



Case Analysis I: Planning the Industrial Development in Dawei Project

EE 459 Seminar in International Economics

Semester 1 / 2012

1. Introduction

“ An Industrial Project That Could Change Myanmar ” -The New York Times

Development Chronology

- The Dawei Deep Sea Port Development together with the industrial estate and related supporting facilities, are to be implemented as the manufacturing trading hub of the region to respond to progressive trade and increase economic growth within Southeast Asia and South China, along with continuing demand for sea transportation in the Indian Ocean and Andaman Sea.
- Government of the Kingdom of Thailand and the Government of the Union of Myanmar signed the Memorandum of Understanding (MOU) on May 19th, 2008 to develop a deep sea port in Dawei and a connecting road link to Bangkok, Italian-Thai Development Public Company Limited (ITD), the project feasibility and engineering design are on the due process toward implementing the project effectively.
- On June 12th, 2008 Myanmar Port Authority as authorized implementing agency and ITD signed a Memorandum of Understanding (MOU) relating to the implementation of a feasibility study and comprehensive project site for the Dawei Deep Sea Port and Industrial Estates Development Project (henceforth referred as the “Project”). Under such MOU, there is also a proposal to develop cross-border road link from Dawei to Thailand in order to enhance an integrated logistic system.
- On November 2nd, 2010, the Framework Agreement was signed and that granted ITD the right to develop and operate over 75 years land lease period for the Dawei Project with an associated deep sea port, industrial estate, transborder corridor link and supporting infrastructure.
- The Investment Project content in Dawei will be for the development of a deep sea port, an industrial estate divided into six industrial zones including a residential/commercial zone with related infrastructure within the industrial estate, a connecting road and rail link to Thailand as well as oil and gas pipeline from the Gulf of Martaban to the Myanmar/Thailand border along the road and rail link.

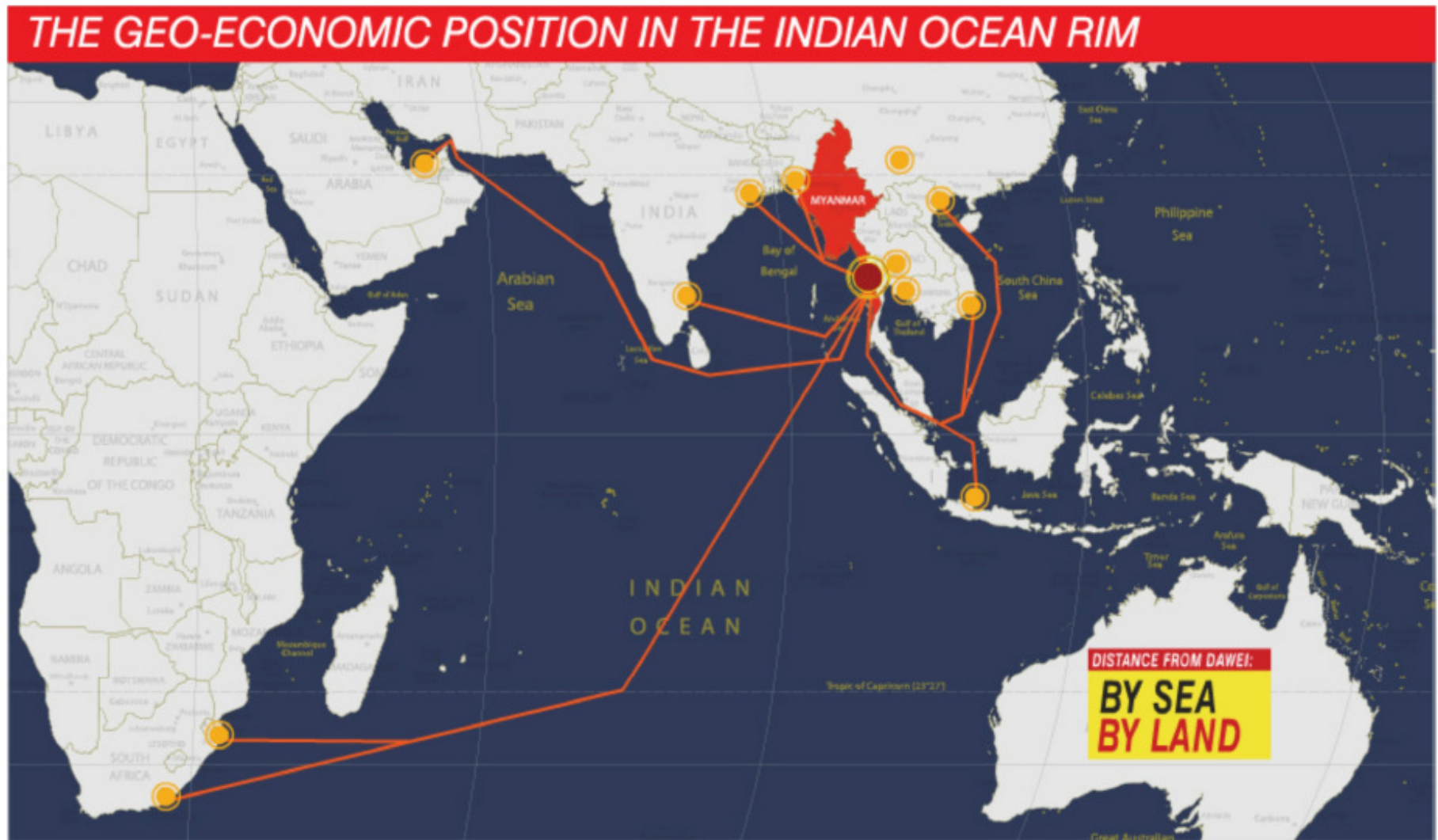
1. Introduction (cont'd)

