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The Study of Exploring Myanmar's Current International Business Potential for FDI

[1]Mr. Min Kay Zin Tun, [2]Dr. Vijit Supinit (dean)

[1]MBA-Student, [1,2]Siam University, Bangkok, Thailand

Abstract: **Myanmar stands at a pivotal juncture amidst a slew of social, political and economic reforms Myanmar is rich in natural resources, arable land, forestry, and minerals, as well as freshwater and marine resources, gems and jade. Growth is expected to accelerate to an expected 7.3% per year over the next 5 years, which will be driven mainly by foreign investment in large projects, particularly in heavy industries such as oil and gas, power and infrastructure. This qualitative research focuses on Myanmar Investment and impact on economic growth of Myanmar. research explores Myanmar's new beginning after a long period of economic stagnation and attention is paid to economic development interested investors are heartened to note that great strides have been made on the economic front. In this research the researcher used secondary method to collect the data. The data is gotten from articles, journals and online resources. The theory section looks at different concepts of quality as defined and viewed by various author. This research aims to explore the soundness of the economy and future investment opportunities, it'll also look into the long term implications of conducting business in Myanmar for first mover advantage and FDI and Socio Economic development. The research findings Myanmar have lot of opportunities for foreign direct investment as we know that they have some political issue but now it's better. This time elicitation changes the Myanmar situation. They have lot of opportunities now and also describe the future investment plan for Myanmar.**

Keywords: **International Business Potential, FDI, economic outlook, future investments.**

I. INTRODUCTION

British rule brought several enduring social, economic, cultural and administrative changes that completely transformed the once-agrarian society. Most importantly, the British rule highlighted out-group differences among the country's myriad ethnic groups. Since independence in 1948, the country has been in one of the longest running civil wars that remain unresolved. The country was under military rule under various guises from 1962 to 2010, and in the process has become one of the least developed nations in the world.

1.1 Economy of Myanmar:

The economy of Myanmar is an emerging economy with an estimated nominal GDP of $59.43 billion and a purchasing power adjusted GDP of $111.1 billion Real growth rate is estimated at 5.5% for the 2011 fiscal year.

1.2 Economy History:

Post-independence (1948 - 1987):

After a parliamentary government was formed in 1948, Prime Minister U Nu embarked upon a policy of nationalization. He attempted to make Burma a welfare state by adopting central planning measures. The government also tried to implement a poorly thought out Eight-Year plan. By the 1950s, rice exports had fallen by two thirds and mineral exports by over 96%. Plans were partly financed by printing money, which led to inflation. The 1962 coup d'état was followed by an economic scheme called the Burmese Way to Socialism, a plan to nationalize all industries. The catastrophic program turned Burma into one of the world's most impoverished countries.

The 1962 coup d'état was followed by an economic scheme called the Burmese Way to Socialism, a plan to nationalize all industries, with the exception of agriculture. The catastrophic program turned Burma into one of the world's most impoverished countries. Burma's admittance to least developed country status by the United Nations in 1987 highlighted its economic bankruptcy.

Military rule (1988 - 2011):

After 1988, the regime retreated from totalitarian socialism. It permitted modest expansion of the private sector, allowed some foreign investment, and received much needed foreign exchange. The economy is rated in 2009 as the least free in Asia (tied with North Korea).All fundamental market institutions are suppressed. Private enterprises are often co-owned or indirectly owned by state. The corruption watchdog organization Transparency International in its 2007 Corruption Perceptions Index released on 26 September 2007 ranked Burma the most corrupt country in the world, tied with Somalia.

The national currency is the kyat. Burma currently has a dual exchange rate system similar to Cuba. The market rate was around two hundred times below the government-set rate in 2006 to 2011; the Burmese government enlisted the aid of International Monetary Fund to evaluate options to reform the current exchange rate system, to stabilize the domestic foreign exchange trading market and creates economic distortions. The dual exchange rate system allows for the government and state-owned enterprises to divert funds and revenues, but also gives the government more control over the local economy and temporarily subdues inflation.

