A STUDY ON ECONOMIC INVESTMENT AND SOCIAL CONTRIBUTION OF FOREIGN COMPANIES IN MYANMAR: THE CASE OF OIL AND GAS COMPANIES

By

Aung Phyo Kyaw

THESIS

Submitted to

KDI School of Public Policy and Management

In partial fulfilment of the requirements

For the degree of

MASTER OF PUBLIC POLICY

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Committee in charge:

Professor Seung-Joo LEE, Supervisor SJ Lee

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Professor Jinsoo LEE Lee Jinsoo

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ABSTRACT

This study aims to learn the foreign investors' perception of FDI investment climate in and explore the major influencing factors for their investment decisions and their social contribution in the case of oil and gas companies operating in Myanmar. Primary data is collected from Foreign Investor Perception Survey and key informant interview with different stakeholders. Based on this survey, the study found that the foreign investors' retrospective and prospective views on FDI climate is magnificent while the New Myanmar Investment Law (2016) become the main factor in promoting FDI. Concerned with the principal drivers of investment decision, resource availability is the most important factor, and the cost of production, the rule of law, and stable policy environment and political commitments are major influencing factors. The tax incentive is not the major driver for their investment decision even though the government is offering generous tax incentives. In examining the influencing factors of social contribution, almost all of the respondents are very keen to contribute human capital development programs and willingness to deal with local governments. Community support from the project area is also a major factor driving factor. Hence, the study suggests creating the dialogue channels with foreign companies and a better understanding of the government's policies. Besides, the study also recommends to build the capacity of the civil servants, to strengthen the state/region governments' capability to administer foreign investment projects and to enforce social contribution programs through the PSC obligation or MIC and reviewing tax expenditure when giving generous tax incentives and incorporating tax expenditure report in the budget preparation.

This thesis work is dedicated to my beloved wife,

Han Thi Su Hlaing,

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ABBREVIATION

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
CSR	Corporate Social Responsibility
DICA	Directorate of Investment and Company Administration
FDI	Foreign Direct Investment
MEITI	Myanmar Extractive Industry Transparency Initiative
MIC	Myanmar Investment Commission
O&G	Oil & Gas Industry
PSC	Production Sharing Contract

CHAPTER I

INTRODUCTION

1.1 Rationale for the Study

As Myanmar became an independent country in 1948, it was the most expected countries to come to industrialise way ahead of others in the Asia. Simultaneously, Singapore, Hong Kong, Taiwan and South Korea were looked upon, more or less, as basket cases. However, the country decided to go its own way and do its own thing without bothering to take note of, to draw lessons from or to be influenced by, what was happening in the countries around it and the rest of the world. Now all that has changed. Myanmar has concluded that doing its own thing in its own way does not work, and has decided to open-up and re-engage with the outside world.

The quasi-civilian government led by President U Thein Sein took office in 2011. Myanmar has made a series of significant reforms to improve its legal and regulatory framework to create an attractive investment climate capable of generating more inward foreign direct investment. Consequently, Foreign Direct Investment (FDI) net inflows to Myanmar have been increasing progressively. Myanmar's Foreign Investment Law (FIL) 2012 intended to contribute to the country's smooth transition to a more open economy.

A good deal of journalist talent was as a proof in a Special Feature of Myanmar Times in September 2012, titled "*Invest Myanmar: Tapping a New Asian Tiger*."[1] It assumed agriculture in the country offers huge opportunities although it has some challenges, the largely untouched minerals sector is getting a gold rush of interest, energy sector has increased foreign reserves, banking sector needs revitalization, and proper market research is needed to obtain accurate

[1] "*Invest Myanmar: Tapping a New Asian Tiger, Final Frontier, The rise and rise of Myanmar*", Myanmar Times (Special Feature: September 2012).

information for foreign investors. It was made with respect to FDI in the oil and gas industry that "if investors doubt, they will be too late."

Among vibrant economies of Southeast Asia, Myanmar is endowed with abundant natural resources that attract many investors from her neighbours into the extractive sector. According to the Central Statistical Organization (CSO), natural gas accounted for 29 percent of exports and gemstones for 10 percent of exports in FY 2013-14. The extractive industry is the country's primary source of foreign exchange earnings while it accounts for the highest share of destination for foreign direct investment. In 2013-14 statistics, natural gas production collects the largest export revenue of US $ 3.3 billion (MEITI Reconciliation Report, 2015). In the same period, the government's actual tax yield was estimated at 6.4 percent of GDP in FY 2012 and 6.6 percent of GDP in FY 2013. These tax-to-GDP ratios were the lowest levels among Asian countries (ADB, 2015).

In April 2016, the new civilian government led by the National League for Democracy (NLD) took office. The government has announced their 12 point economic policies under the great leadership of the State Counsellor, H.E Daw Aung San Suu Kyi. At the same time, the Union Peace Conference (21st Century Panglong) gathered government representatives, parliamentarians, military officials, ethnic armed forces and other stakeholders in Nay Pyi Taw at the end of August. Also, the new foreign investment law 2016 has been approved on October 18th, 2016**.**

According to the Economist Intelligence Unit's forecast on Myanmar economy, the real GDP growth of the economy will average 8-9% annually in 2016-2020. It eased to an estimated 7.2% in Fiscal Year 2015 due to a supply shock from heavy flooding and a slowdown in new investment flows according to Asian Development Bank (ADB). Myanmar will accelerate with his highest growth rate among ASEAN member countries as shown in Table 1.1.

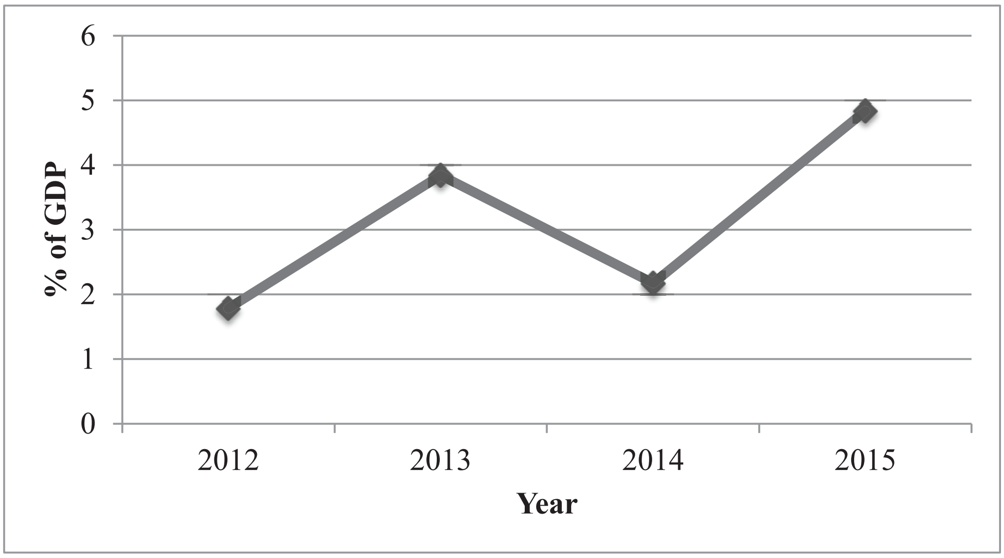
Table 1.1 Economic Forecasts for ASEAN Countries

