

ASEAN-India Connectivity: The Comprehensive Asia Development Plan (CADP), Phase 2

So UMEZAKI

Senior Research Fellow, Singapore, IDE-JETRO

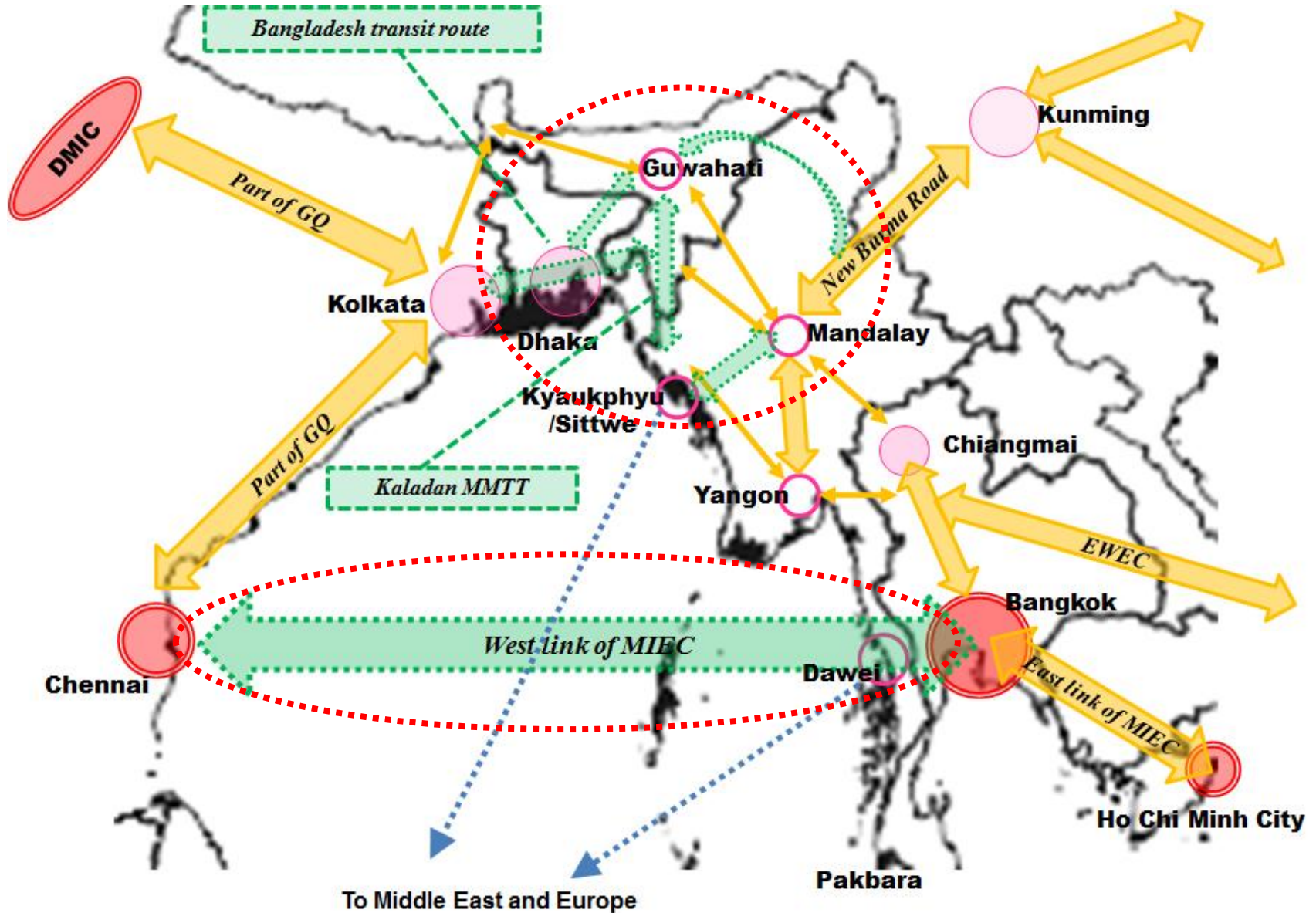
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4-1. A regional framework