Inflation averaged 30.1% between 2005 and 2007. Inflation is a serious problem for the economy. In April 2007, the National League for Democracy organized a two-day workshop on the economy. The workshop concluded that skyrocketing inflation was impeding economic growth. "Basic commodity prices have increased from 30% to 60% since the military regime promoted a salary increase for government workers in April 2006," said Soe Win, the moderator of the workshop. "Inflation is also correlated with corruption." Myint Thein, an NLD spokesperson, added: "Inflation is the critical source of the current economic crisis.

In recent years, both China and India have attempted to strengthen ties with the government for economic benefit. Many nations, including the United States and Canada, and the European Union, have imposed investment and trade sanctions on Burma. The United States banned all imports from Burma, though this restriction was since lifted foreign investment comes primarily from People's Republic of China, Singapore, South Korea, India, and Thailand.

Economic liberalization (2011-present):

In 2011, when new President Thein Sein's government came to power, Burma embarked on a major policy of reforms including anti-corruption, currency exchange rate, foreign investment laws and taxation. Foreign investments increased from US$300 million in 2009-10 to a US$20 billion in 2010-11 by about 66.7%. [24] Large inflow of capital results in stronger Burmese currency, kyat by about 25%. In response, the government relaxed import restrictions and abolished export taxes. Despite current currency problems, Burmese economy is expected to grow by about 8.8% in 2011. [After the completion of 58-billion dollar Dawei deep seaport, Burma is expected be at the hub of trade connecting Southeast Asia and the South China Sea, via the Andaman Sea, to the Indian Ocean receiving goods from countries in the Middle East, Europe and Africa, and spurring growth in the ASEAN region.

In 2012, the Asian Development Bank formally began re-engaging with the country, to finance infrastructure and development projects in the country. The $512 million loan is the first issued by the ADB to Myanmar in 30 years and will target banking services, ultimately leading to other major investments in road, energy, irrigation and education projects.

In March 2012, a draft foreign investment law emerged, the first in more than 2 decades. This law oversees unprecedented liberalization of the economy. It for example stipulates that foreigners no longer require a local partner to start a business in the country, and are able to legally lease land. The draft law also stipulates that Burmese citizens must constitute least 25% of the firm's skilled workforce, and with subsequent training, up to 50-75%.

Myanmar's inward foreign direct investment has steadily increased since its reform. The country approved US$4.4 billion worth of investment projects between January and November 2014. [32]

1.3 Foreign investment:

Though foreign investment has been encouraged, it has so far met with only moderate success. This is because foreign investors have been adversely affected by the junta government policies and because of international pressure to boycott the junta government. The United States has placed trade sanctions on Burma. The European Union has placed embargoes on arms, non-humanitarian aid, visa bans on military regime leaders, and limited investment bans. Both the European Union and the US have placed sanctions on grounds of human rights violations in the country. Many nations in Asia, particularly India, Thailand and China have actively traded with Burma. However, on 22 April the EU suspended economic and political sanctions against Burma.

The public sector enterprises remain highly inefficient and also privatization efforts have stalled. The estimates of Burmese foreign trade are highly ambiguous because of the great volume of black market trading. A major ongoing problem is the failure to achieve monetary and fiscal stability. Due to this, Burma remains a poor country with no improvement of living standards for the majority of the population over the past decade. The main causes for continued sluggish growth are poor government planning, internal unrest, minimal foreign investment and the large trade deficit. One of the recent government initiatives is to utilize Burma's large natural gas deposits. Currently, Burma has attracted investment from Thai, Malaysian, Filipino, Russian, Australian, Indian, and Singaporean companies Trade with the US amounted to $243.56 million as of February 2013, accounting for 15 projects and just 0.58 per cent of the total, according to government statistics.

The Economist special report on Burma points to increased economic activity resulting from Burma's political transformation and influx of foreign direct investment from Asian neighbors. Near the Mingaladon Industrial Park, for example, Japanese-owned factories have risen from the "debris" caused by "decades of sanctions and economic mismanagement. Japanese Prime Minister Shinzo Abe has identified Burma as economically attractive market that will help stimulate the Japanese economy. Among its various enterprises, Japan is helping build the Thilawa Port, which is part of the Thilawa Special Economic Zone, and helping fix the electricity supply in Yangon.