Project Strategic Content and Project Delivery

- The proposed Dawei Deep Sea Port and Industrial Estate is situated about 28 km. from Dawei Province, in the northern part of Maungmagan Bay. With the investment of a deep sea port facility, industrial estate, petrochemical complex and cross-border road link from Dawei to Thailand and with the support of the Myanmar Government regarding a rail link from Dawei-Yangon-Mandalay-Muse and further connecting to the Chinese railway system to Kunming, the Project is proposed to become the major logistic hub of the region.
- Initially, key benefits of the Dawei Deep Sea Port and Industrial Estate are to serve as the new commercial gateway providing an alternative sea route to India, China, Middle East, Europe, and Africa that will lessen the dependence on the congested Straits of Malacca reducing tremendous transportation time and logistic costs. Its strategic location will provide a competitive advantage with direct access to the Andaman Sea and Indian Ocean for the transportation of goods and commodities. In addition, the industrial estate will support Dawei Port's viability and help create a new market for foreign investment by increasing demand and traffic to the region, further strengthening economic cooperation, trade, and development among the Greater Mekong Subregion (GMS) nations.

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2. Strategic Location



2. Strategic Location (cont'd)





3. Project Overview

- The City of **Dawei**, located around 350 kilometers west of Bangkok, is a city on the southern shoreline of the Republic of the Union of Myanmar. The Government of Myanmar has granted the right to use designated area in Dawei to Italian-Thai Development Public Company Limited (ITD).
- At its greenfield stage and under the Special Economic Zone Law, **Dawei** has been planned as a large fully-integrated industrial zone with a sustainable industrial complex and fully-supported infrastructure & utilities. The **Dawei Project** includes the development of the Dawei deep seaport, industrial estate, pipeline along the road-link to Thailand, highways and railroad to Thailand. **Dawei Deep Sea Port** and Industrial Estate will cover an area of 205 square kilometers or 50,675 acres.

4. Project Development Plan

- Establishment of Dawei Development Company Limited in Myanmar to implement the Dawei Project.