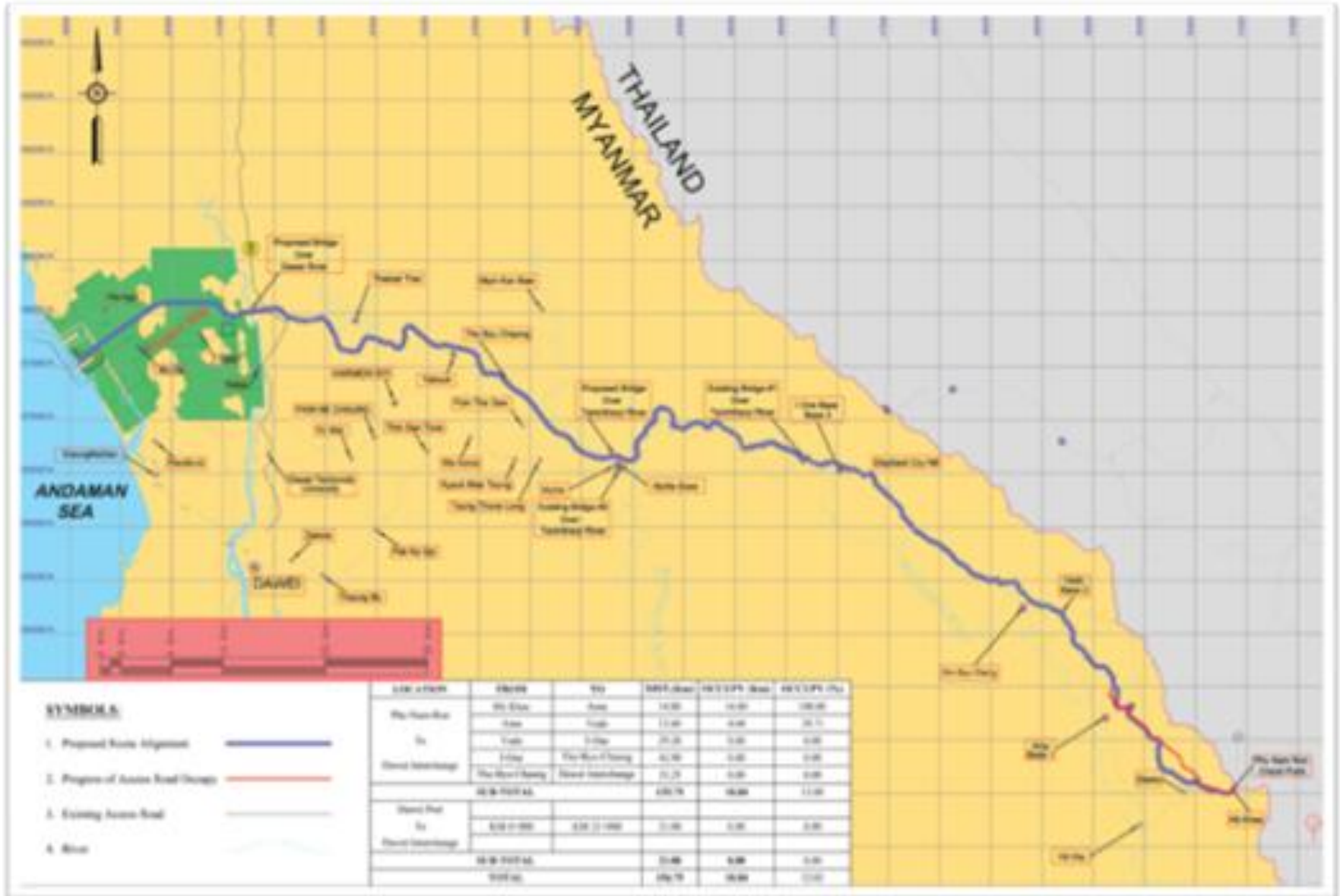
4-2-1. Mekong India Economic Corridor: Background

