

# Dawei Special Economics Zone and the impacts on Vietnam

Vu Dang Duong – SITV

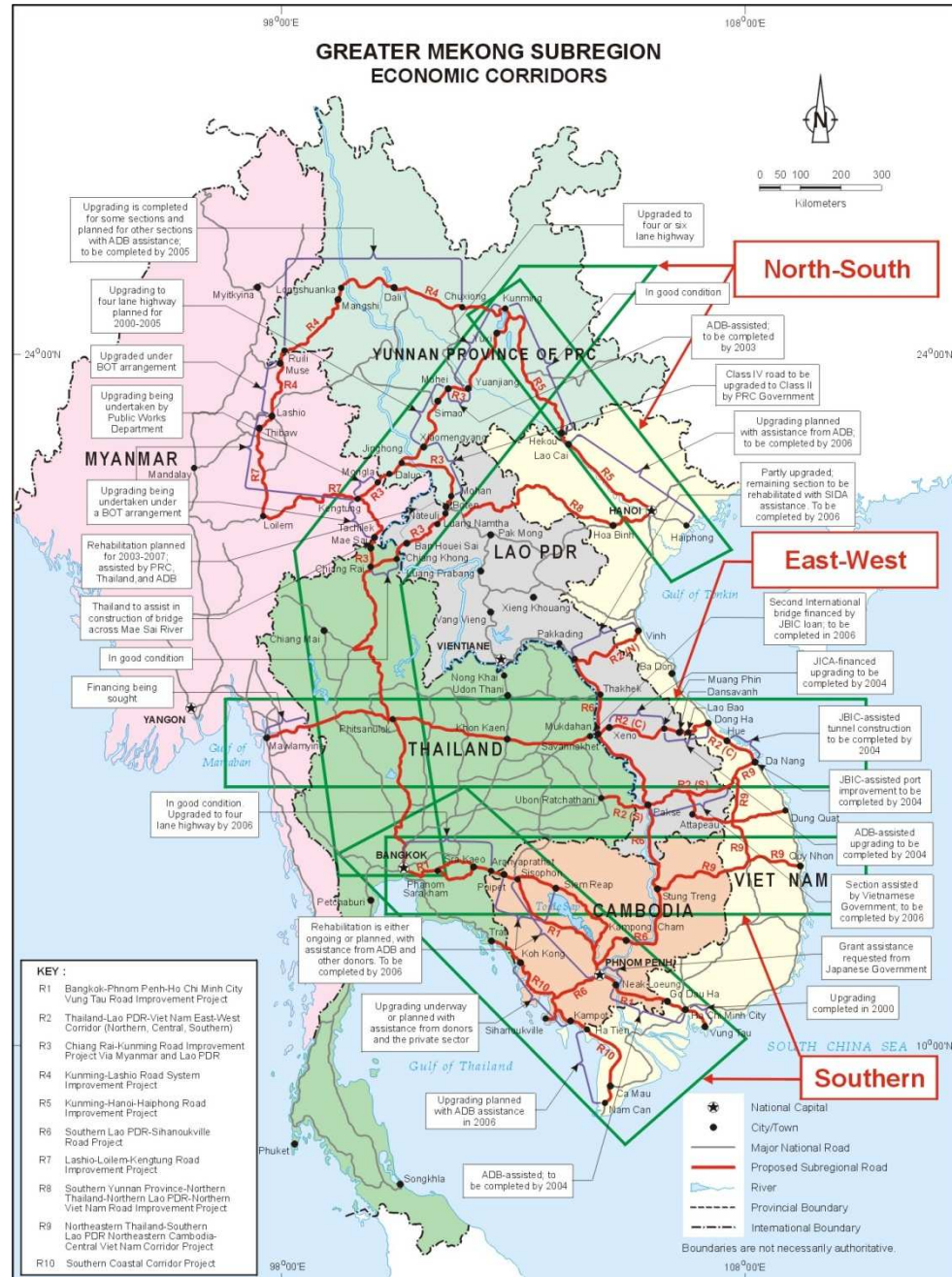
- An industrial project that could change Myanmar

**The New York Times**

- New Burma port 'to become trade corridor'.