Country	**GDP Growth (%, year)**		**Inflation (%, year)**		**Current Account Balance**	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Brunei Darussalam	1.0	2.5	-0.6	0.4	-4.5	-2.0
Cambodia	7.0	7.1	2.8	3.4	-11.1	-10.2
Indonesia	5.2	5.5	3.5	4.0	-2.3	-2.4
Lao People's Dem. Rep.	6.8	7.0	1.6	2.3	-16.0	-19.0
Malaysia	4.2	4.4	2.1	2.5	1.2	2.3
Myanmar	***8.4***	***8.3***	***9.5***	***8.5***	***-8.3***	***-7.7***
Philippines	6.0	6.1	1.8	2.8	2.0	1.8
Singapore	2.0	2.2	-0.8	0.8	19.5	19.5
Thailand	3.0	3.5	0.4	2.0	9.5	4.0
Vietnam	6.7	6.5	2.5	4.5	3.0	4.0

Source: Asian Development Outlook 2016 (As of 27th September)

Due to the existence of natural resources and the improving investment climate, Myanmar is largely perceived to have significant economic opportunities in attracting foreign investment. According to the World Bank's statistics, FDI Net flows (% of GDP) from 2012 to 2015 have increased as shown in Figure (1.1).

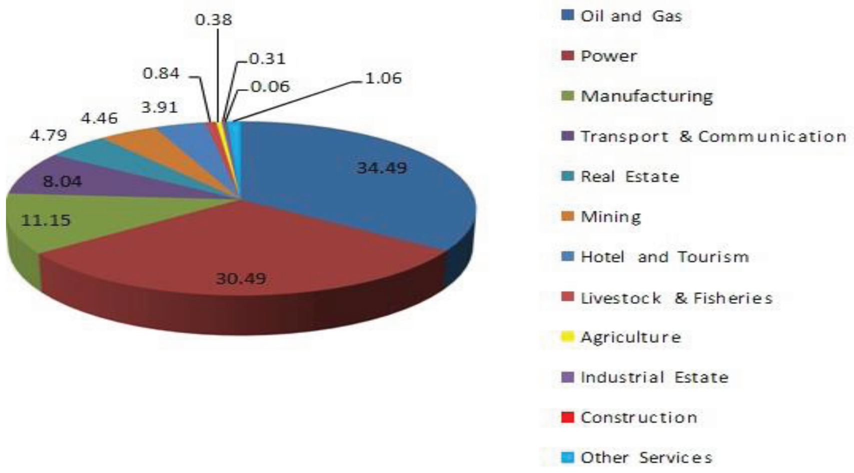
Figure 1.1 FDI Net flows (% of GDP)



Source: World Bank's Database (Accessed on October 14th, 2016)

Official figures point out that FDI into the power, oil and gas and mining sector accounts for the majority of foreign investment into Myanmar. The government of Myanmar presents approved figures that come directly from the Directorate of Investment and Company Administration (DICA) under the Ministry of Planning and Finance (MOPF).

Figure 1.2 FDI into Various Sector of the Economy



Source: Directorate of Investment and Company Administration (DICA)

In summing up the brief overview of the current FDI situation as described in above, heavy reliance for foreign exchange earnings on extractive sector could affect the country's sustainability for long run growth. The government is also assuring to improve the investment climate to encourage foreign investment as much as possible. On the other hand, the government have to make sure to generate the maximum benefit for the nation not only regarding economic but also the social contribution of the local people that located in their project area.

This research is to take up a high-interest issue of FDI in the oil and gas sector's economic investment and social contribution to ensure that it supports the reforms and the nation building initiatives that are underway at the moment in the country. This research study suggests a proposal that Myanmar policy makers need to fine-tune their foreign investment policies and its related policies arena to attract foreign investment inflows to create an investor-friendly climate by balancing economic and social investment from the responsible investors in Myanma oil and gas sector.

In order to test this proposal, the study will examine the foreign investors' perception who are currently operating in Myanmar on investment climate and the major factors influencing their investment decision, especially for oil and gas sector whereas it will investigate the key drivers for their decision to make a social contribution. In this regard, the study aims to inform how the policy makers can adjust their investment and its related policies.

1.2 Purpose of the Study

This paper aims:

1. To learn the foreign investors' perception on FDI and its investment climate in Myanmar
2. To explore the major influencing factors for their investment decisions and their social contribution to the society in the case of oil and gas companies operating in Myanmar
3. To propose proper policy solutions for policymakers and foreign investors to fine-tune their investment and its related policies

1.3 Literature Review

1.3.1 Foreign Direct Investment (FDI) and its Issues

Foreign Investment can be defined in a simple way as "**an investment made by a company based in one country, into a company based in another country**"[2]. In general, *Foreign Direct Investment* (FDI) is considered to have taken place if a company in one country makes a physical investment, such as in buildings, factories, machinery and equipment in another country. However, foreign investment can also take place through *Foreign Portfolio Investment* (FPI) by acquiring foreign securities such as stocks and bonds and which does not require physical investment or active management of foreign assets. Hence, FPI which involves passive holding of foreign assets is referred to as *Foreign Indirect Investment*. In contrast, the business in the home or source country that engages in FDI is said to work out a measure of control and management of the company in the host or recipient country in which FDI is made.

The main difference between FPI and FDI is that the investing company takes ownership and control positions in the host country firm and also acts as managers under FDI. Whereas under FPI, the investor gains ownership positions in host country firm but does not exercise control or management.

FDI has played a pivotal role in the internationalisation of business and globalisation. Advances in information technology resulted in less costly and more efficient global communications that made it much easier to manage foreign investments. Also, there has been liberalisation of trade and investment policies in many countries over the past years. Deregulation and privatisation of industries and significant changes in capital and financial markets also helped.

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[2] 4.2 Measuring development - *IB ECONOMICS GRADE 12* Section... (n.d.). Retrieved from https://www.coursehero.com/file/10798257/42-Measuring-development/

Since FDI involves the movement of capital across borders it has usually been linked with politics and several views have emerged. A *radical view* on it is held by Marxism that takes a hostile stance and looks upon FDI as a means to exploit a country's economy, resources and people. Therefore, inbound FDI should be discouraged according to this view, and foreign assets in the country should be nationalised. Opposed to this is the *free market view* that looks upon FDI as helping a country to give attention on producing goods and services that it is best suited to produce and thereby creating a win-win situation that brings benefits to both the home and host countries. Obviously, the truth will lie between these two extremes. However, there is a third view called the *pragmatic nationalism view* that is said to have received wide acceptance among countries at present. Under this view, FDI is permitted if its benefits outweigh its costs. It raises the tricky question of what are benefits and costs of FDI and will be taken up later.