Japan isn’t the largest investor in Myanmar. "Thailand, for instance, the second biggest investor in Myanmar after China, is forging ahead with a bigger version of Thilawa at Dawei, on Myanmar’s Tenasserim Coast. Thai rulers have for centuries been toying with the idea of building a canal across the Kra Isthmus, linking the Thailand directly to the Andaman Sea and the Indian Ocean to avoid the journey round peninsular Malaysia through the Strait of Malacca."

Dawei would give Thailand that connection. China, by far the biggest investor in Burma, has focused on constructing oil and gas pipelines that "crisscross the country, starting from a new terminus at Kyaukphyu, just below Sittwe, up to Mandalay and on to the Chinese border town of Ruili and then Kunming, the capital of Yunnan province. This would prevent China from "having to funnel oil from Africa and the Middle East through the bottleneck around Singapore.

1.4 Foreign aid:

The level of international aid to Burma ranks amongst the lowest in the world (and the lowest in the Southeast Asian region) - Burma receives the $4 per capita in development assistance, as compared to the average of $42.30 per capita.

Exchange rates: kyats per US dollar - 1,205 (2008 est.), 1,296 (2007), 1,280 (2006), 5.82 (2005), 5.7459 (2004), 6.0764 (2003) note: unofficial exchange rates ranged in 2004 from 815 kyat/US dollar to nearly 970 kyat/US dollar, and by year end 2005, the unofficial exchange rate was 1,075 kyat/US dollar; data shown for 2003-05 are official exchange rates.

Foreign Direct Investment In the first nine months of 2012-2013, Myanmar has received investment of USD 794 million. China has biggest of investment commitments for this fiscal.

Foreign Trade Total foreign trade for 2012 was recorded to USD 13.3 billion. It was 27% of Myanmar's GDP.

Key initiatives include banking reforms which allow foreign banks to enter the market (be it with certain restriction); drafting the new Myanmar Companies Act, which will modernize company structures (in particular foreign shareholdings in Myanmar companies); the new Myanmar Investment Law, which will merge the current Foreign Investment Law with the Myanmar Citizens Investment Law (to create a much more transparent investment environment and allow for a significant improvement in the investment incentives regime); and the planned opening of a national stock exchange in November 2015 (with the expectation of listing 5–10 qualifying companies). Taken in totality, these initiatives represent significantly improvements in the investment proposition for international investors since the re-opening of the economy in 2011 and compliment other investment infrastructure initiatives such as the Thilawa, Dawei and Kyaukphyu special economic zones.

On a balanced note, substantial challenges remain. The country needs immediate investments in infrastructure in order to facilitate business investments. This will in turn create jobs for its people. In particular, power and commercial real estate are in critical short supply. Banking reform, slated in 2015, has quickened as both local businesses and foreign investors are hampered by the lack of local credit to finance their growth. Finally, besides the hard infrastructure, the country needs to invest in the soft infrastructure of human capital development and building of civil service competencies and institutions Myanmar stands at a crossroad and is still feeling the effects of social, political and economic reforms. Since the era of civilian rule which began in 2011, the government has launched a series of reforms, focusing on both on the political system as well as economic and social issues. The results are highly promising, with a general improvement in most economic and some social indicators. Myanmar's well-known advantages - its huge growth potential as the last frontier economy in Asia, a youthful workforce, and ample natural resources - hold promise for the country to become one of the region's major successes in time to come.

The economy is expected to grow by about 6.4% a year in the fiscal year ending 31 March 2015 (FY14). The economy continues to perform well: tourist arrivals were up by nearly 50% in 2014, foreign investment is poised to more than double in FY14 (compared with the previous FY) and two-way merchandise trade was up by more than 30% year on year in January-August 2014.