- CADP recommended to promote the Mekong-India Economic Corridor (MIEC), which enhances the connectivity between Ho Chi Minh City, Phnom Penh, Bangkok, and Dawei by road, and further to Chennai in India by sea route. According to the simulation in CADP, the percentage increases in real GDP in 2020 vis-à-vis the baseline scenario are 0.32% for EWEC, 0.14% for NSEC, and 1.19% for MIEC, and the percentage reductions in the Gini coefficients are 0.07% for EWEC, 0.13% for NSEC, and 0.23% for MIEC.
- **ASEAN Leaders adopted the promotion of MIEC as one of the key actions in the Master Plan on ASEAN Connectivity (MPAC) in October 2010.**
- Japan's recent decision to provide ODA to Cambodia for the construction of a Mekong Bridge in Neak Leoung, despite the difficulties due to from the bad fiscal position of the country, is another major and welcome development.
- Given this significant step made in Cambodia, the remaining and more important issue is to establish the new linkage between Bangkok and Chennai.
- In particular, a deep sea port in Dawei will provide vast opportunities for the firms operating in Bangkok metropolitan area and the region along MIEC by opening up a new shipping route to India, the Middle East, and Europe. On the other hand, firms in India, particularly those in Chennai, are expected to have less costly and alternative access to ASEAN. In addition, this development is expected to reduce congestion in the Malacca Strait.

4-2-2. Dawei development project (1)

- Myanmar Port Authority (MPA) which provides port services conducted preliminary study and sites selections for deep seaport by taking into consideration of natural and technical condition. The appropriate sites are earmarked for construction of deep sea ports along the coastline of Myanmar; such as Kyaukpyu in Rakhine State, Kalegawk in Mon State, Dawei and Bokpyin in Tanintharyi Region.
- In July 1996, an MOU was signed between MPA and Italian Thai Development Public Company Limited (ITD) to execute feasibility study for Dawei deep sea port and integrated development plan. The scope of project included construction of highway road and development of deep sea port to accommodate 50,000 DWT and 300,000 DWT general/container vessels and break bulk vessels respectively.
- An MOU on the Dawei deep sea port and industrial estate project between MPA and ITD was signed on 6 December 2008 and the Framework Agreement signed on 2 November 2010. ITD has been granted the right from the Myanmar Government to develop the Dawei Project covering the area of 250 km², over 75 years project period, for the development of a deep sea port, industrial estate, and trans-border corridor link.
- The total project cost is estimated to be US\$80 billion.

4-2-2. Dawei development project (2)



