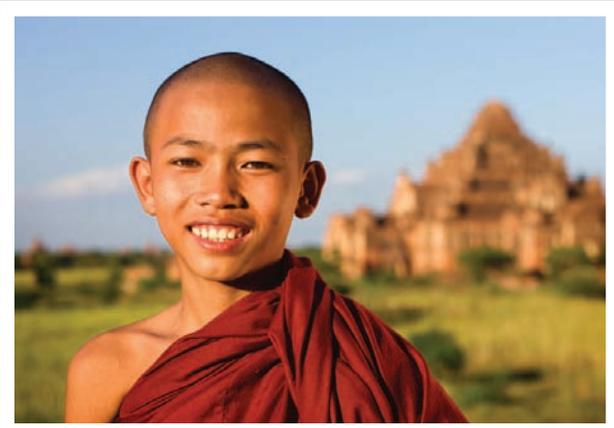


Business and Investment Opportunities in the “NEW” MYANMAR

EXECUTIVE SUMMARY



Prepared by: **KWR International, Inc.**

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Myanmar possesses vast resource wealth in the form of natural gas and oil reserves, precious gemstones and metallic minerals, and has substantial fertile land for agriculture.

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Myanmar is undergoing significant transformations to its politics and economy and appears to be making the reforms necessary to open-up the country to the world. President Thein Sein’s rise to the presidency may have been marked with some controversy due to complaints about the legitimacy of the election; however, his actions as President deserve the international acclaim he has been awarded. Myanmar remains an enigma. Its natural resource wealth and large population, combined with recent overtures towards inclusiveness with the international community offer incomparable promise, but the amount of progress it must sustain to truly develop remains large.

Myanmar is undergoing significant transformations to its politics and economy

Myanmar’s underdevelopment can be traced to its isolation from much of the world, rather than its lack of potential. Myanmar possesses vast resource wealth in the form of natural gas and oil reserves, precious gemstones and metallic minerals, and has substantial fertile land for agriculture. Its preservation of temples, pagodas, and colonial buildings combined with its natural beauty heightens its attractiveness as a tourist destination and adds value to its real estate market. Myanmar’s geographic location is ideal for commerce with China, India and other parts of Southeast Asia with coastal access providing an opportunity to become a central shipping country and a major actor in international and regional trade. Its population size also provides it with the labor force necessary to develop a proficient manufacturing sector and constitutes a sizeable consumer market.

Myanmar’s underdevelopment can be traced to isolation, rather than potential

Myanmar’s development has been constrained primarily by two factors—its political system and international sanctions. Since his inauguration, President Thein Sein has rapidly led Myanmar toward greater

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inclusiveness, increased transparency, and improved domestic institutions. President Thein Sein's administration has passed the reforms frequently demanded by Myanmar citizens and the international community. He has attempted to quell internal conflict by releasing political prisoners, agreeing to cease-fires with ethnic rebel groups, and opening up the democratic process. President Thein Sein demonstrated his commitment to an inclusive democratic process by encouraging Aung San Suu Kyi to run for a seat in parliament. His administration has taken steps to transform Myanmar's economy by reducing restrictive regulations on foreign investment, introducing a managed float of its currency, and increasing labor rights for domestic workers. Myanmar has signaled to international investors that the country wants to become more business friendly and now welcomes investments that may advance its economy.

Myanmar moving toward inclusiveness, transparency, and improved institutions

Despite the progress achieved through Myanmar's domestic reforms, there is still much to be accomplished. Cease-fires have yet to sustain peace within its borders—particularly in the Kachin State. Significant improvements must be made to Myanmar's physical infrastructure and domestic sectors like education, healthcare, and technology to foster sustainable development. Additionally, Myanmar's institutional capacity must grow to ensure that reforms can be implemented effectively and "Myanmar burn-out" avoided. There is also some concern that reform may be happening too quickly, and disagreements might form between liberal reformers and hard-liners that could reverse Myanmar's progress. Similarly rapid change will require significant changes to legal and regulatory standards as well as domestic business practices. Accurate, up-to-date information is also difficult to access. As a result, local companies will need to develop new strategies and otherwise improve their productivity to meet the challenges of international competition.