1.5 Economic Prospects:

Myanmar Growth is expected to accelerate to an expected 7.3% per year over the next 5 years, which will be driven mainly by foreign investment in large projects, particularly in heavy industries such as oil and gas, power and infrastructure. Despite the significant fall in global energy prices, recent oil and gas deals suggest that the medium term prospects of Myanmar's upstream oil and gas sector remain positive. The rapid growth of the telecommunications sector, with mobile network coverage of the population expected to grow from the current level of 12% to 70% by 2017, will also boost investment. In addition, the construction sector will also contribute significantly to growth as more infrastructure projects continue to be undertaken. The progress of regulatory and legal reforms will attract further foreign investment. The establishment of Yangon Stock Exchange, scheduled to be opened by the end of 2015, will facilitate and improve access to capital markets. Business confidence remains high which is evidenced by the significant inflow of foreign investment (close to US$7 billion in FY14, compared to US$4 billion in FY133). Economic reform is expected to continue in concert with political liberalization. However, there remain risks and uncertainties in the pathway of reform. The 8 November 2015 general election and the constitutional reforms will be closely watched by foreign investors. Negotiating lasting peace agreements with ethnic groups, the handling of the Bengali immigrants and managing racial and religious tensions will also be key issues. Political-event risk remains high – in particular, if the 2015 election does not result in a clear winner, investors may stay on the side-lines.

Clearly, continuing economic and political reforms will be necessary to draw and retain long-term Western investments. Infrastructure inadequacies also appear to be the main bottleneck in economic development. Shortage of quality commercial and residential properties, instability in power and telecommunication, and underdeveloped transportation networks are the frequent grouses by businessmen.

During the previous military administration, a significant number of technicians, intelligentsia and businessmen moved overseas. In recent years, we have seen the return of overseas Myanmar diaspora to participate in the country's transformation. The public has also demanded additional government spending on the education sector. Assuming Myanmar maintains a high labor productivity growth, improves its use of capital, innovates, and gains operational efficiency through increased competition, many believe its economy could quadruple in size by 2030.

1.6 Growth Scenario:

Macroeconomic Management and Stability Balancing economic growth and macroeconomic stability is a major challenge. Traditionally, discussions in this area have focused on three policy areas: fiscal, monetary, and exchange rate. Policies to improve the stability and resilience of the financial system could be added as a fourth in light of the recent global financial crisis and a 2003 financial crisis in Myanmar, as well as its past development experience. Changes in the past few years have radically altered the economic policy environment and the following sections look at ways to address the new challenges in these four policy areas.

1.7 Regulatory environment:

Surrounding foreign investment following the introduction of the Myanmar Foreign Investment Law (MFIL) in November 2012 which improved the regulatory environment for foreign investors across various sectors, a new draft of the Myanmar Investment Law (MIL) is being developed, for which public feedback is being elicited7. The draft MIL, if enacted, will consolidate and replace the MFIL enacted in 2012 and the Myanmar Citizens Investment Law enacted in

2013. This new draft law demonstrates the government's commitment in supporting direct investments. The existing century - old Companies Act 1914 is also undergoing a reform. The new Myanmar Companies Act will be a critical foundation to facilitate the economic reform initiatives in the banking and financial sector, including the establishment of Yangon Stock Exchange and providing support to small and medium enterprises8 . The Special Economic Zone Law (SEZ Law) enacted in 2014 allows investors to obtain the required investment licenses, permits and approvals from the management committee of the respective SEZs instead of other government ministries. The 2015 Myanmar Union Tax Law (an update of the 2014 Union Tax Law), has just been enacted which put forth a series of changes in commercial tax regulations and reduction in the non-residential tax rate. The Competition Law was enacted on 24 February 2015 and currently awaiting detailed implementation rules. The law introduces a basic framework to regulate competition, monopolies, mergers and acquisition and unfair trade practices. The introduction of Permanent Residence rules in November 2014 allowed foreign experts and former Myanmar nationals to extend their stay in the country and contribute to the economy.

1.8 Objective and Scope of the Research:

The main objective of this research is to exploring Myanmar current international business potential for FDI.

- examine the current situation of FDI in Myanmar and its future trend
- examine country specific advantages of Myanmar to attract FDI from aboard
- analysis FDI relationship with Myanmar and ASEAN countries
- suggest the opportunities to attract FDI into Myanmar in future

Major foreign investors in Myanmar In 2014, the main foreign investors in Myanmar remained. China (87 companies with investments of US$14.49 billion) and Thailand (83 companies with US$10.26 billion in investments), followed by Singapore and Hong Kong (this includes Hong Kong incorporated companies with businesses primarily in China) and the UK (including British Virgin Island and Bermuda Island). Recent trends show that other investors such as South Korea, Malaysia and Vietnam have also invested significantly. Japan has a large signature locally, with high profile government visits and active participation of aid agencies led by JICA.