Concerning types of FDI, there are two – *horizontal* and *vertical*. The horizontal FDI type occurs when an investor produces the same product or service in the foreign country in the same way as he does in his countries of origin. The vertical FDI type takes place when an investor fragments or breaks up the production process internationally, and locates each stage of production in a country where it can be produced at least cost.

As for forms which FDI can take, there are many. The more well-known among them include: (i) Setting up a company, an affiliate, entity or a new industrial or business establishment in the host country. This is referred to as a *Greenfield FDI*; (ii) A TNC or foreign company can join with a local company in the host country by merging or by taking over, or buying out the local company. This is known as a foreign investor engaging in *Mergers and Acquisitions (M&A)* deal in the host country with a local firm through FDI; (iii) Another well-known way is for the foreign investor to enter into a Joint Venture (JV) arrangement with a local partner; (iv) A foreign investor can enter into a reciprocal distribution agreement with a local firm. Under such an agreement, the foreign and domestic companies act as a national distributor for each other's products. In this way, they save distribution costs; and (v) finally the foreign investor, through FDI, can engage with a local company by issuing a contract or license to permit the use its technology or a production process by the local company.

FDI brings a bundle of benefits as follows:

(i) Capital: FDI brings investable funds into a country that is more reliable and easier to service than commercial loans. TNCs also usually go for long-term projects;

(ii) Employment: Greater inflows of investment by increasing economic activity, output and incomes create jobs. On-the-job training and learning-by-doing improve skills and productivity of workers;

(iii) Technology: TNCs bring modern technology, among which there are some that will come only with them. This technology inflow improves the efficiency of existing technology in the host country. TNCs can adapt technologies to suit local conditions as they have much experience in many countries. They may set up local Research and Development facilities. They can upgrade technology to keep up with innovations or to cater to needs of changes in tastes, consumption patterns and fashions. They can help bring about technical efficiency and technological change in local companies, suppliers, clients, and competitors by providing assistance, showing examples and by increasing competition;

(iv) Market access: TNCs can assist access to export markets for products already produced in the country, to switch products from domestic to world markets, or to develop new products for exports;

(v) Skills and Management: TNCs have access to top management experts and individuals with expertise in organisational and other skills all over the world that can be brought over for consultations and advice to set-up training facilities. These could give a competitive edge to business firms in the host country;

(vi) Environment: Finally, it has been noted that TNCs are in the lead in developing clean technologies and modern environmental management systems. These can be applied in the FDI host countries in which they operate.

As for costs and factors that limit host governments from getting a fuller benefit from FDI, they are as follows:

(i) Information and coordination shortcomings in the international investment process;

(ii) The infant industry issue that raises concerns FDI may crowd out local business firms;

(iii) Low capacity of host country government and the local business sector that limits their ability to take fuller advantage of benefits available from FDI; and

(iv) Weak bargaining and regulatory capabilities of the host country government that make it difficult to gain equal benefits from FDI and that can result in TNCs abusing their market power.

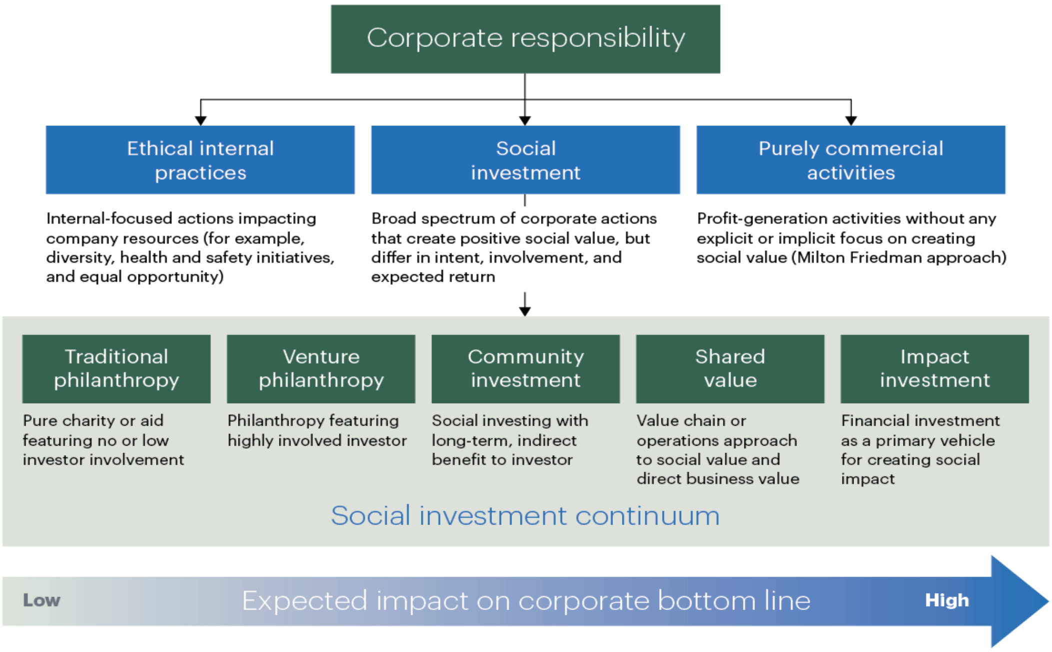
1.3.2 Corporate Social Responsibility (CSR)

There is an ongoing debate the definition of CSR and its role in enhancing reputation, reducing stakeholder risk, and contributing to earning a social licence to operate. Also, some considerations called upon whether and how CSR creates value. According to 2011 EU policy on CSR concerning UN Guiding Principles on Business and Human Rights, the CSR can be defined as "*the responsibility of enterprises for their impacts on society*". As there is confusion surrounding the CSR definition, many companies are trying to avoid it. Instead of using this term, they usually apply other terminology such as "responsible business conduct", "community investment", "social performance", "corporate citizenship", "sustainability" or "Creating Shared Value". The following Figure (1.3) is shown the Corporate Responsibility Framework elaborated by A.T.Kearney analysis.[3]

Figure 1.3 Corporate Responsibility Framework

[3] *https://www.atkearney.com/documents/10192/6949497/Creating+Value+by+Doing+Good.pdf/1c6c2672-84a7-4d13-b075-696572e60e66* (Accessed on October 14th, 2016)

Corporate responsibility framework



Source: A.T. Kearney analysis

1.4 Existing Literature Gap

So far there are still difficult to implement in balancing the economic investment and social contribution for foreign investment arena. However, old questions will lead to new answers, and new questions will arise. The existing literature exhibits the existence of many gaps of understanding on the subject of the FDI and its investment climate, and responsible business practices. As to the knowledge of the author, there is no proper study conducted in Myanmar on these issues even through the IMF, the World Bank and other international and domestic institutions strongly suggested to carry out that kind of research. This study will be one of the very first research to fill the gap in the existing literature.