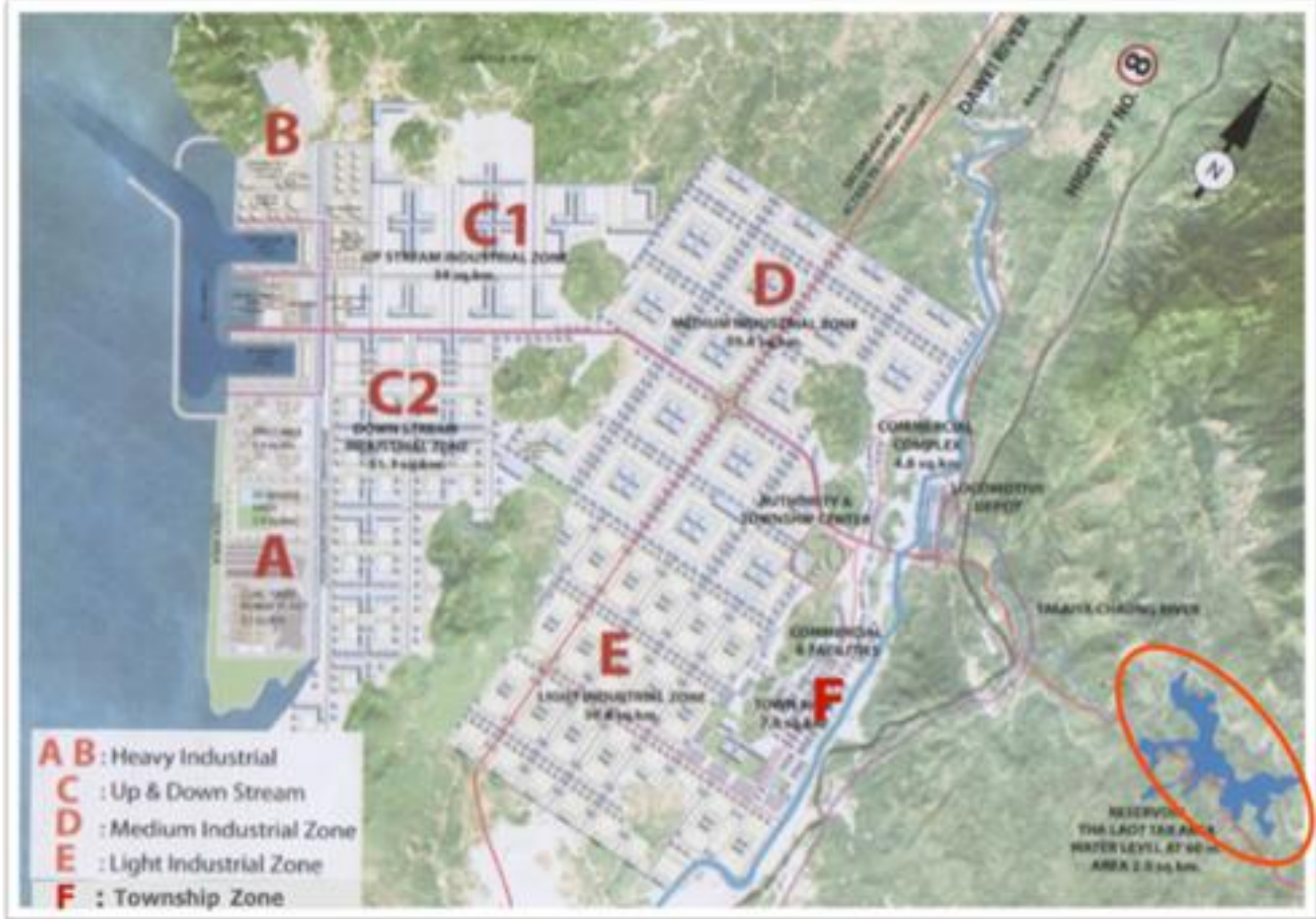
4-2-2-(1). Dawei deep sea port

- Three proposed deep sea ports with the maximum draft of -20m Chart Datum are planned with the capacity of over 200 MT per annum for services of liquid cargo, general cargo, containers and bulk cargo. Dawei Deep Sea Port will be integrated with road and rail transportation right up to the port terminals. In addition, the sea ports will be equipped with a shipbuilding facility capable of providing building and maintenance services for large vessels.
- Port development project has two port areas as follows:
 - a. Deep sea port (North) - Port area is 2.7 km² and 1.5 km² cargo yard and 1.4 km² ship building yard are included.
 - b. Deep sea port (South) - Port area is 3 km² and 1.5 km² ship agriculture yard is included.
- The Dawei Port facilities and industries are well linked. The steel industry will be supported by the bulk port, requiring throughput of iron ore, coal and other materials, and will export its owned finished products totaling 40 million tons a year. The Dawei Port will handle 5 million tons of agricultural produce like rice, sugar, corn, tapioca and other grains a year. The import of coal will be 25 million tons a year. The Dawei Port will handle 3.2 million TEU a year, which is equivalent to 45 million to 50 million ton of general cargo, 35 million tons of chemical and petrochemical, and 36 million tons of crude oil. The handling capacity of the Dawei Port is up to 200 million ton a year.

4-2-2-(2). Dawei industrial estate

- The integrated industrial estate offers a consolidated one-stop industrial production base, consisting of upstream to downstream products in five different zones as follows:
 - ❑ Zone A: Heavy industry zone (38.3 km²) includes coal fired power plant, steel mill, fertilizer, ship building and cargo yards and deep sea port;
 - ❑ Zone B: Heavy industry zone for oil and gas storage, oil refinery, gas separation plant and compound circled power plant;
 - ❑ Zone C: Medium and heavy industry zone (44.7 km²) for upstream and downstream petroleum industry;
 - ❑ Zone D: Medium industry zone (58.6 km²);
 - ❑ Zone E : Light industry zone (43 km²); and
 - ❑ Public area (13.5 km²) for commercial complex, authority center and township and district offices.
- The industrial estate will need at least 300,000 m³ of water per day. A reservoir will be built to provide 100 million m³ to the industrial estate during the four month of dry season.

