Burma struggles to attract foreign investment

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7 October 2013

Two years after the Burmese junta made a turn toward the West, investment from China has slumped and the fall has not been compensated by inflows from the US and Europe. The lack of investment and jobs is leading to rising social tensions. Unemployment and poverty remain widespread.

The military-backed government's decision to suspend the Chinese-financed Myitsone Dam on the Irrawaddy River in September 2011 sent a message to the US that Burma (Myanmar) would distance itself from Beijing. Washington had been engaged in diplomatic moves to undercut Chinese influence, culminating in a visit by US Secretary of State Hilary Clinton in December 2011.

To help thaw relations, Burmese President Thein Sein released some political prisoners and revised investment laws to encourage foreign investors. Pro-Western opposition leader Aung San Suu Kyi and her National League for Democracy (NLD) were allowed to stand in by-elections in April last year. European Union (EU) sanctions were lifted in April and most, but not all, US sanctions have gone.

Chinese investment fell dramatically in the fiscal year 2012-2013 to just $US407 million, as compared to $12 billion for the period 2008-2011, of which $7.5 billion was disbursed in 2011. Much of the investment was in three large projects: the $3.6 billion Myitsone hydroelectric dam, the $1 billion Letpadaung copper mine and the $2.5 billion Shwe oil and gas pipeline.

According to a September report by the Washington-based US think tank, the Stimson Centre, falling Chinese investment reflects Beijing's top priority to protect existing projects "from further damage caused by domestic politics and social unrest in Burma... For now, new large Chinese investment initiatives are generally suspended."

Burma's decision to suspend work on the Myitsone dam and the Letpadaung mine reflected local opposition to the environmental and social impact of these massive projects, and also concerns in Burmese ruling circles over the lack of overall benefits to the country. The huge capital inflows drove up the value of the currency, hitting other sectors of the economy and creating few jobs.

Only the Shwe oil and gas pipeline, which will run from Kunming in southern China to a port on Burma's west coast, is on track. For Beijing, the pipeline, which forms part of the China-Burma Transport Corridor, is a strategic issue. Not only will it transport gas from Burmese offshore fields, but Chinese exports of gas and oil from the Middle East and Africa, thus avoiding the US-dominated Malacca Strait.

According to an *Irrawaddy* article, a visit by China's Central Military commission deputy chairman General Fan Changlong to Burma in July to meet with President Thein Sein was likely related to concerns about work on the pipeline. Indian and South Korean investors, as well as Burmese and Chinese companies, are involved in the project.

The Burmese government's turn to the West for investment has to date produced little in the way of results. US State Department figures show that as of December 2012 the largest sources of approved investments in Burma were China, Thailand, Hong Kong and South Korea, with 34.15, 23.06, 15.36 and 7.17 percent of approvals respectively. The only EU country with significant investment was Britain, the former colonial power, with 6.75 percent.

While the US has forged closer diplomatic and military ties with Burma, trade and investment has lagged. Of the $43 billion actually invested in Burma since 1988, only $243 million originated in the US. American companies are still constrained by bans on deals with the Burmese military or their prominent business cronies. According to the Office of the US Trade Representative, US exports to Burma were just

$92.6 million in the first four months of 2013, and imports amounted to $3.6 million,

Total foreign direct investment (FDI) in Burma plunged from $20 billion in 2010-2011 to $4.6 billion in 2011-2012 and only $1.4 billion in the 2012-2013 fiscal year that ended in March. Up to August this year, FDI approvals totalled $1.8 billion, mainly due to plans for a $500 million Nissan car assembly plant.

Investment in manufacturing has had little impact on unemployment. According to government figures, since April actual jobs created by FDI have numbered 20,000, mostly in the garment sector.

The official jobless figures of 4-5 percent vastly underestimate the actual situation. A parliamentary planning and finance development committee report in January estimated the actual unemployment rate at 37 percent and said poverty affected more than a quarter of the country's 60 million people. Poverty rates were higher in rural areas where unemployment and underemployment were high. Some 70 percent of the population relies on agriculture.

Opposition leader Suu Kyi last year warned the World Economic Forum in Thailand that the country was sitting on an unemployment "time bomb" and pleaded for investment to create jobs. Government nervousness over the issue was highlighted last month when it reacted in a panicky fashion to a Thai plan to force 100,000 Burmese workers to return home after their work visas expired. Many of Thailand's legal and "illegal" foreign workers—estimated at about 3 million—are Burmese.

Suu Kyi and the NLD represent sections of the Burmese bourgeoisie that were sidelined by the dominance of the military and its business cronies over the most profitable areas of the economy. Since the shift in orientation to the West, she has functioned as an international ambassador for the military-backed regime, appealing for "responsible" and "equitable" investment. In reality, the pro-market restructuring will benefit a narrow layer of the corporate elite and upper middle class, at the expense of working people.

While the Burmese economy is expected to grow at 6.25 percent this year, it faces the same uncertainties as other export-oriented countries in Asia hit by the continuing slump in the US, Europe and Japan. The country's rising social tensions are already reflected in the whipping up of anti-Muslim violence by sections of the country's Buddhist monks, with the military's tacit support, in order to divide working people along sectarian lines.