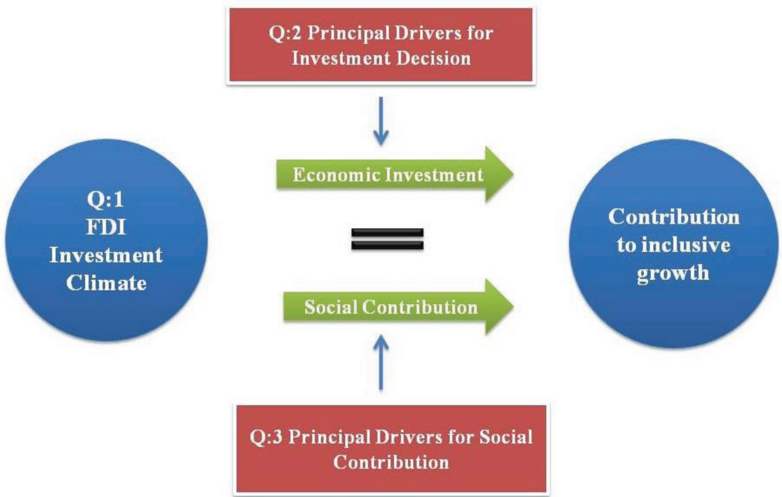
1.5 Research Questions

In order to make a useful contribution to the literature, this study will try to answer the following research questions.

1. How would be the foreign investors' perception on FDI and its investment climate in Myanmar?
2. Which factors are influencing their investment decision in that particular industry?
3. Which factors are determining their decisions for social contribution in the industry?
4. What would be the appropriate policy solutions for policymakers and foreign investors to fine-tune their investment and its related policies?

The following figure 1.4 exhibits the conceptual framework of this research.

Figure 1.4 Conceptual Framework for this Research Paper



CHAPTER II

METHODOLOGY

2.1 Data Collection

This study will be mainly based on primary data collecting from Foreign Investors' Perception Survey that has been conducted for 13 major oil and gas operating companies from different countries investing Myanmar Oil and Gas Industry as well as secondary data from the journals, academic articles, and other sources. (See the survey questionnaire in appendixes)

Table 2.1 Major oil and gas companies

	List of Companies
Private companies in production	1. Petronas Carigali Myanmar Inc- PC Myanmar (Hong Kong) Limited 2. TOTAL E&P Myanmar 3. Daewoo International Corporation 4. PTT Exploration & Production 5. Goldpetrol Co., Ltd 6. MPRL E& P Pte Ltd 7. Nippon Oil
Partners in the producing fields	8. ONGC Videsh Ltd 9. Gail JJ India Ltd 10. Korea Gas Corporation 11. UNOCAL

Companies in exploration phase	12. Chinnery Assets Ltd 13. SNOG Pte Ltd

Source: Myanmar Oil and Gas Enterprise (MOGE)

Table 2.1 mentions 13 Major oil and gas companies regarding their phases of production. (See the appendixes for the profile of these businesses).

The researcher sent the online questionnaire out to all 13 companies. However, the researcher has collected the responses from 10 companies out of 13 companies expect Nippon Oil, Gail JJ India Ltd and Korea Gas Corporation. **The survey response rate is said to be 76.92%.**

This paper has also been accomplished with the key results of key informants qualitative research interviews with the principal stakeholders from different government agencies, major oil and gas companies, and other related stakeholders as a strong complement to this research.

2.2 Data Analysis

The quantitative analysis will be used as the main part of the analysis by employing STATA statistical software package. In addition to that, the results from the key informant's qualitative research interviews will be utilised as a complement in analysing and interpreting the data. Moreover, the author will apply SWOT analysis tool as well.

CHAPTER III

FINDINGS AND DISCUSSION

This chapter will discuss the notable findings from the Foreign Investor Perception survey. It will also consist of some case study and practical issues which were collected from key informant interview.

3.1 Summary of Descriptive Statistics

As presented in the earlier chapter, the Foreign Investor Motivation Survey has been conducted for 13 major operating companies from different countries in Myanmar oil and gas industry. However, the researcher has collected the responses from ten companies whereas the key informant interview with the principal stakeholders from the government and private sectors.

Table 3.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max	t-value
Question: 1 Investors' Perception on the Investment Climate for FDI						
overall_FDI	10	3.4	.6992059	2	4	1.8991
OG_FDI	10	3.4	.843274	2	4	1.5000
past_five	10	3.7	.8232726	2	5	2.6888*
next_ten	10	4	.8164966	2	5	3.8730*
overall_eco	10	3.2	.6324555	2	4	1.0000
OG_eco	10	3.2	.6324555	2	4	1.0000
overall_law	10	3.3	.6749486	2	4	1.4056
OG_law	10	3.1	.5676462	2	4	0.5571
gov_help	10	3.4	.9660918	2	5	1.3093
Question: 2 What are the principal drivers in your decision to invest in Myanmar?						
NR	10	4.3	.9486833	2	5	4.3333*
Law_Regu	10	3.7	1.05935	1	5	2.0896*

location	10	2.7	.6749486	1	3	-1.4056
macro	10	3	1.054093	1	4	0.0000
mkt_size	10	3.3	.9486833	2	5	1.0000
Infra_logi~c	10	2.9	.875595	1	4	-0.3612
produ_cost	10	3.8	.6324555	3	5	4.0000*
policy_env~o	10	3.5	.9718253	2	5	1.6270
tax_incent~s	10	3.2	.7888106	2	4	0.8018
Question: 3 What are the principal drivers in your decision to implement social contribution programs in Myanmar?						
eco_reform	10	3.6	.9660918	2	5	1.9640*
health_comu	10	3.5	.9718253	2	5	1.6270
HRD	10	3.8	.421637	3	4	6.0000*
Pub_relation	10	3.2	1.135292	1	5	0.5571
mandatory	10	3	.8164966	2	5	0.0000
peace_just~e	10	3.3	.8232726	2	5	1.1523
tax_repay	10	2.7	.4830459	2	3	-1.9640*
commu_supp~t	10	3.8	.7888106	2	5	3.2071*
local_gov	10	3.9	.875595	2	5	3.2504*

Source: Author's own calculation

The respondents were asked to rate the relative importances for each question in the entire questionnaire. However, the meaning will slightly differ based on the nature of questions. In order to have well-understanding for the respondents, the researcher has explained before giving their responses.