4-2-2-(2). Dawei industrial estate: Layout plan



4-2-2-(3). Dawei Special Economic Zone

- In order to enhance the Dawei Deep Sea Port and Industrial Estate Project, the previous military government enacted Dawei Special Economic Zone Law as Law No (17/2011) on 27 January 2011.
- The objectives of this law are as follows:
 - a. to implement the Dawei Special Economic Zone by the supervision of the Central Body in accord with the objectives contained in section 3 of the Myanmar Special Economic Zone;
 - b. to emerge as the pivotal place for the trade and transportation of South East Asian Region;
 - c. to develop the businesses of the Dawei Special Economic Zone;
 - d. to create more employment opportunities for the public within the Dawei Special Economic Zone; and
 - e. to develop the infrastructures within the Dawei Special Economic Zone.

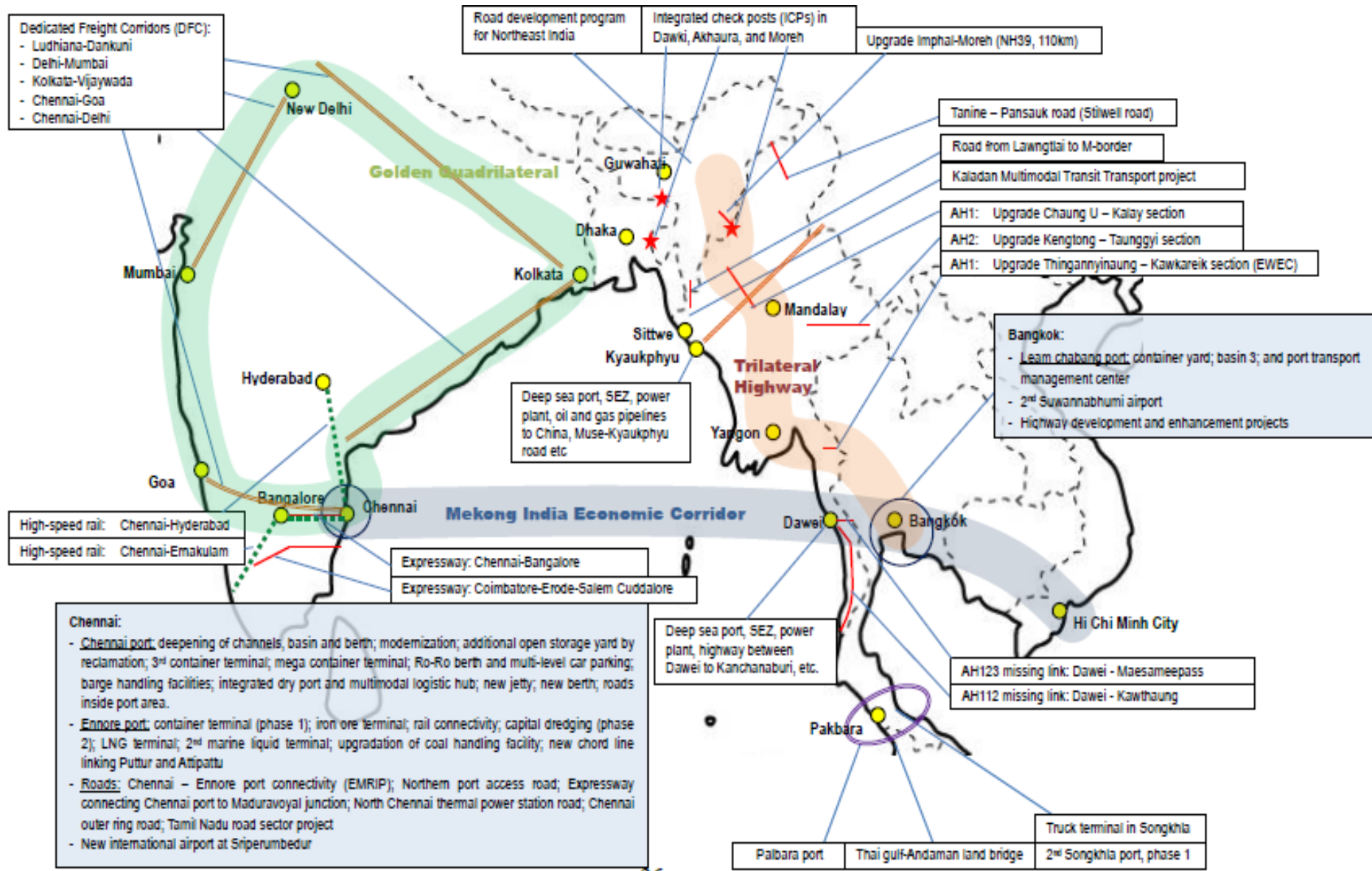
4-2-3-(1). Opportunities

- According to a simulation analysis by Kumagai and Isono (2011):
 - (1) MIEC has the largest impacts on Cambodia, followed by Myanmar, Thailand, and Lao PDR;
 - (2) Tanintharyi, where Dawei is located, enjoys the largest impact, equivalent to 9.5% vis-a-vis the baseline scenario;
 - (3) allowing the transit transport in Myanmar is critical for countries other than Myanmar, especially for Thailand;
 - (4) Dawei project has larger impact than Pak Bara project for Thailand, and there is almost no additional impact when we compare Dawei project only and both Dawei and Pak Bara projects;
 - (5) West Bengal and Tamil Nadu have positive impacts while others see slight negative impacts, and the total impacts on India as a whole, in terms of the percentage change in RGDP, is limited, mainly due to the fact that India has higher preference for domestic products.
- **Dawei project will enhance connectivity between Bangkok and Chennai, which can open wide opportunities for the private sector to optimize their production activities in ASEAN and India (through fragmentation and reviewing supply chains).**
- **Having an alternative route, in addition to the existing route via Singapore, would enhance the resilience of regional production networks.**
- Dawei project may provide an attractive industrial location for private firms and factories that are currently located in Thailand and the neighboring countries, including Japanese affiliates, to relocate to.

4-2-3-(1). Challenges

- **Funding problem**: ITD has established a special purpose company (Dawei Development Corporation: DDC), which is wholly owned by ITD. Although ITD has been looking for investors for up to 49% share of DDC, it has long had difficulty in finding partners, mainly because Myanmar has long been under the Western, the US's in particular, sanctions. Large MNCs were thus far reluctant to invest and do businesses in Myanmar, since they are afraid of damaging their reputation in the international community.
