



Myanmar has 'long way to go before it becomes appealing' to FDI's

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THE NATION

MYANMAR might be catching the eye of many foreign companies but Chai Sophonpanich, chairman of Bangkok Insurance and Bumrungrad Hospital, points out this country needs a long time to demonstrate it is fully prepared to support foreign investment.

Even though Myanmar has opened itself to foreign businesses, it seems it has not learnt yet what it should do in terms of regulations and incentives to attract investment from outside, he said last week.

In China's case, before it accelerated its economy, it sent its people to many countries including Thailand to study what each country did in order to know what it should do to defend against the risks from opening up.

Myanmar requires foreign insurers to show capital of US\$50 million if they want to do business there, so no one is interested much, as the cost is too high.

Bangkok Insurance (BKI) is still waiting and looking at the insurance business in Myanmar even though its major shareholder Bangkok Bank recently received a preliminary banking licence from Myanmar.

Cambodia and Malaysia are likely to be more attractive than Myanmar. Cambodia requires registered capital of \$7 million from foreign insurers, while Malaysia requires \$10 million from foreign insurers that want to form a company there.

In Asean, BKI and its allies from Hong Kong and Indonesia formed Asia Insurance to run an insurance business in Laos, Cambodia and the Philippines.

In doing business in Asean, the model of joint ventures with familiar friends is safer than going it alone.

BKI holds 22 per cent of Asia Insurance (Cambodia) Plc and in Laos, 19 per cent of PCT Asia Insurance.

The company will increase its stake in PCT Asia Insurance to 25-30 per cent this year, but Cambodia is likely to present more opportunities, as Laos has a small population and small factories. However, Laos has a magnet in hydropower dams, which helps support the insurance business.

Asia Insurance plans to acquire an insurance company in Malaysia at an estimated cost of about Bt200 million-Bt250 million. BKI still keeps its stake in Asia Insurance at 20 per cent in penetrating Malaysia.

The group might re-enter Vietnam since the economic slowdown there might see some insurers offering acquisition deals to foreign investors.

Five years ago, BKI ventured into Vietnam by joining with a local insurer but it decided to pull out because

each side had different goals.

Revenue from investing through the joint venture accounts for less than 5 per cent to BKI but the dividend yield is reasonable.

As for Thailand, BKI hopes that the functioning government with a clear economic roadmap will help drive the insurance business back to normal growth of 10-15 per cent a year.

BKI expects its premiums to increase by 8-10 per cent next year, driven by motor insurance, which accounts for 60 per cent of its total premiums. This year, its premiums might edge up only 2-3 per cent due to the new auto sales slowdown.

Chai said he wants to maintain the stature of Bumrungrad as that of a five-star hospital, and did intend to branch out its franchise to Asean to cash in on the Asean Economic Community even though the company had studied Myanmar and Indonesia.

The problem in doing the hospital business in Asean is the quality of doctors. Regulations also do not support the free flow of foreign doctors and nurses.

Bumrungrad and its partners in Hong Kong and China will invest about Bt3 billion to build a 200-bed hospital in a new economic zone in Shanghai after the authorities recently gave the green light to six to seven hospitals in the zone.

The hospital will specialise in bone and joint diseases to serve ageing Chinese. It hopes to add more hospitals in China.

Investment in China is long term. Shanghai is expected to take seven years to reach the breakeven point.

In the first three years, a hospital might make losses, but it will begin to generate a profit in the fourth year, he added.