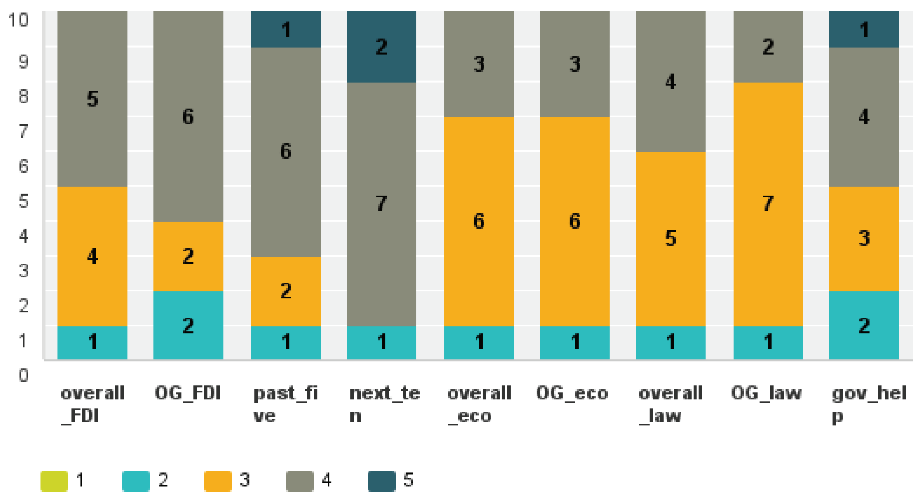
1	2	3	4	5
Not Important at all	Somewhat Not Important	Neutral	Somewhat Important	Most Important

3.2 Findings from Foreign Investors' Perception Survey

3.2.1. Foreign investors' Perception on Investment Climate for FDI

Figure (3.1) shows the results for Question (1): Investors' Perception on Investment Climate for FDI. Nine detailed questions- four pairs of issues and one single question was included under the topic of Investors' Perception on the Investment Climate for FDI.

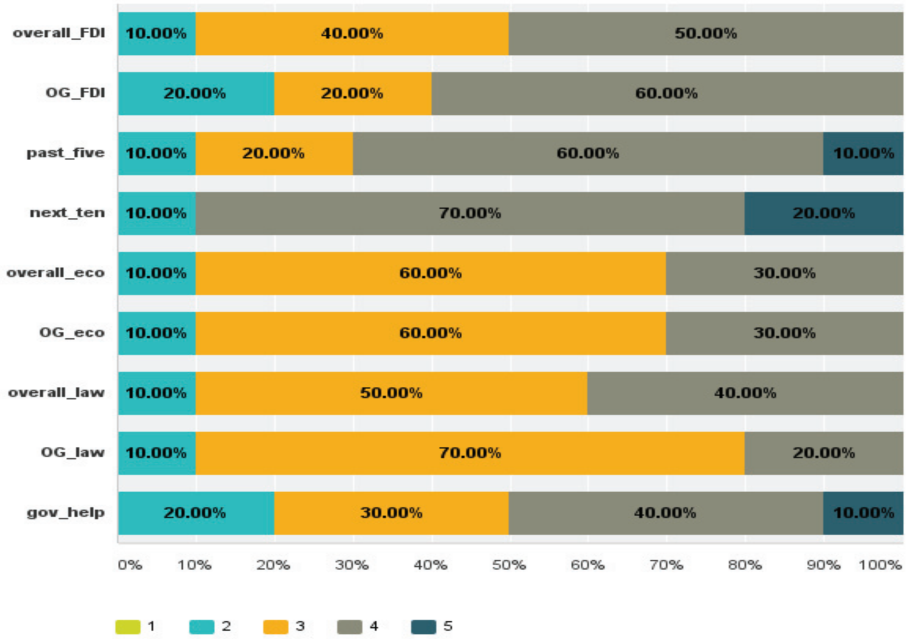
Figure 3.1 Question: 1 Investors' perception on the Investment Climate for FDI



Source: Survey Data

The above figure (3.1) exhibits the detailed responses from the foreign companies on Myanmar FDI investment climate. Figure (3.2) is presented in terms of percentage to have more visualisation.

Figure 3.2 Investors' Perception on Investment Climate for FDI



Source: Survey Data

As shown in Figure 3.2, the author elaborates to discuss each question by applying SWOT analysis tool. Table 3.2 is shown the basic descriptive analysis for question 1 in terms of descending order of t-statistics.

Table 3.2 Basic Descriptive Analysis for Question 1

No.	Variables	t-value	Mean	Std. Dev.
.	next_ten	3.8730 *	4	.8164966
.	past_five	2.6888 *	3.7	.8232726
.	overall_FDI	1.8091	3.4	.6992059
.	OG_FDI	1.5000	3.4	.843274
.	overall_law	1.4056	3.3	.6749486
.	gov_help	1.3093	3.4	.9660918
.	overall_eco	1.0000	3.2	.6324555

.	OG_eco	1.0000	3.2	.6324555
.	OG_law	0.5571	3.1	.5676462

They believe that the current situation of FDI and its investment climate is said to be good condition, and their perception of oil and gas industry is somewhat positive. Form retrospective point of view; the investors assume that the investment climate for FDI over the past five years was excellent while they are expecting to improve tremendously over the next decade from the prospective view.

Many of investors have not got a clear understanding of 12-point economic policies adopted by the new government. They want to wait and see the full investment policies and procedures and practices. Concerned with the new foreign investment law (2016), their view is quite clear that it can help overall Myanmar investment climate to be better, but it cannot affect significantly for oil and gas sector. The relevant government agencies and officials' services are still needed to improve according to this survey.