- However, the new government of Myanmar, which was established 30 March 2011, is apparently moving forward to political and economic reforms, including the dialogue with Aung San Suu Kyi, the leader of democratic forces, the release of quite a number of political prisoners, relaxing media control and internet access, the consultation with the IMF to restructure the country's highly distorted exchange rate system, and so forth.
- Based on these changes, the US started to talk intensively with the Myanmar government, and people think that the sanctions imposed by them may soon be relaxed, or lifted in due time. The next ASEAN Summit in mid-November will reward Myanmar by allowing it to take a role of ASEAN Chair in 2014. Accordingly, the large MNCs started to pay more attention to Myanmar.
- **Small population in Dawei.**

5-2. Key infrastructure projects (1)



5-3. Key infrastructure projects (2)

- There are two main routes, namely **the sea route along MIEC** and **the land route along the Trilateral Highway**. Although the designed route of Trilateral Highway ends at Kohima in Northeast India, it is expected to connect to mainland India through the existing national highway network in India via “chicken neck,” through the multimodal transport corridor being developed under the Kaladan Multimodal Transit Transport project, or through Bangladesh using its highway network or inland waterway.
- **Development projects in Dawei are of the primal importance for the successful completion of MIEC.** Although there is a comprehensive plan including a deep sea port, a special economic zone, highway to Thai border, a power plant, and so on, the actual construction work has just started and will take several years for completion. In addition, there are a lot of challenges to explore the full potentials of the plan, particularly in inviting foreign investment in Dawei. Furthermore, it is important to establish an effective and efficient institutional arrangement to allow transit transport in Myanmar part of MIEC, that is, between Maesameepass (Thai border) and Dawei. ASEAN’s three framework agreements on transport facilitation are to be implemented by the year 2015, with emphasis on the designated transit transport routes (TTRs). The route connecting Kanchanaburi and Dawei (AH123) is not included in the “designated” TTRs. **As the completion of MIEC is already agreed as one of the strategic actions in MPAC, this route should be included in the designated TTRs.**

Thank you very much for your attention.

Comments welcome

soumezaki@gmail.com