Development of Basic Infrastructure :

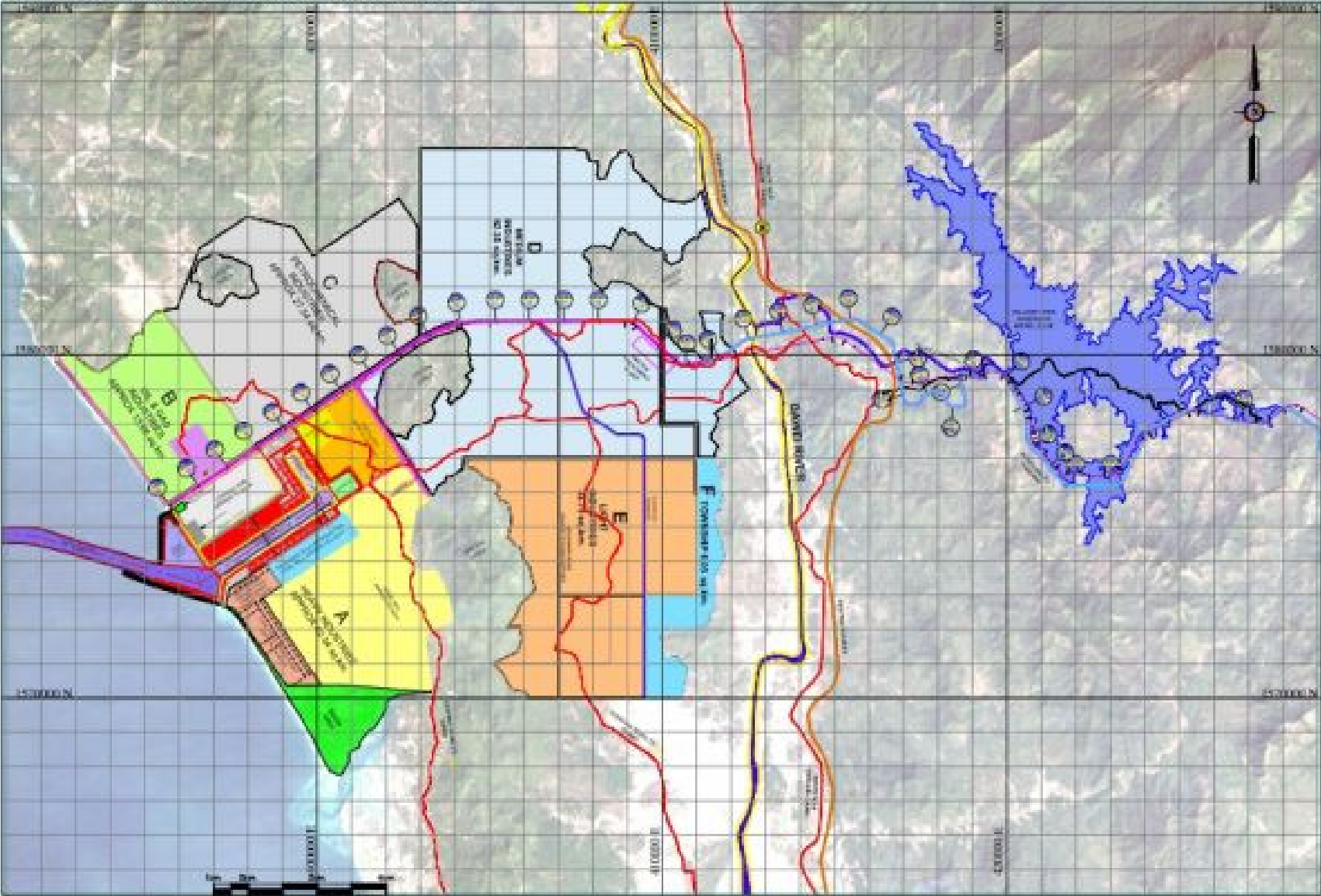
- **Port**
- **Road and Rail Link**
- **Water Supply and Treatment System**
- **Electricity**
- **Telecommunication**
- **Township**

Hired reputable consultants for detailed design study for port and road link. Upon approval by the Myanmar Government, Port (First Phase) and Road Link will begin construction by early 2012 and expect to complete within 4 years. Land available for immediate reservation by investors.