Figure 3.3 SWOT Analysis for Foreign Investors' Perception on Investment Climate

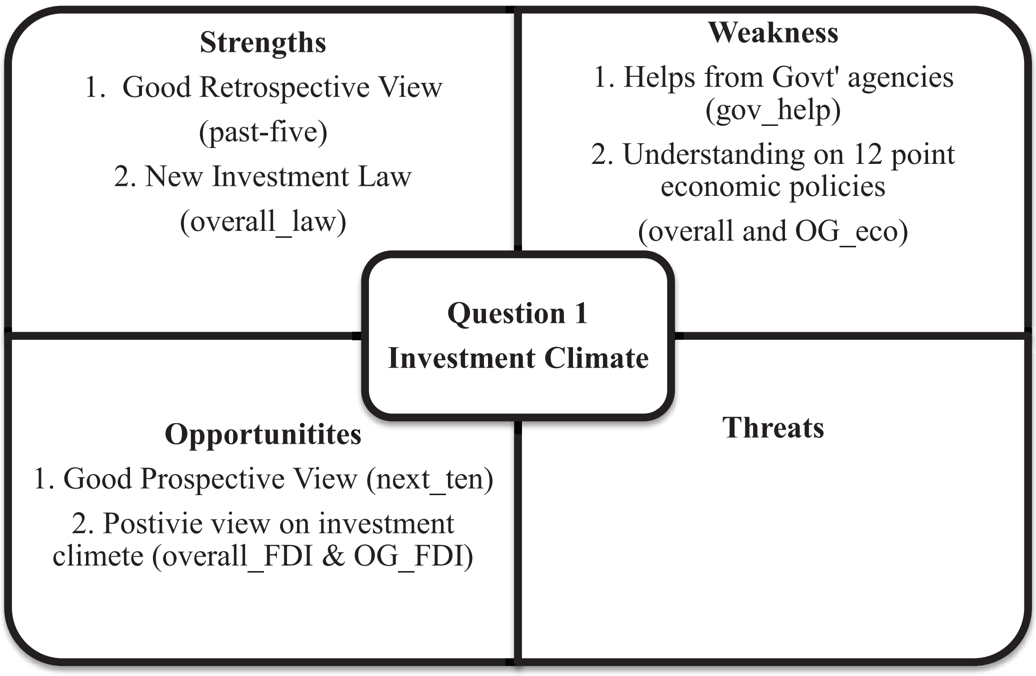


Figure 3.3 is presented the SWOT analysis for investment climate question number 1. As discussed above, the investor perceptions on both retrospective and prospective view are an inspiring (strengths) to promote FDI whereas they have a good expectation on the newly enacted Myanmar Investment Law (2016). At the same time, they mention some unsatisfactory factors as well.

3.2.2. Principal drivers in their decision to invest in Myanmar

Figure 3.4 displays the results for Question (2): Principal Drivers for their investment decisions to invest in Myanmar.

Figure 3.4 Question (2): Principal Drivers for their Investment Decisions

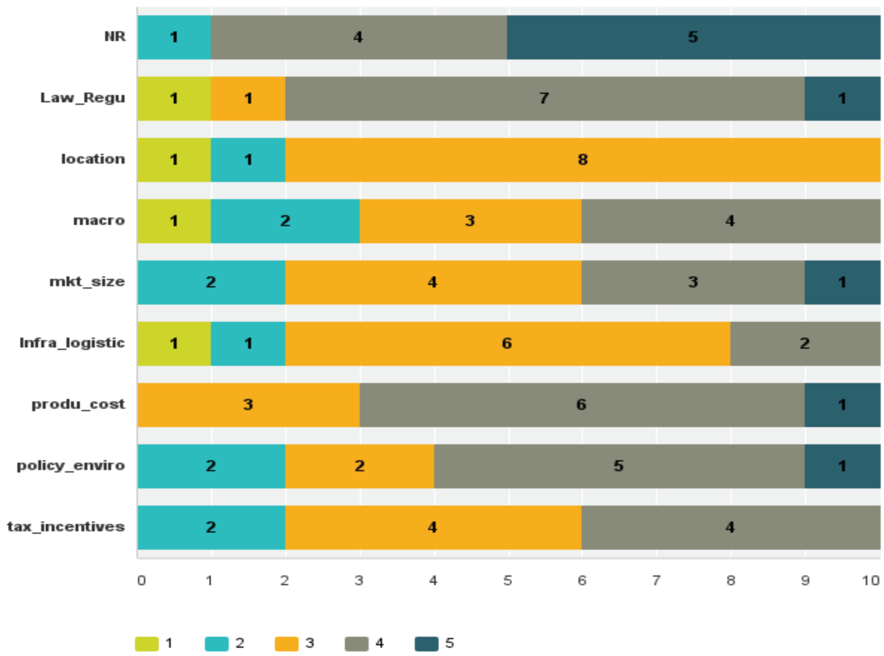


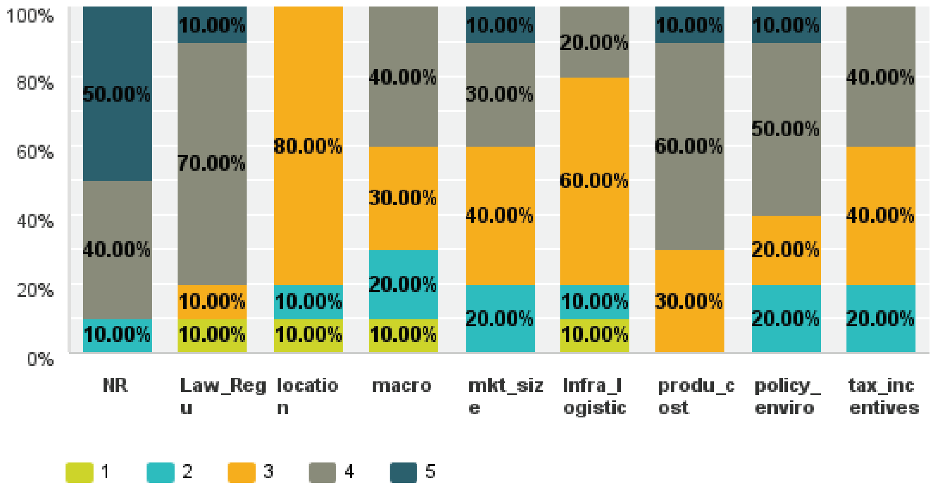
Table 3.2 is shown the basic descriptive analysis for question 2 and Figure 3.3 shows the SWOT analysis for major drivers of their investment decision.

Table 3.3 Basic Descriptive Analysis for Question 2

No.	Variables	t-value	Mean	Std. Dev.
.	NR	4.3333 *	4.3	.9486833
.	produ_cost	4.0000 *	3.8	.6324555
.	Law_Regu	2.0896 *	3.7	1.05935
.	policy_env~o	1.6270	3.5	.9718253
.	mkt_size	1.0000	3.3	.9486833
.	tax_incent~s	0.8018	3.2	.7888106
.	macro	0.0000	3	1.054093
	location	-1.4056	2.7	.6749486

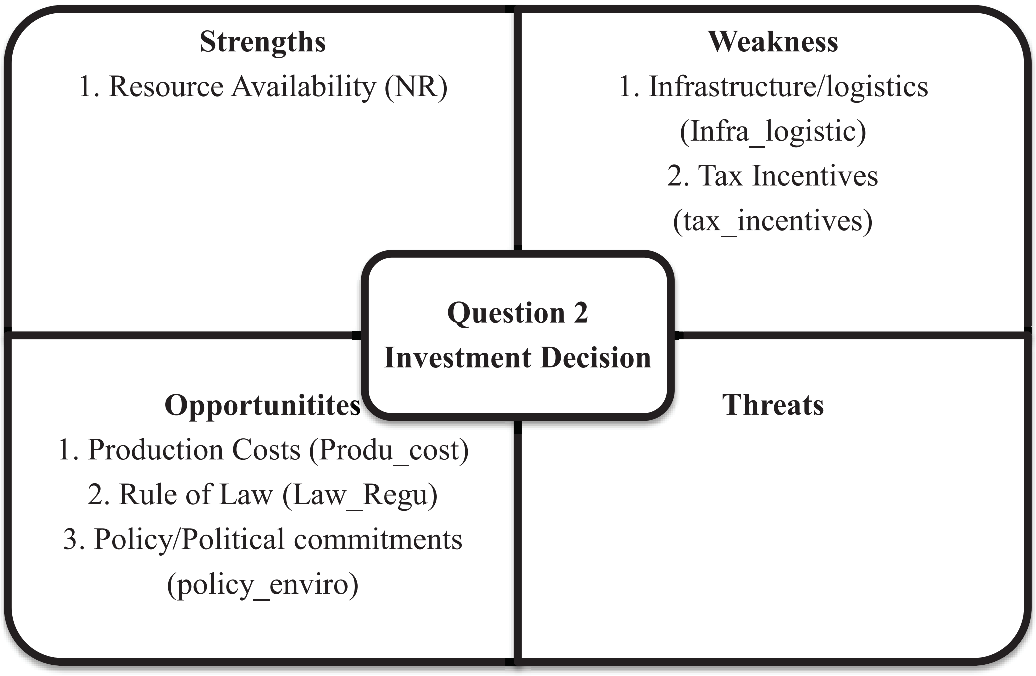
.				
.	Infra_logi~c	-0.3612	2.9	.875595