II. LITERATURE REVIEW

Economic growth globally has been the most effective remedy for poverty and the evidence generally supports this effect (Ahluwalia, Carter, and Chenery 1979; Fields 1980; Deininger and Squire 1998; Ravallion 1994; Roemer and Gugerty 1997; and Dollar, Kleineberg and Kraay 2013). Cross-country analysis also suggests that countries without significant growth have been unable to achieve significant poverty reduction. But the extent to which growth contributes to poverty reduction depends on a country's specific circumstances and policies. Growth alone is often found insufficient for effective poverty reduction. That said, Myanmar's growth is uncertain and will depend on the speed of technical progress, changes in country-specific structural conditions, and, more importantly, on the implementation of economic reforms and policies. Several recent studies have proposed various potential growth paths. The Asian Development Bank (ADB 2012a) suggests that Myanmar could grow 7%–8% every year and achieve real per capita GDP ranging from $2,000 to $3,000 by 2030 (ADB 2012a). The McKinsey Global Institute (2013) argues that the country has the potential to achieve growth of 8% a year by tapping key sectors, particularly agriculture, energy and mining, financial services, infrastructure, manufacturing, telecommunications, and tourism. This would push GDP up to over $200 billion, with per capita GDP at $5,100 in purchasing power parity by 2030. Table 1.2 presents three growth scenarios (low, medium, and high).

3. METHODOLOGY

Methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. Methodology is essential in gathering relevant information thereby giving effective and reliable representation.

The methodology of this research is broken down into the following framework -

• Research design

• Data collection

3.1 Research Design:

A detailed outline of how an investigation will take place. A research design will typically include how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing data collected.

A research design is the document of the study. The design of a study defines the study type (descriptive, correlational, semi-experimental, experimental, review, meta-analytic) and sub-type (e.g., descriptive-longitudinal case study), research question, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. Research design is the framework that has been created to seek answers to research questions.

Burns and Grove (2003:195) define a research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings”. Parahoo (1997:142) describes a research design as “a plan that describes how, when and where data are to be collected and analyses”. Polit et al (2001:167) define a research design as “the researcher’s overall for answering the research question or testing the research hypothesis”.

This study focuses on the relationship between service quality and customer satisfaction in ambassador hotel Bangkok. The research approach for the research study is “Descriptive Research”. Descriptive research is a study designed to depict the participants in an accurate way. More simply put, descriptive research is all about describing people who take part in the study.

Descriptive studies can contain the elements of both, qualitative and quantitative methods within a single research. In descriptive studies data collection is facilitated without changing the environment.

An important distinctive trait of descriptive research compared to alternative types of studies relates to the fact that while descriptive research can employ a number of variables, only one variable is required to conduct a descriptive study. Three main purposes of descriptive studies can be explained as describing, explaining and validating research findings.

There are three basic types of Descriptive research. These are -

1. Observational Method
2. Case Study Method
3. Survey Method

Observation:

Observation, as the name implies, is a way of collecting data through observing. Observation can be structured or unstructured. In structured or systematic observation data collection is conducted using specific variables and according to a pre-defined schedule. Unstructured observation, on the other hand, is conducted in an open and free manner in a sense that there would be no pre-determined variables or objectives. Advantages of observation primary data collection method include direct access to research phenomena, high levels of flexibility in terms of application and generating a permanent record of phenomena to be referred to later if a need arises.

Case Studies:

Case studies are a popular research method in business area. Case studies aim to analyze specific issues within the boundaries of a specific environment, situation or organization. According to its design, case study research method can be divided into three categories: explanatory, descriptive and exploratory.

1. Explanatory case studies aim to answer ‘how’ or ’why’ questions with little control on behalf of researcher over occurrence of events. This type of case studies focus on phenomena within the contexts of real-life situations. Example: “An investigation into the reasons of the global financial and economic crisis of 2008 – 2010”.