**BBC**

# GMS maps, before 2010



# GMS maps, since 2010



# Dawei: General data

- 250 km<sup>2</sup> project area
- Developed by Italian-Thai Development Plc. (ITD)
- Framework Agreement signed between ITD and Myanmar Port Authority on November 2<sup>nd</sup> 2010
- Targeted industries: steel, chemicals, fertilizer, oil refinery, also medium and light industries.
- 350km away from Bangkok
- First phase: \$4 US billion to develop deep-sea port, roads and railways linking.

# Dawei port

- Two basins, 22 wharves
- Channel's depth: -18m
- Natural shelter good for anchorage
- No obstructions for approach channel & port basins
- Servicing liquid cargo, agricultural products, general cargo, containers..
- Optional 3<sup>rd</sup> port basin



# ITD's ambition

Dawei: Burma's planned regional trade hub



Map's Source: **BBC**

- With completion of the port upgrade, goods bound for Thailand, China, Vietnam and Laos will be able to cut an average of 10 days off transport

# Dawei: 2011 Update

- Dawei SEZ Law enacted by the Myanmar Government on 27<sup>th</sup> Jan 2011
- The Central Working Body established on 28<sup>th</sup> Apr 2011 by the Myanmar Government.
- Japan Road show: mid Jun 2011
- Vietnam visit: late Aug 2011
- Finance Advisor: Siam Commercial Bank
- Legal Administrator: Baker & McKenzie
- Interested in the project:



# Why Dawei attractive?

- Location
- Resource: Oil and Gas
- Connectivity
- Investment Promotion
- ASEAN Economic Community to be created in 2015
  - Single market;
  - Fair competition;
  - Production base

# Dawei: Investment Promotion

<b>TAX EXEMPTION</b> (proceeds of overseas sale)	<ul style="list-style-type: none"> <li>❖ Year 1-5                    0%</li> <li>❖ Year 6-10                   15%</li> <li>❖ Year 11-15                 15% ; if profit is reinvested, <b>otherwise 30%</b></li> </ul>
<i>Possible extension of the tax exemption</i>	<p><i>After the Tax Exemption period, income tax relief for that year may be applied for; depends on the <b>VALUE OF EXPORT ITEMS</b> are met according to the below conditions:</i></p> <p><i>Large Scale Investment:     &gt; 50% of total value of product</i></p> <p><i>Medium Scale Investment: &gt; 60% of total value of product</i></p> <p><i>Small Scale Investment:    &gt; 70% of total value of product</i></p>
<b>EXEMPTION OF COMMERCIAL TAX &amp; VAT</b>	Export items
<b>EXEMPTION OF IMPORT TAX &amp; CUSTOM DUTIES FOR RAW MATERIALS AND MACHINERIES</b>	Export-oriented processing business <ul style="list-style-type: none"> <li>❖ 0% for 5 years</li> <li>❖ 50% reduction for the next 5years</li> </ul>
<b>LAND USE</b>	<ul style="list-style-type: none"> <li>❖ Large Scale Investment:    up to 75 years</li> <li>❖ Medium Scale Investment: up to 60 years</li> <li>❖ Small Scale Investment:    up to 40 years</li> </ul>

# ASEAN Community

Key Strategies to Enhance Physical Connectivity	
Strategy 1	Complete the ASEAN Highway Network
Strategy 2	Complete the implementation of the Singapore Kunming Rail Link (SKRL) project
Strategy 3	Establish an efficient and integrated inland waterways network
Strategy 4	Accomplish an integrated, efficient and competitive maritime transport system
Strategy 5	Establish integrated and seamless multimodal transport systems to make ASEAN the transport hub in the East Asia region
Strategy 6	Accelerate the development of ICT infrastructure and services in each of the ASEAN Member States
Strategy 7	Prioritise the processes to resolve institutional issues in ASEAN energy infrastructure projects

- (iii) Promote the Mekong-India Economic Corridor (MIEC) as a land bridge.
- Construct the Mekong Bridge in Neak Loung (National road No.1 in Cambodia);
  - Develop the Dawei deep sea port (by 2020);
  - Build the highway between Kanchanaburi and Dawei (by 2020); and
  - Conduct a feasibility study and preliminary design for the railway spur line between Kanchanaburi and Dawei.