Figure 3.5 Principal drivers in their decision to invest in Myanmar



Source: Survey Data

Figure 3.6 SWOT Analysis for Foreign Investors' Investment Decision



Among nine main influencing factors for their investment decision, the respondents have given the relative importance of all these variables. Due to the nature of this industry, the availability of natural resources is the most important factor for 50% of total respondents. If this survey conducts for the labour-intensive industry, the results will be entirely different. Moreover, the cost of production, the rule of law, and stable policy environment and political commitment are also major influencing factors for their investment decision while other factors are not much influence on that decision making.

3.2.3. Principal drivers in their decision to implement social contribution programs

Figure (3.4) displays the results for Question (3): Principal Drivers for their decisions to implement social contribution programs in Myanmar.

Figure 3.7 Question (3): Principal Drivers for their Social Contribution Decision

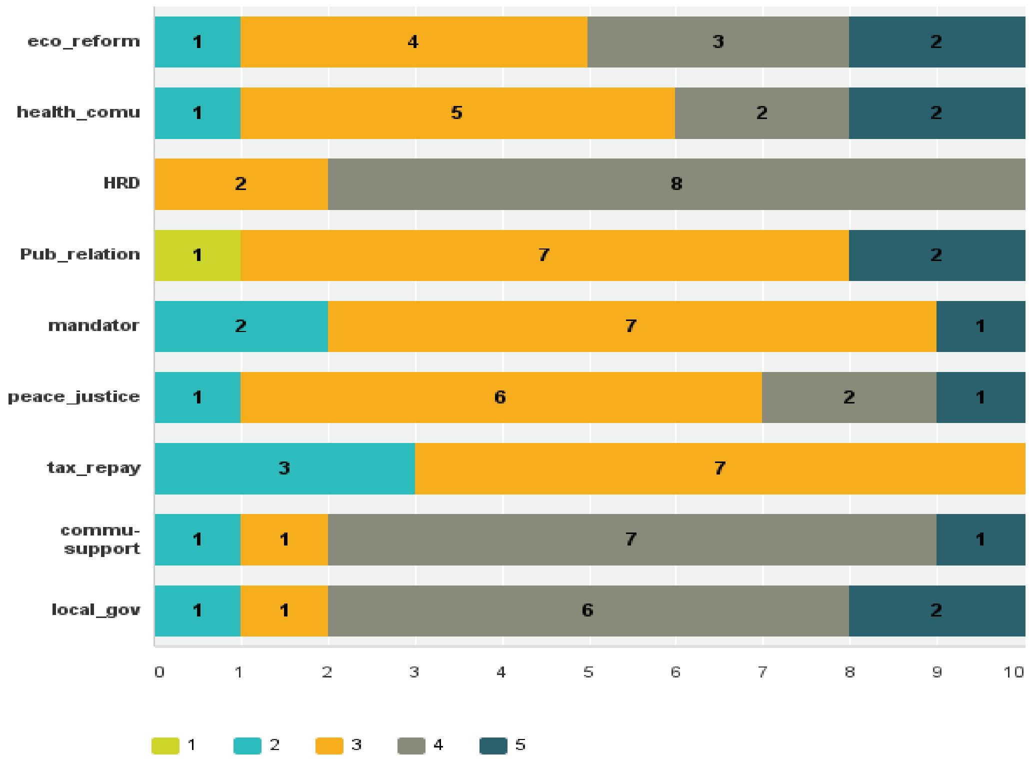
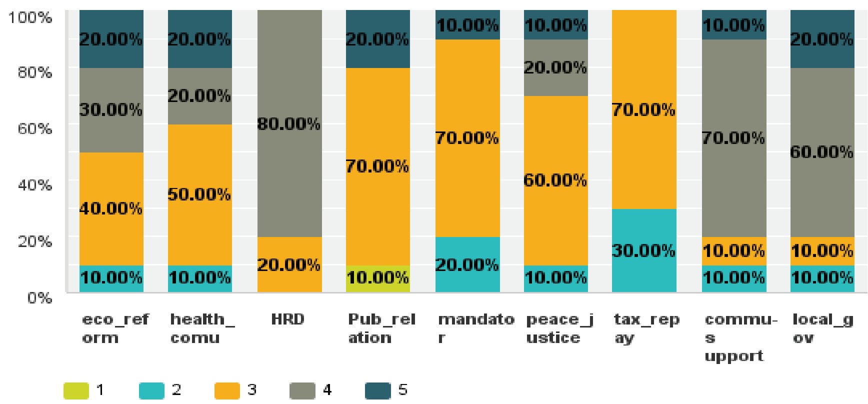


Figure 3.8 Principal drivers in their decision to implement social contribution programs