- **Port** : Servicing liquid cargo, agricultural products, general cargo, containers and bulk cargo
- **Road Link** : 4-Lanes Toll Highway with expansion to 8-Lanes Toll Highway in later phase
- **Temporary Small Port** : **NOW available for use**
- **Access Road (Dawei – Phu Nam Ron, Thailand)** : 150 Kilometers, Completed
- **Electricity (Coal-Fired Power Plant)**: Land available up to 5,000 rai for power plant development to serve Dawei Industrial EstatePlot location next to Bulk Port with possibility to develop power plant to sell to EGAT and within the Industrial Estate under a long-term contract (PPA)

4. Project Development Plan (cont'd)

PROJECT LAYOUT - ZONING DAWEI DEEP SEAPORT & INDUSTRIAL ESTATE



5. Investment Incentives

DSEZ Law

- Myanmar has welcomed flow of investments and will be directing a significant portion of international ventures to the development of Dawei, the Dawei Special Economic Zone.
- Special Economic Zone Law (SEZ Law) and Dawei Special Economic Zone Law (DSEZ Law) were enacted in 27th January, 2011.
- Notified and established by the Myanmar Government as a Special Economic Zone by demarcating the extent of territory and boundary in Dawei District, Tanintharyi region under the Myanmar Special Economic Zone Law with the following support incentives and privileges.

5. Investment Incentives

Special Privileges of Investor

The investor is entitled to carry out the following businesses ;

- (i) Manufacturing finished products from raw materials, process production by machinery, carrying out warehousing, transport, service providing.
- (ii) Transporting and importing raw materials, packaging materials, machinery and equipment, and fuel oils to be used in investment business from local or overseas to DSEZ.
- (iii) Commerce, import and export.
- (iv) Selling at local market, except medicines and foodstuff.
- (v) Establishing and operating offices for investment business and overseas service works in the DSEZ with the permission of the Management Committee.
- (vi) Constructing deep sea port.
- (vii) Constructing the industries such as steel plant, chemical fertilizer plant, oil refinery, petrochemical factory, coal or power station running on natural gas.
- (viii) Carrying out service businesses within the DSEZ
- (ix) Constructing roads, railroads from the prescribed region to border area for the project and extending electricity distribution lines, petroleum pipe lines and gas pipe lines.
- (x) Establishing the infrastructures for residential and economic development, tourism, places which contain resort centers.
- (xi) Carrying out other businesses not prohibited under the existing laws, with the permission of the Management Committee.

6. Fact Sheet

- **Official Name:** Republic of the Union of Myanmar
- **Capital:** Nay Pyi Taw
- **Largest City:** Yangon (Rangoon)
- **Official Language:** Myanmar (Burmese)
- **Currency:** Kyat (K/MMK)
- **Time Zone:** UTC+6:30
- **Dialling Code:** +95
- **Population:** 58,840,000
- **National Races:** Major 8 races (Total 135 races)
- **Official Language:** Myanmar

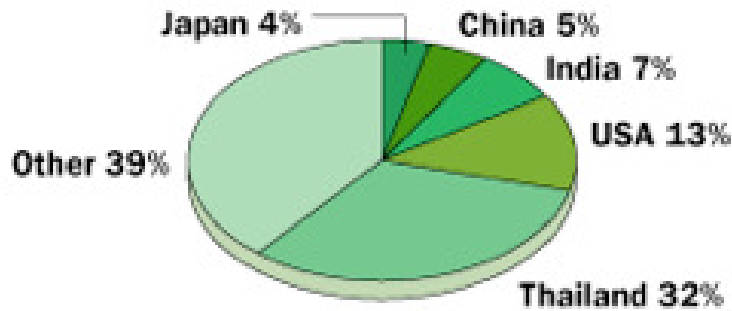
6. Fact Sheet (Cont'd)