Source: ASEAN Secretariat, **Master plan on ASEAN Connectivity**, 2011

# Dawei – Bangkok corridor



# Obstacles

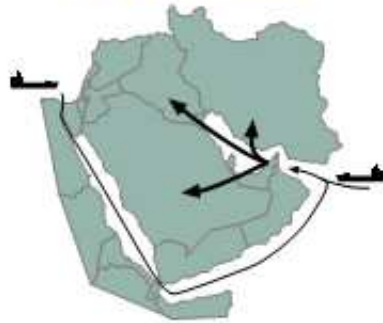
- Low-developed country
  - In the list of Least Developed Countries
  - GDP per capita: 587 USD (IMF, 2009)
  - Population below poverty line: 32.7 % (CIA World Fact Book, 2007).
- “Unpredictable and arbitrary government” (Prof. Sean Turnell, Macquarie University).
- The prospective highway goes through a major insurgency area.

# Will Dawei be successful?

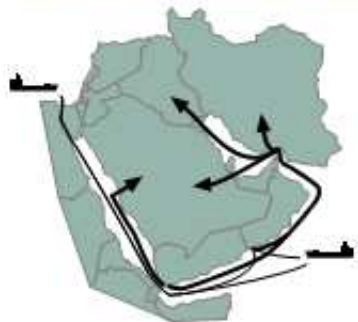
- Attract investment?
- Transportation hub of the region?

# Port at Arab Peninsula

View from Dubai

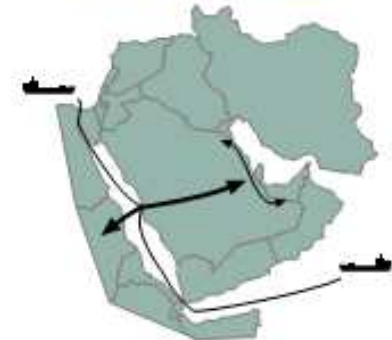


View from Salalah/Aden

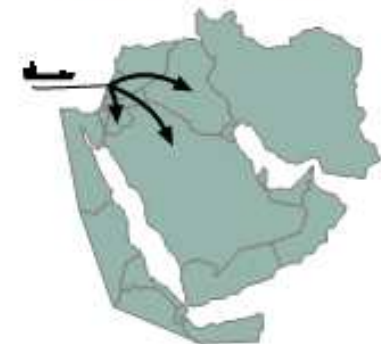


- Dubai: from 4.2 mil TEUs in 2002 to 11.1 mil TEUs in 2009, ranked 7<sup>th</sup> in the Top 100.
- Jeddah and Salalah mark the volume at over 3 mil TEUs recent years.
- Operated since late 2000, now Beirut come to the Top 100 with annual throughput reach nearly 1mil TEUs.

