d. India now has pockets of strengths in key high-technology industries such as software and pharmaceuticals. Why do you think India is developing strength in these areas? How might success in these industries help generate growth in the other sectors of the Indian economy?

e. Given what is now occurring in the Indian economy, do you think the country represents an attractive target for inward investment by foreign multinationals selling consumer products? Why?

globalEDGE research task globaledge.msu.edu

Use the globalEDGE website (**globaledge.msu.edu**) to complete the following exercises:

1. Increased instability in the global marketplace can introduce unanticipated risks in a company's daily transactions. As such, your company must evaluate these *commercial transaction* risks for its foreign operations in Argentina, China, Egypt, Poland, and South Africa. A risk analyst at your firm said that you could evaluate both the political and commercial risk of these countries simultaneously. Provide a commercial transaction risk overview of all five countries for top management. In your evaluation, indicate possible corrective measures in the countries with considerably high political and/or commercial risk.
2. Managers at your firm are very concerned about the influence of terrorism on its long-term strategy. To counter this issue, the CEO has indicated you must identify the countries where *terrorism threat* and political risk are minimal. This will provide the basis for the development of future company facilities, which need to be built in all major continents in the world. Include recommendations on which countries in each continent would serve as a good candidate for your company to further analyze.

CLOSING CASE

Political and Economic Reform in Myanmar

For decades, the Southeast Asian nation of Myanmar (formerly known as Burma) was an international pariah. Ruled by a brutal military dictatorship since the 1960s, political dissent was not tolerated, the press was tightly controlled, and opposition parties were shut down. Much economic activity was placed in the hands of the state—which effectively meant the hands of the military elite—who siphoned off economic profits for their own benefit. Corruption was rampant. In the 1990s, America and the European Union imposed sweeping economic sanctions on the country to punish the military junta for stealing elections and jailing opponents. The de facto leader of the country's democratic opposition movement, Nobel Peace Prize–winner Aung San Suu Kyi, was repeatedly placed under house arrest from 1989 through 2010.

None of this was good for the country's economy. Despite having a wealth of natural resources, including timber, minerals, oil, and gas, the economy stagnated while its Southeast Asian neighbors flourished. By 2012, Myanmar's GDP per capita was $1,400. In neighboring Thailand, it was $10,000 per capita. The economy was still largely rural, with 70 percent of the country's nearly 60 million people involved in agriculture. This compares with 8.6 percent in Thailand. Few people own cars or cell phones, and there are no major road or rail links between Myanmar and its neighbors—China, India, and Thailand.

In 2010, the military again won elections that were clearly rigged. Almost no one expected any changes, but the new president, Thein Sein, was to defy expectations. The government released hundreds of political prisoners, removed restrictions on the press, freed Aung San Suu Kyi, and allowed opposition parties to contest seats in a series of by-elections. When Aung San Suu Kyi won a by-election, thrashing her military-backed opponent, they let her take the seat, raising hopes that Myanmar was at last joining the modern world. In response, both

America and the European Union began to lift their sanctions.

Thein Sein also started to initiate much-needed economic reforms. Even before the 2010 elections, the military had begun to quietly privatize state-owned enterprises, although many were placed in the hands of cronies of the regime. In 2012, Thein Sein stated that the government would continue to reduce its role in a wide range of sectors, including energy, forestry, health care, finance, and telecommunications. Land reforms are also under way. The government also abandoned the official fixed exchange rate for the Myanmar currency, the *kyat*, replacing it with a managed float. From 2001 to 2012, the official exchange rate for the *kyat* varied between 5.75 and 6.70 per U.S. dollar, while the black-market rate was between 750 and 1,335 per U.S. dollar. The official fixed exchange rate had effectively priced Myanmar's exports out of the world market, although it did benefit the military elite who were able to exchange their worthless *kyat* for valuable U.S. dollars on very favorable terms. Implemented in April 2012, the managed float valued the *kyat* at 818 per U.S. dollar. The dramatic fall in the value of the *kyat* is expected to stimulate demand for exports from Myanmar, and help the economy grow.

To further encourage economic growth, the government has signaled that it will now welcome foreign direct investment and is encouraging foreign enterprises to enter into partnerships with domestic enterprises in its underdeveloped telecommunications sector. General Electric and IBM are among the companies stating that they may invest in the country. Between 2010 and 2013 Myanmar recorded the largest increase in inward FDI of any country in Southeast Asia apart from the Philippines, although admittedly from a low base.

Much clearly remains to be done. Observers predict that it will be decades before Myanmar catches up with its Southeast Asian neighbors. The next big test for the government of Thein Sein will occur in 2015, when general elections are scheduled to be held. If current trends hold, the military-backed government could be swept out of power, losing most of its parliamentary seats. It's an open question as to whether the military will allow this to happen. If it does, and power is passed on to the democratic opposition, Myanmar may finally emerge from its isolation.

Sources: Lex Rieffel, "Myanmar's Economy Confronts Tough Policy Challenges," *East Asian Forum*, July 31, 2012; "Opening Soon: Myanmar Gets Ready for Business," *The Economist*, March 3, 2012; "Myanmar on the Move," *The Economist*, November 21, 2012; *The World Factbook* (Washington, DC, CIA), **www.cia.gov/library/publications/the-world-factbook/geos/bm.html**; "An Unfinished Peace," *The Economist*, March 11, 2015.

Case Discussion Questions

1. What explains the economic stagnation of Myanmar until very recently?
2. What do you think motivated the government of Myanmar to start undertaking political and economic reforms from 2010 onward?
3. How would you characterize the nature of the economic reforms now being implemented in Myanmar? What is the government trying to do here? What do you think the results will be?
4. What potential impediments do you think might stand in the way of further improvements in Myanmar?

Endnotes

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