

# Is it Worth the Risk?

By Eric Baker

**A**s economies open up around the globe, investors are often eager to rush in to reap the rewards before competitors take advantage. But to be successful in a new market, Norwegian Risk Consulting International (NRCI) believes a company need to be aware of the obstacles before investing in a new market.

“This does not mean we want to scare companies away from investing,” said Arne Elias Corneliusen, the founder and chief executive of NRCI. “On the contrary, we believe if you complete comprehensive risk assessments, your chances of business success will be greater, meaning more locals will have jobs and more money will get pumped into the local economy.”

Mr Corneliusen is on a fact-finding mission to the region in advance of NRCI’s annual conference in Oslo on Oct 23-24 this year. The focus in 2014 is Southeast Asia.

He is bullish on the region in particular because it has a great strategic location between Africa and East Asia, making it ideal for transport and shipping industries. In addition, more of the typical sectors such as fisheries, tourism and even shipbuilding hold potential in the region.

More specifically, NRCI is seeing heightened interest from clients in Myanmar, easy to understand as the potential of a country with a population of 61 million just now opening up is mouth-watering, he said.

“We are seeing education reform in Myanmar and the foreign banks are starting to arrive, which we consider positives,” said Mr. Corneliusen. “But people need to realise Aung San Suu Kyi might not be allowed to become president according to Article 59F of the Constitution. And there are still major unresolved issues there with ethnic conflicts between the government and hill tribes as well as Muslims. And the Rohingya are still being denied citizenship. But President U Thein Sein appears bent on reform, so we are upbeat.”

Vietnam is also tantalising to investors, as it has a population of 90 million and fairly cheap labour. More ports are being built and shipbuilding and maritime activities are starting to take off, he said.

“Laos is more like an early stage society in terms of business,” said Mr. Corneliusen. “Change happens very slowly there and the country still has a long way to go. But Cambodia looks like it is backtracking a little bit.”

For Thailand, he believes the country will eventually make its way through the current stalemate, but it will take time as the People’s Democratic Reform Committee really wants political change.

## Companies need to be aware of obstacles before investing in new markets

“There are two great risks to this process,” he said. “One is if the red shirts decide to attack the protesters. Another is if the police intervene and try to kick out the protesters. The police seem content to remain on the sidelines for now. But having Thaksin pulling the strings from abroad is not healthy for the country. The key is for Thailand to get back on track in time for the ASEAN Economic Community so it doesn’t get left behind.”

Every country is always going to advertise itself as a perfect investment destination. NRCI provides value to clients by testing government claims and trying to find real information, which can be difficult in a region known for saving face and putting a positive spin on events.



Arne Elias Corneliusen of NRCI on the move. Photo: NRCI

The company accomplishes this by setting up networks with reliable local contacts and talking with as many locals as possible to assess the risks on the ground level. While on fact-finding missions, NRCI will meet with a range of businesses, clients, government officials and locals in the area to ascertain credible risks.

“A lot of companies are interested in the security situation in the countries where they are considering investing,” Mr. Corneliusen said. “But in addition to physical security, they want to know how secure the institutions are should they expend the effort to develop high-level contacts. For this reason and a few others, one of our primary suggestions is to have a local partner with a long track record in the industry. This guarantees your position is sustained even if there is a new election, cabinet, etc.”

“It’s important that we stay up to date on new legislation, taxes that may affect businesses, rules on foreign investment. You need to be constantly curious, but you also need to stay humble. And humble is a trait we recommend our clients look for in local partners.”

He also credited himself with having a good filter to parse when people were telling him something useful. For example, while Mr. Corneliusen accepts that the struggle in Thailand is serious and bitter, he said analysts should be wary of calling it a crisis. Societies are very resilient, he said, even ones enduring much more intractable problems than Thailand, so he doesn’t think much of folks predicting a sea change here.

Further afield, he believes China will continue to grow but at a slower pace than its breakneck speed the past two decades because it needs to reform its system. Mr Corneliusen has already seen first-hand all the investment and infrastructure spending China is pouring into Africa to keep its economy chugging. This relationship is one reason why he is convinced Southeast Asia’s location is so strategically vital.

Another is the Strait of Malacca, which he dubbed the most important narrow stretch of water in the world because of its significance to shipping lines.

“While piracy has decreased in East Africa, levels have not been tamed in the strait,” he said. “This ties into terrorism, which is our primary risk for Southeast Asia, as piracy sometimes is connected to religious extremism that fuels much of the terrorism in the region. In Indonesia, the Philippines, Bali, even southern Thailand, we are seeing a continuation of terrorist acts.

For India, he maintained ethnic conflicts had delayed much needed economic reforms. Because India’s economy was a few steps behind its peers, Indian business owners want to keep their position amid competition and some have taken protectionist stances. These companies will have to adapt, he concluded.