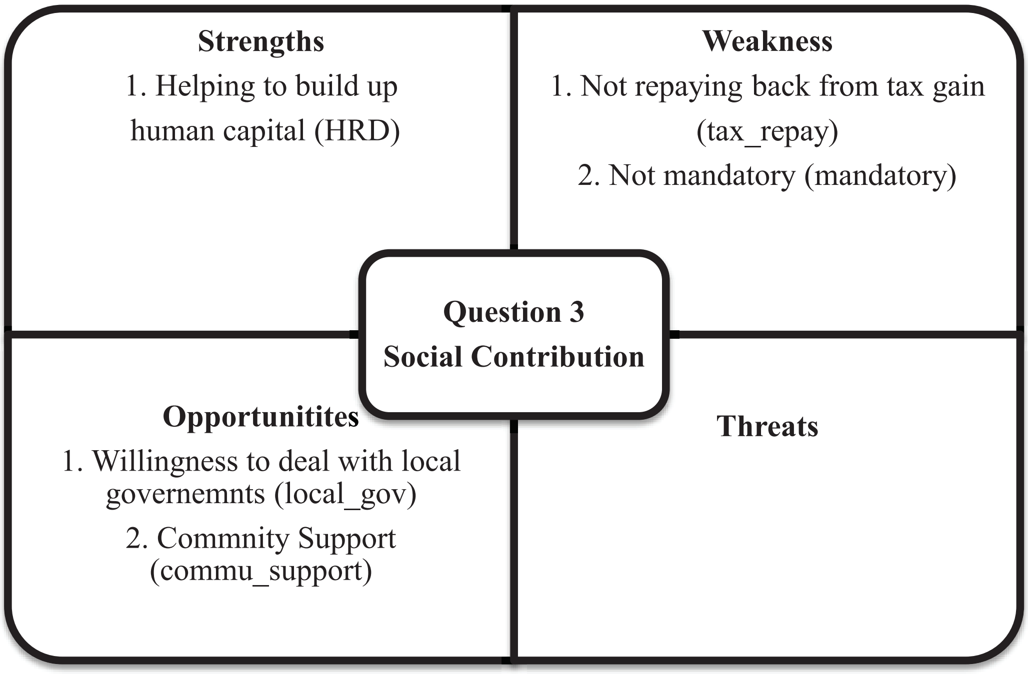
Source: Survey Data

Table 3.3 is shown the basic descriptive analysis for question 3 and the Figure 3.4 shows the SWOT analysis for major drivers of their decision to implement social contribution programs in Myanmar.

Table 3.3 Basic descriptive analysis for question 2

No.	Variables	t-value	Mean	Std. Dev.
.	HRD	6.0000 *	3.8	.421637
.	local_gov	3.2504 *	3.9	.875595
.	commu_supp~t	3.2071 *	3.8	.7888106
.	eco_reform	1.9640 *	3.6	.9660918
.	health_comu	1.6270	3.5	.9718253
.	peace_just~e	1.1523	3.3	.8232726
.	Pub_relation	0.5571	3.2	1.135292
.	mandatory	0.0000	3	.8164966
.	tax_repay	-1.9640 *	2.7	.4830459

Figure 3.9 SWOT Analysis for Foreign investors' Decision to Implement Social Contribution Programs in Myanmar



The majority of oil and gas investors have been implemented social contribution programs in their project area. Among these nine factors as described in above, the common factor is that the investors are eager to build up the human capital for the host country. Moreover, they want to deal with local state and region governments in order to help their regional development plans.

They well recognised that the community support for their project is crucial. On the other words, they use “social licence to operate” instead of using community support or agreement. Besides, they would participate the ongoing economic reforms of the government as much as they can. Even through the Myanmar Investment Commission (MIC) did not set up for the mandatory for social contribution, it means that they are doing this programs in their way and aiming to become a socially responsible business. Moreover, although the government is offering many tax incentives for foreign investors, this factor is also not related at all for their decision to invest in social contribution.

CHAPTER IV

CONCLUSION

The main objective of this chapter is to reflect the entire thesis and draw attention to future research plans. The first section will present the summary of the main findings and the second will deliver the policy recommendations and contributions. Then, lastly, the researcher will provide the future research works and limitations on this research paper.

4.1 Summary of Main Findings

This research paper has several interesting findings. Table 4.1 is summarised the major salient features as follows:

Table 4.1 Summary of Main Findings

Question 1: Investment Climate	Question 2: Principal Drivers of Investment Decision	Question 3: Principal Drivers of Social Contribution Decision
Strengths/Opportunities **1.** Both of retrospective and prospective views on FDI climate is magnificent **2.** New Investment Law (2016) become the main factor in promoting FDI	**Strengths/Opportunities** 1. Resource Availability is the most important factor for their decision-making 2. The cost of production, the rule of law, and stable policy environment and political commitments are major influencing factors	**Strengths/Opportunities** 1. Almost all of the respondents are very keen to contribute human capital development programs 2. They are willingness to deal with local governments 3. Community support from the project area is also a major factor
Weaknesses/ Threats 1. Services delivery from the government agencies is still inefficient 2. There is no clearing understanding on 12-point economic policies of the new administration and looking forward to hearing detailed new investment policy	**Weaknesses/ Threats** 1. Physical infrastructure and logistic are not significant 2. Even though the government is offering generous tax incentives, tax incentive is not the major driver for their investment decision	**Weaknesses/ Threats** 1. Not paying back from their tax gains (there is no relationship) although they are enjoying tax exemptions 2. It does not matter whether the social contribution is mandatory or not

4.2 Policy Implications

The researcher draws the policy implications for each stakeholder from the main conclusions of this paper. The following table 4.2 is provided policy implications in details.

Table 4.2 Policy Implications

Stakeholders	Implications
Government (Union Government, State/ Region Government)	1. Issuing the rules and regulation of newly enacted investment law (2016) as soon as possible and the securing rule of law 2. Creating the dialogue channels with foreign companies to understand the government's policies and priorities 3. Investing capacity building programs of the civil servants 4. Strengthing the state/region governments' capability to administer foreign investment projects and dealing with these companies to work together for regional development trough their social contribution programs 5. Enforcing social contribution programs through the PCS obligation of MOGE or MIC 6. Reviewing tax expenditure when giving generous tax incentives and incorporating tax expenditure report in the budget preparation
Foreign Investors/ Companies	1. Consulting the social contribution plan and ideas with local government and local people 2. Promoting transparency and accountability
Civil Society Organizations/ NGOs & INGOs	1. Creating the channels to work together with foreign companies in a professsoinal manner 2. Representing local communities and their needs
Research Institution	1. Conducting the evidence-based policy researchs on balancing economic investment and social contribution 2. Helping the government for investment appraisal and evaluation

4.3 Contribution, Limitations and Future Research

There have been some studies on the economic investment and social contribution of the foreign companies, there is no proper study for Myanmar FDI arena. This study will contribute to a very first research paper on economic investment and social contribution in attracting FDI in Myanmar. More importantly, this study focuses on the largest FDI attractive sector, oil and gas and point out that their major principal for their investment decision on investment and social contribution.

This research has a greater significance to Myanmar Investment Commission (MIC) in evaluating their investment policy and the new Myanmar Investment Law; Internal Revenue Department (IRD) in reviewing their tax administration and incorporating the revenue loss from tax incentives; and Myanmar Oil and Gas Enterprise (MOGE) in determining their fiscal regime.

However, there are several limitations of this research. This research was only focused on oil and gas industry. Moreover, the scope is narrowly defined 13 current operating companies even though there are more than 30 registered companies (not operating yet). Although the researcher did key informant interview with different stakeholders, there may need an in-depth interview for that.

Notably, this thesis will create an opportunity for further research in FDI-related issues at the Myanmar Development Institute (MDI), a national leading think tank of Myanmar under Ministry of Planning and Finance (MOPF). The future research area should be expanded to other labour intensive industry and other potential industry.

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