View from Jeddah



View from Beirut



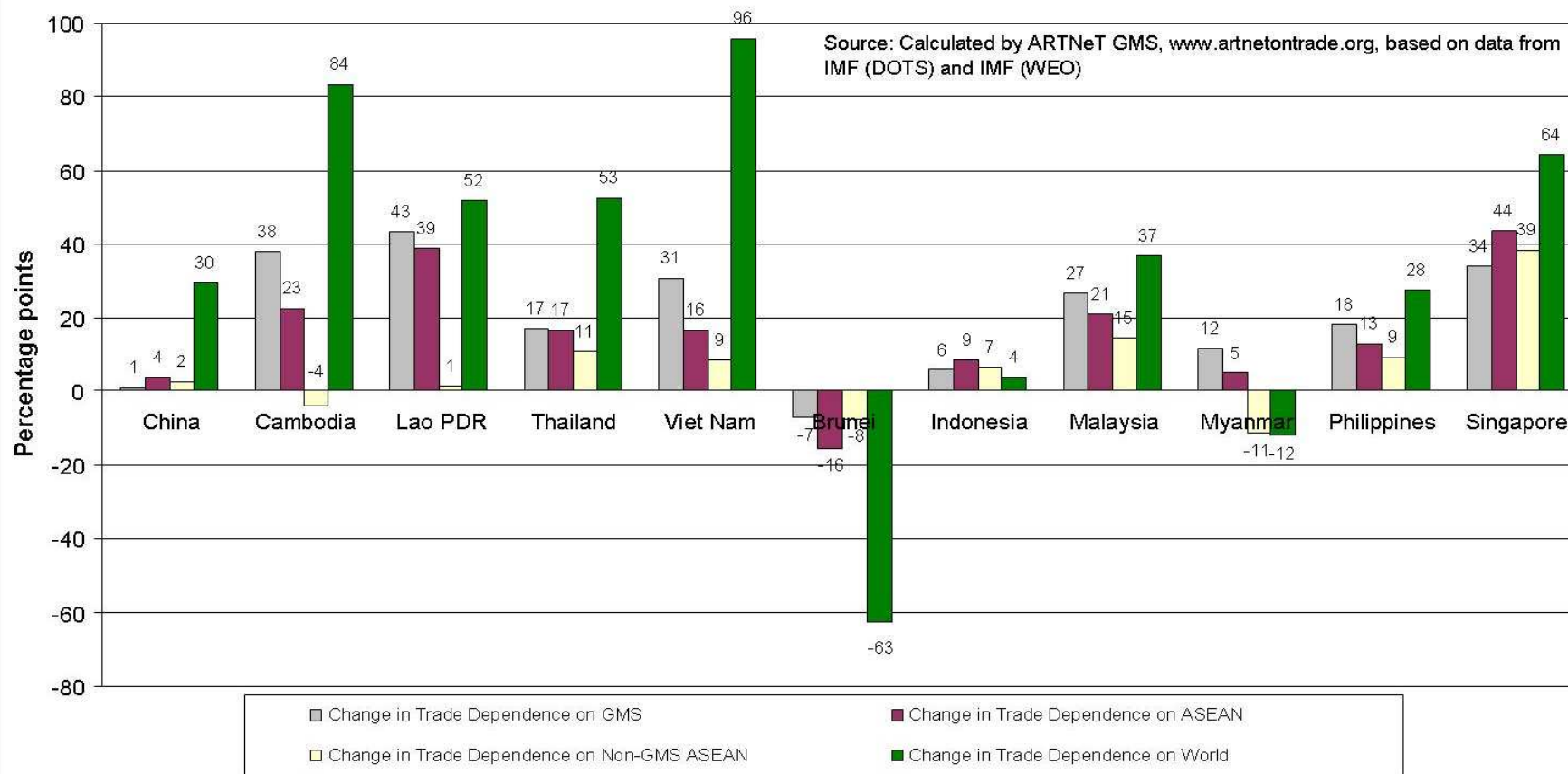
- Dawei has the location, sound ambitions and the good investment.
- Dawei has a good start. Dawei is on the right track thus far.

# Dawei and the impacts on EWEC

- EWEC (East-West Economic Corridor) was the first economic corridor in the GMS to get the full road connection.
- But thus far, “the East–West Corridor remains a transport corridor with little evidence of transformation into an economic corridor” (ADB, 2008).
- And “EWEC infrastructure is heavily wasted”, Le Huu Thang, Vice Chairman, Quang Tri People’s Committee.



### Change in GMS & ASEAN Countries Trade Dependence (1992-2008) (Percentage points)



Note:

1. GDP and Trade data in current US\$

$$\% \Delta TD_{1992-2008} = \frac{TotalTrade_{2008}}{GDP_{2008}} * 100 - \frac{TotalTrade_{1992}}{GDP_{1992}} * 100$$

Source : UNESCAP website

# Da Nang Port



- Ambition: Become the hub for not only the central provinces, but also for the EWEC.
- Annual cargo throughput increased by 10-12%; container 25%.
- But the transit volume is very limited, less than 3% annually.

## Compare Transportation Cost and Time between Transportation Modes for Lao Exporters

Route Vientiane - Singapore	Mode of Transportation	Total cost (USD)	“Other” handling charges	Length (km)	Time (days )
Via Da Nang	Road – Sea	2150	700	2800+	9-10
Via Bangkok	Road	2139	300	2100+	4-5
Via Lat Krabang	Road – Rail – Road	1550	n/a	2100+	7-8
Via Bangkok	Road – Sea	1215	n/a	2100+	5-6