Economic

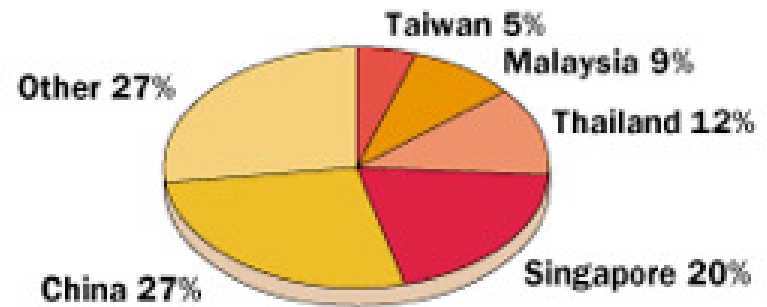
- Myanmar's economy is agriculture-based and functions mainly on a cash and barter system. Its key industries are controlled by military-run state enterprises. Every aspect of economic life is permeated by a black market, where prices are rocketing – a reaction to official price controls.
- Since 1989, the SPDC's open-door market-economy policy has brought a flood of foreign investment in oil and gas (by Western companies), and in forestry, tourism, and mining (by Asian companies). The resulting boom in trade with China has turned less developed Upper Myanmar into a thriving business center.

6. Fact Sheet (Cont'd)

EXPORTS

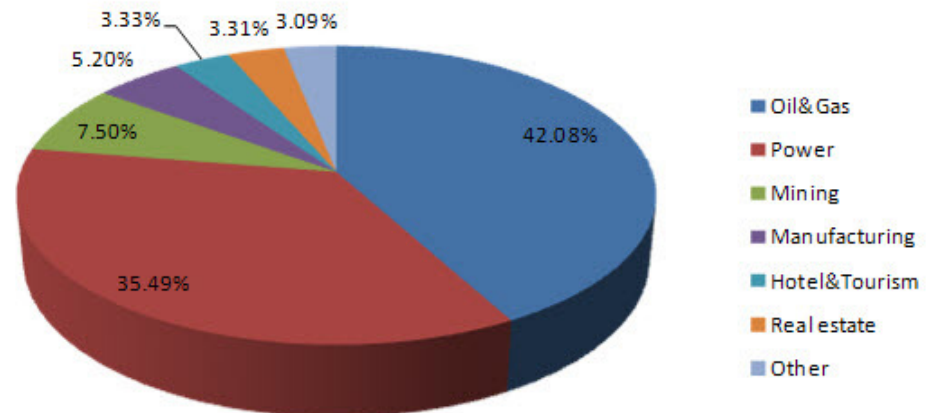


IMPORTS



Foreign Investment Permitted Enterprises (As of 2010)

Percentage



6. Fact Sheet (Cont'd)

Year	2000	2005	2006	2007	2008	2009
GDP Growth (Real)(%)	13.7	13.6	13.1	11.9	n.a.	n.a.
GDP (Nominal)	2,552,733	12,286,765	16,852,758	23,311,693	n.a.	n.a.
GDP per capital (Nominal) (USD)	178	216	257	350	533	571
CPI Growth (%)	-1.72	10.74	26.33	32.93	n.a.	n.a.
Current Account	1,098	2,906	5,896	10,111	n.a.	n.a.
Trade Balance	1,011	9,976	14,459	18,091	n.a.	n.a.
FDI (USD)	217,638,000	6,065,675,000	752,700,000	172,720,000	984,996,000	302,350,000

7. Research Questions

- Q1.** What are the categories of goods traded and flowing between the west (India, EU, MENA) and the east (Thailand, China, Taiwan, Korea, Japan) sides of Dawei?
- Q2.** What would be the targeted industries to be located in the Dawei industrial park and their priorities? (formulating your planning recommendations based on you analyses using Global IO Table and ITC's trade map) How would those industries benefit the regional economies?