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(From left) Aiko Doden, NHK senior news commentator, Hiroto Arakawa, vice-president of Japan International Cooperation Agency, Subramaniam Ramadorai, vice-chairman of Tata Consultancy Services Ltd, Aung San Suu Kyi, Myanmar's pro-democracy leader, Jaime Augusto Zobel de Ayala, chairman and CEO of Ayala Corporation, Annie Koh, vice-president for business development and external relations at Singapore Management University pose for a photo at the "Taking Myanmar to Work" session during the World Economic Forum at the Myanmar International Convention Centre in Naypyitaw. - Reuters pic

NAYPYITAW, June 10 — In a cramped auditorium in Myanmar's capital, pro-democracy champion Aung San Suu Kyi had a message for the world's business elite: her country is teeming with foreign investors scouting for opportunities in one of Asia's final frontier markets, but not many are actually investing.

Interviews with foreign and local business leaders on the sidelines of last week's World Economic Forum in the Myanmar capital, Naypyitaw, show why.

Shoddy infrastructure, opaque regulations, red tape, recent bouts of sectarian violence and lingering uncertainty over US sanctions are hampering large-scale foreign investment in the country, strategically nestled between India and China.

"Actually there isn't that much investment coming in," Nobel Peace laureate and opposition leader Suu Kyi told reporters.

The figures support her analysis.

Last month, reformist President Thein Sein said Myanmar attracted only US$1.4 billion (RM4.3 billion) in foreign investment in fiscal 2012-13 - a decent figure for a country that only recently emerged from 49 years of military misrule and isolation, but far from the amounts needed to jump-start its broken economy.

The country has clearly made a start: Anglo-Dutch consumer goods giant Unilever plans to open two factories this year - part of a plan to invest €500 million (RM2 billion) there over the next decade - and The Coca-Cola Co has began bottling there for the first time in more than 60 years.

Ford Motor Co has opened a showroom in the largest city, Yangon. And hosting the World Economic Forum was itself was a coup for the Myanmar government's investment drive.

"When was the last time a market of 60 million people fell out of the sky?" said Martin Sorrell, head of advertising and marketing giant WPP Plc, which has invested in media agencies in Myanmar.

"This is one of the last frontiers."

Sorrell said major WPP clients such as Nestle SA, the world's biggest food maker, would soon invest as well.

But there is a long way to go, with global consulting firm McKinsey estimating Myanmar needs US$170 billion in foreign capital in the first stage of its economic transition.

And like many frontier markets, the investment climate is still anything but sunny, despite the enormous changes.

Sorrell's optimism is tinged with an awareness of the risks, including growing ethnic and communal violence in Myanmar where unrest between majority Buddhists and minority Muslims have killed hundreds of people in the past year and displaced more than 140,000, mostly Muslims.

"Ethnic issues are a problem," he said.

Other executives and analysts interviewed at the forum spoke of a range of major investment barriers, including Myanmar's poor infrastructure and unclear regulatory environment.

SPECULATIVE FERVOUR

McKinsey has pointed to manufacturing as a key sector that could generate 6 million jobs and eventually account for a third of the economy. But Serge Pun, who heads Serge Pun & Associates, which has interests in real estate among other sectors, said a lack of zoning laws was holding back growth in manufacturing.

"Today they go out and speculate (on) industrial land with the same fervour and enthusiasm as if it was prime residential land," he told Reuters.

Serge Pun said the government should set aside industrial land for investors to build factories and employ people. "I always advocate that if there's a factory operator that's willing to come in, the price should be very cheap," he said.

For Christopher Fossick, regional managing director for real estate consultancy Jones Lang LaSalle, the problem is Myanmar's foreign investment law. It was passed by parliament in November but the government has yet to put it into effect, leaving foreign developers waiting for certainty before moving in.

"From there you need to develop a land ownership structure," he said. "Anybody coming in here and investing will need the confidence and the understanding that there's a certain level of transparency in the market and that they can have title over the real estate that they're investing into."

A similar lack of transparency is holding back growth in agriculture, according to Don Lam, head of VinaCapital, a Vietnam-based investment management and real-estate development company. His company is looking at investing in agricultural processing and technology, but it will stay away from production in a sector vulnerable to contentious land disputes.

"Agricultural reform means the rules for investors have to be completely clear," he said.

Lam said he was also looking into hospitality and financial services in Myanmar but had encountered another challenge: decades of mismanagement has left the country with a small educated workforce. Lam said VinaCapital had so far been unable to find a local CEO to head its operations there.

"We have funds allocated to Myanmar, we have investors ready to launch a Myanmar fund," he said. "So capital is not the issue - the issue is finding the right talent."

Doan Nguyen Hansen, a senior partner with McKinsey, said people in Myanmar had an average of only four years of education, contributing to the country's weak productivity rate which was 70 per cent below that of benchmark Asian countries, including China, Thailand and Indonesia.

But there is no way to build enough schools and train workers fast enough, she said. Technology could fill the gap with remote learning, but telecommunications infrastructure needs an overhaul: Myanmar has among the lowest mobile telecommunications penetration rates in the world, with only 4-8 per cent of the population connected. Internet and mobile phone services are not available in much of the country.

Arvind Sodhani, president of Intel Capital, venture-capital arm of chipmaker Intel Corp, said he was looking at Myanmar but was waiting for the right "ecosystem" to develop - better and faster broadband access, clearer regulations and a labour market with adequate legal and financial expertise.

“The number one thing that matters to us is Internet access - high speed, readily available, affordable relative to the incomes of the population,” he said. Those factors have not been achieved “judging from the fact that none of my devices work”.

Stephen Groff, vice president of the Asian Development Bank, said he was impressed with the government’s commitment to reform and its efforts to attract investment. But he added that the government could do more to manage the expectations of investors and Myanmar’s people, who are eager for the fruits of change.

“That patience runs out,” he said. “How much time are people willing to give the government to see this process through?” – Reuters