

# comment & analysis

“The appearance of virtue is an important source of a leader’s soft power, or the ability to get what one wants by attraction rather than coercion or payment.

JOSEPH NYE • 14

## LACK OF TRANSPARENCY, INFRASTRUCTURE AND SKILL SETS AMONG KEY CHALLENGES

# Weighing the risks and rewards of doing business in Myanmar

YAP KWONG WENG



Last week, Prime Minister Lee Hsien Loong became the first foreign head of government to visit Myanmar since a new civilian government led by the National League for Democracy came into power following a landmark electoral victory in November last year.

High on the agenda of Mr Lee’s visit were boosting economic ties, improving connectivity and making things easier for the business communities. Mr Lee laid the marker by describing Myanmar as “not only an old friend, but also an important partner” for Singapore.

A few announcements from the three-day trip stand out. First, Singapore is keen to sign bilateral economic agreements on investment and

avoidance of double taxation with Myanmar. Second, both sides are exploring the possible introduction of multi-city flights in Myanmar by Singapore Airlines or Silk Air.

Third, and most notably, both sides have agreed to allow visa-free travel for 30-day trips by their citizens, effective from December this year.

Mr Lee’s three-day trip has once again cast a spotlight on the potential of Myanmar as a market for Singapore companies. As Myanmar continues to open up its economy after years of isolation, it will present unique opportunities for those with first-mover advantage in areas such as construction, raw materials and technical expertise to make a windfall.

According to the Oxford Business Group, a research company that provides up-to-date information on sector performance, the construction industry would grow by over 8 per cent in 2016.

“Building good relations and appropriate investments in Myanmar’s initial stages of economic reforms will set a stronger stage for Singapore companies to excel in the longer run.

At the same time, there are high risks involved and companies will need to assess their capabilities in navigating an uncertain terrain. For one, doing business in this developing country is not for the faint-hearted. A lack of transparency, infrastructure and skill sets are the key challenges that affect companies operating in Myanmar. For instance, the country’s biggest port in Yangon has changed little since the end of British colonial rule nearly 70 years ago, even though the number of ships docking in Yangon has doubled in the past decade and the number of containers has jumped four-fold. The port is now struggling to clear a weeks-long jam of cargo ships. Foreign businesses operating in Yangon also have to contend with frequent power outages and unstable telecoms services, as well as a largely cash-based economy in which many transactions are still done in cash.

This is perhaps why most Singapore companies I speak to are cautious about doing business in Myanmar. Most prefer to wait, either for a complete political transition to take place before they have a clearer indication of the new government’s policies or until operating conditions on the ground improve. While Myanmar currently ranks 167th in the world for ease of doing business, its ranking is expected to improve quickly over time as more international companies enter the market.

PM Lee said that Singapore will continue to support Myanmar’s development by sharing its expertise where possible. An example is the Singapore-Myanmar Vocational Training Institute, which he launched in Yangon last week to help train skilled labour for key industries in Myanmar.

## BUILDING RELATIONS

Some companies, though, have larger risk appetites and have wasted no time in entering the Myanmar. They take a longer-term view and prefer to gain a foothold before their competitors come in. Like any other business, risk-taking can come with high returns.

Indeed, some Singapore companies have started to make their mark in Myanmar. For example, corporate gi-

ants such as Sembcorp, Keppel Land and Surbana Jurong have expanded their business units in Myanmar.

An ex-colleague from the Singapore Armed Forces, Gareth Wong, set up Surbana’s office from scratch in 2013. Today, it has 40 employees and is working on over 40 contracts across Myanmar with leading local conglomerates. Other examples include F&B firms such as coffee chain Ya Kun and restaurant group Les Amis, which opened outlets in Yangon in 2015 despite uncertain political situation at that time.

Another player is property developer Geollion, which recently obtained approval from Myanmar authorities to develop an island in the southern part of the country.

Founded and led by Mr Jack Lan, the company is now surveying tourism spots in the Mergui Archipelago, which consists of around 800 tiny islands, in the hope of landing an investment that could very well become an international tourism hotspot like Singapore’s Sentosa.

One advantage that Singapore companies have over other foreign firms is that they are generally well regarded by Myanmar companies and government agencies, who see Singapore firms as efficient and honest.

Building good relations and appropriate investments in Myanmar’s initial stages of economic reforms will set a stronger stage for Singapore companies to excel in the longer run.

This brings me to one of my favourite quotes — on the importance of building quality relationships — by the ancient Chinese strategist Zhuge Liang, who was known as a great statesman, engineer and military strategist in the Three Kingdoms period (AD 220-280).

“Opportunistic relationships can hardly be kept constant,” he said.

“The acquaintance of honourable people, even at a distance, does not add flowers in times of warmth and does not change its leaves in times of cold; it continues unfading through the four seasons, becoming increasingly stable as it passes through ease and danger.”

● Yap Kwong Weng is a Singaporean who has been based in Yangon since 2013. He is the founder of Leap Group, a boutique firm that deals with trading, distribution and construction in Myanmar. He was previously the Chief Operating Officer of Parami Energy Group, a leading oil and gas company and was Deputy General Manager of Jessen & Jessen in Myanmar. He is a Young Global Leader of the World Economic Forum. His latest book, Leap, is published by Marshall Cavendish.

**Prof Tim Boatwain**  
Chairman, TEG Board of Directors,  
former Pro-Vice Chancellor of  
University of Huddersfield,  
University of Bedfordshire

## Education is our business where students come first.

FACULTY OF POST-GRADUATE			
<b>MSc</b>	· MSc Engineering Management · MSc Project Management	<b>\$2000 Discount</b> for Singaporeans, PRs and Work-Pass Holders	START DATE: <b>26 Sep 2016</b> (Part-time) 18 months
FACULTY OF ENGINEERING			
<b>B Eng (Hons)</b>	· B Eng (Hons) Electronic and Electrical Engineering (Top-up) · B Eng (Hons) Mechanical Engineering (Top-up)	<b>\$2000 Discount</b> for Singaporeans, PRs and Work-Pass Holders	START DATE: <b>26 Sep 2016</b> (Part-time) 12 months
<b>Diploma</b>	· Pearson BTEC Level 5 HND Diploma in Electrical and Electronic Engineering	<b>\$2000 Discount</b> for Singaporeans, PRs and Work-Pass Holders <i>SDF Funding available</i>	START DATE: <b>25 July 2016</b> (Part-time) 22 months
FACULTY OF BUSINESS			
<b>BA (Hons)</b>	· BA (Hons) Accounting and Finance · BA (Hons) International Tourism and Hospitality Management	<b>\$2000 Discount</b> for Singaporeans, PRs and Work-Pass Holders	START DATE: <b>19 Sept 2016</b> (Full-time) 40 months
<b>Diploma</b>	Pearson BTEC Level 5 HND Diploma in · Business* · Business (Accounting) · Business (Human Resource Management) · Business (Management)* · Business (Marketing)*	<b>\$2000 Discount</b> for Singaporeans, PRs and Work-Pass Holders <i>SDF Funding available*</i>	START DATE: <b>27 June 2016</b> (Part-time) 22 months

Terms and Conditions apply

CPE Reg: UEN. 199402122M  
11-10-2015 to 10-10-2019

Call **+65 6334 0004**  
www.teg.edu.sg  
enquiries@teg.edu.sg  
37/39 Middle Road #01-00, S (188946)

25 YEARS

Cert No.: EDU-3-3095  
Validity: 18/07/2015 - 17/07/2016