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At the same time large multinationals such as General Electric are already announcing plans to begin selling their products in Myanmar.

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Despite Myanmar’s domestic reforms, there is still much to be accomplished

If Myanmar continues on its current path and if it can improve on areas in need of additional focus, there is a strong likelihood that its isolation – both self-imposed and through the result of sanctions – may end. The U.S., European Union, and Japan have all indicated they are willing to reconsider their relations with Myanmar if its progress continues and these and other governments are already taking steps in that direction. Increased access to aid and trade could provide Myanmar with the ability to realize its potential and develop into the next emerging market in Asia. These countries will be closely watching the by-elections on April 1st and the subsequent reaction to the results as a test to determine the ruling party’s commitment to an open and inclusive democracy. At the same time large multinationals such as General Electric are already announcing plans to begin selling their products in Myanmar.

U.S., EU, and Japan reconsidering relations with Myanmar as progress continues

There are a number of regional catalysts in place that will help to ensure that Myanmar maintains its path toward further openness and reform. Myanmar is scheduled to host the 2013 SEA Games and is committed to making the event a success. The games provide an impetus to improve its physical infrastructure and reduce conflict within its borders. In 2014, Myanmar will host the ASEAN Summit. ASEAN Secretary-General Surin Pitsuwan believes the country is ready for the chairmanship and hosting the ASEAN Summit ensures that political progress continues. Finally, Myanmar’s political and economic progress will increase the possibility that ASEAN meets its 2015 deadline for the development of the ASEAN Economic Community. Myanmar’s role as Chair of the 2014 ASEAN Summit will both increase its engagement with other member countries and more fully align its national priorities and direction within the ASEAN Economic Commu-

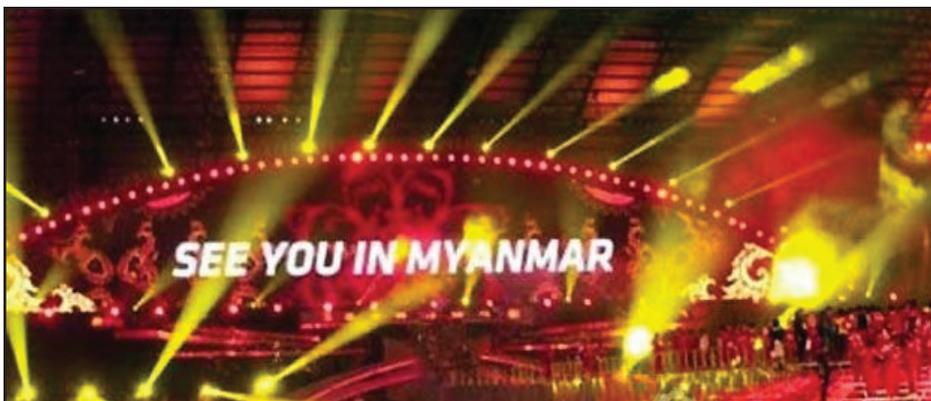
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nity timetable. The ASEAN Economic Community promises to augment Myanmar's trade relations and to provide greater information sharing between member-states. This will also help to develop its institutional capacity and to elevate the importance of Myanmar to U.S., Japanese, E.U. and other foreign investors who are seeking to expand their present in a rapidly growing and increasingly important Southeast Asia.

Regional catalysts help ensure Myanmar maintains path toward further openness

Given the transition to a "New" Myanmar will be an ongoing process, foreign companies and investors are advised to balance their enthusiasm over the many real opportunities that are emerging with a nuanced understanding of the changes now underway. By understanding these dynamics and gaining the right support, long-term relationships can be formed, and the most beneficial structures established to effectively navigate the many complex factors that will be part of any Myanmar-focused investment or business strategy.

Companies and investors advised to balance enthusiasm with nuanced understanding of changes now underway



Source: Bongdaplus

The 2013 SEA Games provide an impetus to improve its physical infrastructure and reduce conflict within its borders.

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