2. Descriptive case studies aim to analyze the sequence of interpersonal events after a certain amount of time has passed. Case studies belonging to this category usually describe culture or sub-culture, and they attempt to discover the key phenomena. Example: “Impact of increasing levels of multiculturalism on marketing practices: A case study of McDonald’s Indonesia”.

3. Exploratory case studies aim to find answers to the questions of ‘what’ or ‘who’. Exploratory case study data collection method is often accompanied by additional data collection method(s) such as interviews, questionnaires,

experiments etc. Example: “A study into differences of leadership practices between private and public sector organizations in Atlanta, USA”.

Advantages of case study method include data collection and analysis within the context of phenomenon, integration of qualitative and quantitative data in data analysis, and the ability to capture complexities of real-life situations so that the phenomenon can be studied in greater levels of depth.

Survey Method:

The essence of survey method can be explained as “questioning individuals on a topic or topics and then describing their responses” (Jackson, 2011, p.17).

In business studies survey method of primary data collection is used in order to test concepts, reflect attitude of people, establish the level of customer satisfaction, and conduct segmentation research and a set of other purposes.

Survey method pursues two main purposes:

1. Describing certain aspects or characteristics of population and/or
2. Testing hypotheses about nature of relationships within a population.

Survey method can be broadly divided into three categories: mail survey, telephone survey and personal interview. The descriptions of each of these methods are briefly explained on the following table as proposed by Jackson (2011). Alternatively, According to Neuman (2005) from the viewpoint of practicality the most popular variations of surveys include questionnaires, interviews and documentation review. The main advantages and disadvantages associated with these primary data collection methods are explained by Denscombe (2004) in the following manner:

Mainly, the researcher was chosen this technique for two reasons because it is least reliable design but normally the cheapest and easiest to conduct.

In survey method research, participants answer questions administered through interviews or questionnaires. After participants answer the questions, researchers describe the responses given. In order for the survey to be both reliable and valid it is important that the questions are constructed properly. Questions should be written so they are clear and easy to comprehend.

Another consideration when designing questions is whether to include open-ended, closed-ended, partially open-ended, or rating-scale questions (for a detailed discussion refers to Jackson, 2009). Advantages and disadvantages can be found with each type:

It also provides the need to explain the causal relationship between service quality and customer satisfaction in the hotel industry and also required the collection of quantitative data as well. This involves testing the theories that already exists and these tests will be carried out through questionnaires.

3.2 Data Collection:

3.2.1 Secondary Data:

Secondary data is information collected by others for purposes, which can be different than those of the researcher. It is a synthesis of published and unpublished documents related to the research and it is of highly importance, as it comprises the logical framework of the research (Sekaran, 2003, Fink, 1995).

For the purpose of this study, the collected secondary data included: textbooks, academic articles and journals related to the service quality and customer satisfaction. This type of data collection was mainly used for the literature review since it was unable to meet the research objectives.

4. FINDINGS

- FDI can contribute to technology transfer and skills development
- FDI can contribute to the economic development in Myanmar but it’s not an easy road.
- FDI and Socio Economic development Key factors
- Open economies generate development and growth

- Country Development and growth attract FDI
- Liberalization improves efficiency
- The National regulatory framework ensures stability
- National development strategies and plans must integrate to FDI policies
- A proper balance between the investor and the benefits of the host country
- Assessment of natural resources
- The success of an investment promotion

The strategy depends on:

- A country's image and proven commitment to CRS
- Policy coherence and consistency
- Coordination and cooperation among all stakeholders
- Quality and efficiency is more important than size of firm

In Myanmar, reforms since 2011 have covered wide-ranging economic governance areas, building legal foundations for a market-based economy, and addressing gaps in legal and regulatory frameworks. Further reform should focus on strengthening procedures for enforcing rights and resolving disputes by providing the necessary resources and institutions. Here, two areas require particular attention: land and labor markets.

5. CONCLUSION AND RECOMMENDATIONS

The results of this analysis highlight the economic opportunities and policy challenges that Myanmar is likely to face in trying to achieve sustainable growth. They can also assist in the prioritization and targeting of policies that can facilitate the country's growth and the transition to a more diverse market economy that delivers higher living standards.