Source : National Transport Committee, MCTPC 2006

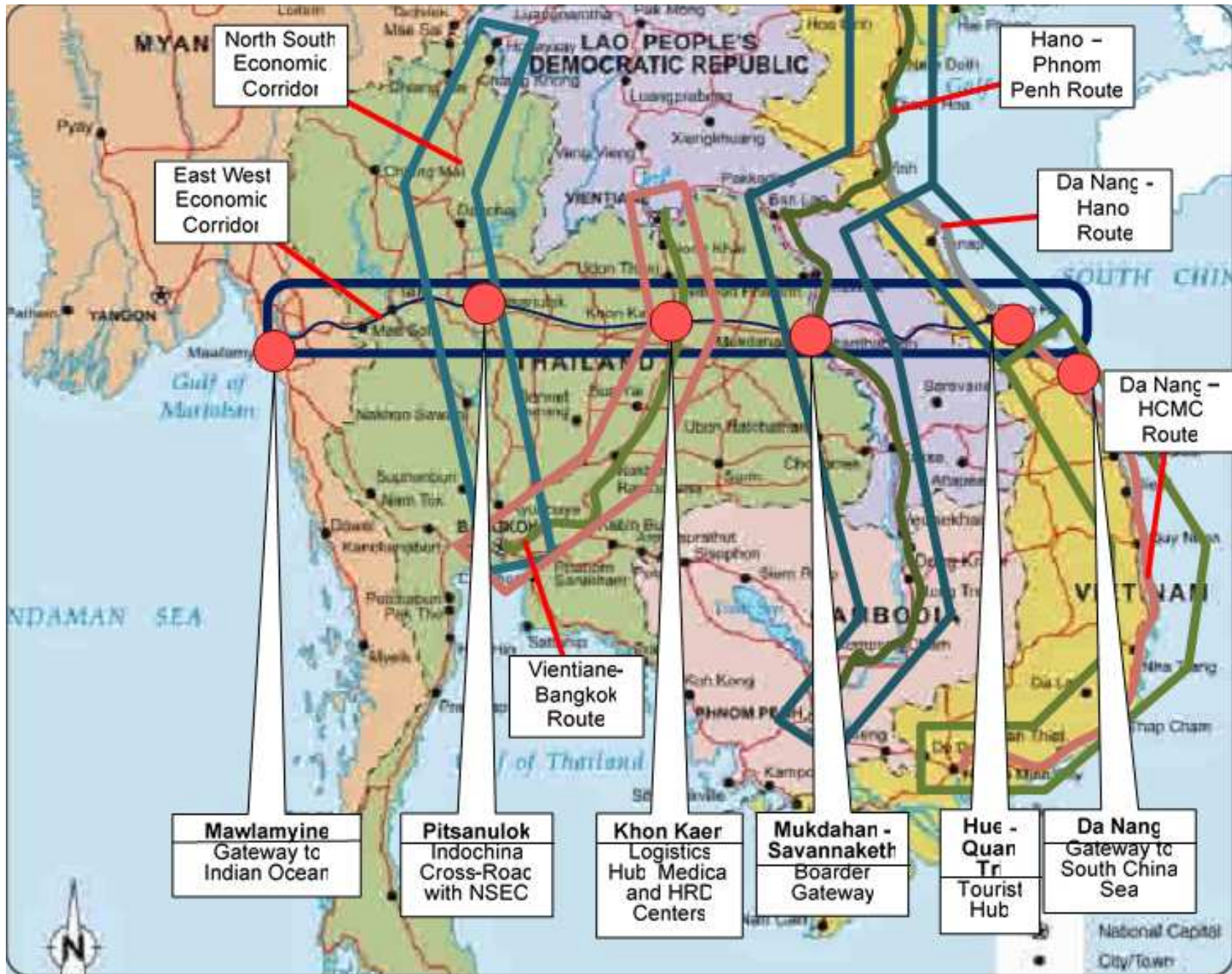


# Dawei impacts: Expert's opinions

- The Dawei project will have the two following effects on Ewec.
  - Dawei port will make a port at Mawlamyine redundant.
  - Improved connections between Dawei and Bangkok will reduce the likelihood that Ewec will be a success.

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# Future Investment at Da Nang

- Da Nang port
  - Upgrade Tien Sa terminal (receive 50,000 DWT vessel)
  - Build Son Tra terminal (receive 20,000 DWT vessel)
  - Build Lien Chieu terminal (receive 80,000 DWT vessel)
  - Logistics center (20ha, started compensation)
- Upgrade Da Nang – 1A NR – Lao Bao
- Upgrade Da Nang – 14B-14D NR – Nam Giang



# but .. My Thuy port?

- Deep-water port
- 995ha; 3272m berth length
- Investment cost: at least 1 million USD
- Targeted to serve the Lao Bao EZ and Dong Nam Sea EZ, also cargo from EWEC(!).
- My Thuy port has been added to the Master Plan of Seaport, regarding to 7557/BGTVT-KHĐT Document.



# Conclusion

- There is crisis over EWEC in term of losing investment.
- But in crisis there is opportunities!

Thank you!