

What Burma's general election means for British business

An end to US sanctions could bring rush of Western investment

By [Andrew Cave](#)

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Burma, the last major territory among the world's most populous 25 countries to emerge from an extended period of enforced isolation, goes to the polls on Sunday [in its first openly contested general election since 1990](#).

More than 90 parties are standing in the election, the first since a nominally civilian government was introduced in 2011 following nearly five decades of military rule.

With few opinion polls available, it is unclear whether the opposition National League for Democracy, [led by Aung San Suu Kyi, one of the world's most famous dissidents](#), will achieve the majority vote needed for victory.

The stakes are high. In Washington, [the Obama administration has to consider whether to make permanent its one-year rolling suspension of economic sanctions against Burma](#). The European Union permanently lifted its last trade, economic and individual sanctions in 2013.

US action could open the floodgates to Western investment in a nation where motorbikes are banned in Rangoon, the most populous city, and an estimated 90pc of vehicles are still right-hand drive, despite Burma having switched to driving on the right side of the road more than four decades ago.

Run since 2012 by president Thein Sein, a former general, [Burma is primed for further growth](#), after gross domestic product soared by 8.5pc in the 2014-15 financial year and 7.8pc in 2013-14.

With US companies including General Electric and Coca-Cola already making investments in Burma, foreign direct investment is on track to meet its \$6bn (£4bn) target this year. The target rises to \$8bn in 2020 and \$11bn by 2025. In 2009-10, foreign direct investment was \$330m.

Trading on the country's new stock exchange is also expected to start next month, while the government expects 47pc growth in the telecoms industry this year.

In early 2013, Burma was the world's [third least-penetrated mobile market behind Eritrea and North Korea](#), with less than 5pc of its 50m population having access to a mobile phone, according to United Nations statistics.

Fifteen-year licences for 3G mobile networks were then awarded to Norway's Telenor and Ooredoo of Qatar, alongside local partners Myanmar Posts and Telecommunications (MPT) and Yatanarpon Teleport.

Their investment is expected to approach \$22bn over the first five years and could see "the world's fastest roll-out of mobile services", according to stockbroker Beaufort Securities.

Burma's government has a target of bringing 3G and 4G-ready coverage to 75pc-80pc of the country by March 2016.

Already, mobile phones can be bought for less than \$40 and almost every household is expected to have access to a smartphone by 2018. An MPT SIM that fetched \$2,000 five years ago now costs as little as \$1.50.

That's still a meaningful amount for a nation whose population is classified by the Boston Consulting Group as being nearly 70pc "poor" or "aspirant".

Indeed, Burma's gross domestic product per person of just \$1,270 compares with \$1,670 in Laos, \$5,370 in Thailand and \$7,380 in China.

Beaufort analysts Barry Gibb and Andy Senga calculate that incremental mobile subscribers will increasingly come from individuals living below the World Bank's "high poverty" line of \$2 a day.

In a report titled *The Land of the Internet Virgin*, they claim that Burma is "realistically, the world's last major telecoms frontier".

This could be good news for MySquar, an Aim-listed company running MyChat, Burma's first local language social network.

Aimed at the under-24 age group representing 47pc of Burma's population, MyChat has more than 1.5m unique users, having grown accounts by 50pc since June. Beaufort sees this increasing to 13.7m by 2024. MyChat gets more than 100m monthly page views.

"The infrastructure investment in Burma telecoms has created a unique environment because they haven't had to worry about any legacy systems," says MySquar chief executive Eric Schaer.

"You can stream video in downtown Rangoon faster than you can in many Western countries if you're in the right spot because the new equipment is the latest and greatest.

"If the Americans permanently remove the sanctions, that will be a tremendous turning point."

There are significant challenges, including traffic jams caused by bullock carts.

Then there is today's election, in which Burma's military is retaining a 25pc block vote. Should the NLD triumph, a constitutional stipulation banning anybody with foreign-born children from becoming president would prevent Suu Kyi, whose two sons hold British passports, assuming the post.

She said last week that, if the NLD forms a government, she would be "above the president" – something contrary to clause 59F of Burma's constitution.

However, both the ruling USDP and opposition NLD have committed to opening the Burmese economy further to foreign investment, with financial services expected to follow oil, gas and telecoms in being liberalised.

It will be far from easy, whoever wins. "Responsible investment will be of the utmost importance," says Tony Child, chief executive of Myanmar Consolidated Media, owner of the Myanmar Times newspaper.

"Burma's government has a chance to get it right, but will face tremendous challenges in enforcing regulation, tackling corruption, ensuring transparency, respecting human rights including freedom of speech and breaking up military-linked monopolies."

[For now, the election is taking centre stage.](#) As Gibb and Senga conclude: “The eyes of the world will be on Burma and it cannot afford to fail.”

Read more at: <http://www.telegraph.co.uk/finance/11981560/What-Burmas-general-election-means-for-British-business.html>