What we need is technology, expertise, and infrastructure. In fact, we need everything. He says his bank is trying to catch up fast, by hiring an international IT firm to upgrade its logistics. He acknowledges, however, that large, cumbersome government institutions are less tractable. Case in point: even the Central Bank is directed and staffed mostly by former Army officials with little or no training in economics or finance.

Though it will necessarily be slow to shake off 50 years of economic inertia, the government has succeeded in softening the hard edges of Burma's image rather rapidly. President Thein Sein and his cabinet have put forth a humbler and more sensitive image than their predecessors, presenting themselves as willing to acknowledge past wrongs and accept input for plans for the future. This tactic has shown signs of success. Dozens of U.S. and European firms, confident of Burma's new stewardship, are ringing and trying to locate consultants for proper advice and to discuss partnerships.

Under the junta, two dozen or so families came to monopolize Burma's economy, receiving exclusive rights to lucrative projects-usually in resource extraction-in exchange for kickbacks and loyalty. According to Transparency International, only North Korea and Somalia are perceived as more corrupt than Burma. Today those who displayed less enthusiasm for intimate partnerships with the junta are keen to distinguish themselves.

Indeed, when the U.S. suspended sanctions in May, it kept them in place against the Army-owned conglomerates Myanmar Economic Corporation and the Union of Myanmar Economic Holdings Limited and a number of their crony tycoons. The U.S. wanted the benefits of economic engagement to"flow to a broad-based group of people and not just a very few," said Hillary Clinton during her visit to Burma last year-the first by an American secretary of state in more than 50 years.

Clinton's emphasis on democratizing Burma's economy wasn't just about reducing poverty. Analysts say political reform will remain stunted unless the economy improves – and equitably-which is why the influence of foreign investment in Burma is particularly important.

Suu Kyi has also expressed concerns that the anticipated influx of investment will flow into the wrong hands. Speaking at an economic forum in Bangkok in June, she cautioned investors against "reckless optimism" at this early stage of the reform. "Would be investors in Burma, please be warned. Even the best investment laws would be of no uses whatsoever if there are no courts that are clean enough and independent enough to be able to administer those laws justly." In particular, Suu Kyi has appealed to foreign firms not to partner with the state owned energy conglomerate Myanmar Oil and Gas Enterprise-which is fair game for international investment despite its track record of funneling money into the hands of the Army and its cronies – until its adopts a credible measure of transparency.

According to one foreign business consultant in Rangoon, concerns from international companies about Burma's human rights record are "collapsing very quickly. The issues now are procedural." But reports of state violence against Muslim Rohingyas suggest oppressive measures are still in force. According to Human Rights Watch, security forces perpetrated murder and rape against civilians from this ethnic minority group in June. Thein Sein has been firm in resisting international calls for the Rohingyas' rights to be respected; the solution, he said, was for the group to be resettled outside of Burma.

Burma has already shown the difference a year can make, an today change is predicted in even faster increments: "If you come back in six months," the banker Than Lwin syas, while overlooking Rangoon's skyline from his high-rise office that dwarfs its neighboring structures. "It will really have changed."

Burma has potential to provide very huge opportunity years to come, however it is now gradually coming to realize its potential. Today if visit Myanmar you will find scope of conducting business everywhere including constructions, hotels, transportation, building factories etc etc. but this cannot be achieved in one day there has to be planned strategy which should lead into good results. Hence Burma has the game of patience, long planning, however it provides great opportunity.

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