Myanmar's dramatic reopening and rapid reforms have attracted wide attention and led to several major strategic assessments in the economy from international groups over the past few years. The first was ADB's special country report Myanmar in Transition: Opportunities and Challenges (ADB 2012a). It suggests three guiding principles for future growth: inclusiveness, regional connectivity, and environmental sustainability. The report draws attention to how essential it will be for the prioritization and proper sequencing of policies for the country to successfully leverage its rich endowments—its natural resources, labor force, and geographic advantage—and address constraints to raising living standards and economic opportunities, joining local and regional economies, and pursuing environmentally sustainable development.

Myanmar's development experience has shown the potential of its agriculture sector, with its rapid response to market and price reforms. Promoting agricultural growth could immediately contribute to a substantial acceleration of income growth, exports, and poverty reduction. Because the majority of the population is employed in the sector, this should also help alleviate rural poverty, especially among the ethnic minorities. Agricultural and rural development should therefore be a strategic, short-term priority. Over the medium and long terms, the development of a competitive, export-oriented agro-industry, assisted by opening opportunities for FDI and entry to global agricultural value chains, could help provide sustained economic growth.

Yet, as in other areas, agricultural productivity trails far behind Myanmar's neighbors, causing high indebtedness among farmers, and malnutrition and low levels of education in rural areas. Multiple factors have held back agricultural development, including low investment, outdated technology, unpredictable government policies, poor water control and management, inefficient and unbalanced land distribution, high transportation costs, weak rural financial institutions, and exports of low-value unprocessed products alongside a lack of diversification in export markets.

A large inflow of foreign exchange associated with a surge in FDI drawn to the rich natural resources, if not managed properly, presents two important challenges to the country's development process: the risk of Dutch disease and environmental degradation. Dutch disease is generally associated with a discovery or rapid price increase of natural resources. A fast-paced development of the sector accompanied by large inflows of foreign capital could lead to an appreciation of the real exchange rate that weakens the competitiveness of other export sectors. Such an effect could lead to a shift in capital and labor to the natural resource sector and away from other economically important sectors such as manufacturing. The development of an export-oriented manufacturing sector will be important for creating an opportunity for “learning by doing” and technology transfer, thereby enhancing long-term growth potential. It will also be important to intervene in foreign exchange markets at times to prudently manage the influx of foreign capital, prevent export competitiveness from eroding sharply, and prevent the buildup of reserves from leading to inflation. To help manage the wealth generated from resource extraction, and cushion income variations arising from fluctuations in commodity prices, setting up a central bank account or a national wealth fund based on resource earnings could be an option. Other resource-rich countries have found such funds useful for managing new wealth prudently for future growth and development.

Because the development of Myanmar’s natural resources is in its early stages, there is plenty of scope for fostering the sustainable and responsible use of these riches. This should include the efficient use of resources, environmentally responsible and sustainable consumption and production, and climate-resilient development. There is now an urgent need to develop environmental regulations on natural habitat conservation, pollution, waste treatment, and remediation, and to strengthen enforcement capacity. Without a proper regulatory framework, safeguard processes at the project level remain the only effective tool available for mitigating the potential environmentally destructive effects of such projects.6 This means establishing appropriate regulations to ensure exploration and exploitation of natural resources are environmentally and socially sustainable, while providing time to build domestic capacity for value-added production in these industries.

5.1 Recommendation Considerations for FDI in agricultural sector:

- Agricultural efficiency
- Access to technologies and rural employment
- Food security
- The right to land access
- Sustainable land use
- Environmental issues
- Water use
- Value added products for food industries
- Rural infrastructure, especially for transportation and logistics purpose

Recommendations for FDI policy:

- Development priorities
- Labor intensive areas
- Infrastructure, agriculture, electricity, telecommunications, transport, logistics, health, other services
- Systematic rule of law
- Reduction of red tape
- Allowance of 100% FDI ensuring country’s benefit
- Integrate FDI strategies to the development plan
- Diversification FDI
- Export oriented FDI
- Create better overseas market access.