

DAWEI SEZ MC

Dawei Special Economic Zone (DSEZ)

Information Pack

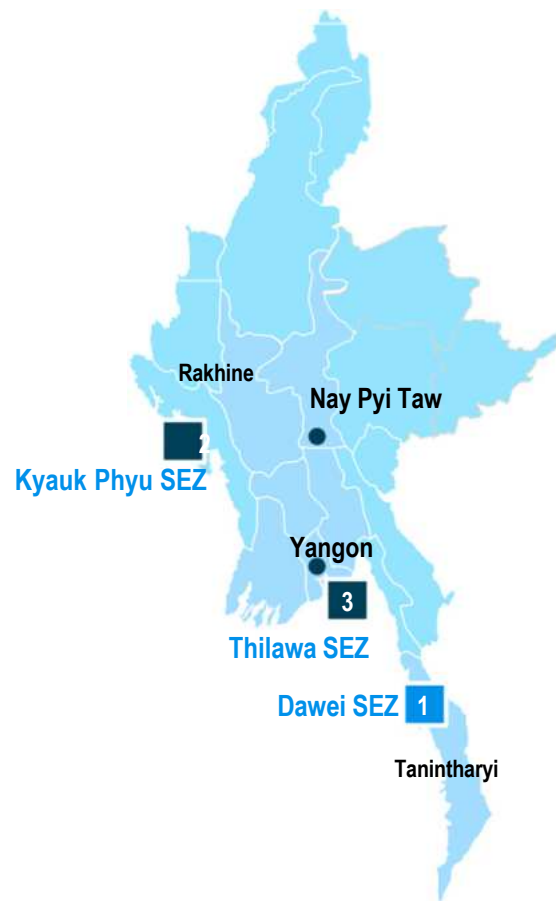
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A. Overview of Dawei SEZ



Introduction

Dawei Special Economic Zone will be the largest of the 3 SEZs in Myanmar aiming to spur the country's overall economic development



1

Dawei SEZ (~196 km²)

- > In its full-fledged long term design, Dawei SEZ includes a **deep-sea port**, **industrial estate**, **power supply** and other utilities
- > **Strategic location** for GMS¹⁾ Southern Economic Corridor and MIEC²⁾
- > **Cross-border highway**, possible rail and pipeline with Thailand

2

Kyauk Phyu SEZ (~20 km²)

- > **Petrochemical hub**, with a **deep-sea port**, oil and gas terminal / **pipeline** linking with Kunming, China, **container port** and gas-turbine **power plant**
- > Planned industries include industrial, logistics, services, agricultural goods
- > Strategic location **between India and China**

3

Thilawa SEZ (~24 km²)

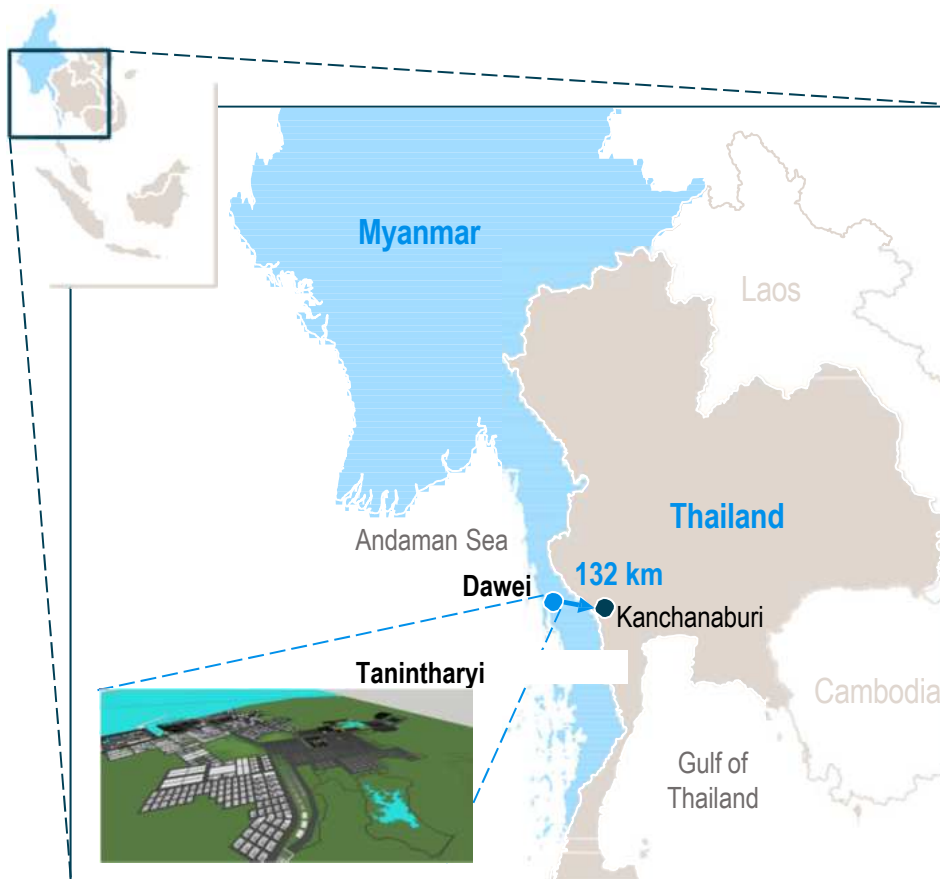
- > **Sea port nearby and industrial estate**
- > Planned industries include high-tech, textile, manufacturing and labor-intensive industries
- > **Close proximity to Yangon**

1) Greater Mekong Subregion; 2) Mekong-India Economic Corridor
Source: Desktop research, Press clippings, Kyauk Phyu SEZ Management Committee

Introduction

Dawei SEZ is located in Tanintharyi Region of Myanmar, adjacent to the Andaman Sea and near the Gulf of Thailand

Dawei SEZ – Introduction



Overview

- Size**
- > 196.5 km²
 - > One of the largest SEZs in Asia
- Location**
- > Located in **Southeastern Myanmar**, the **Capital of Tanintharyi Region**, which has 1.4 m population in 2014
 - > Strategically located adjacent to the **Andaman Sea** and near the **Gulf of Thailand**

Distance to key locations

> Distance (km) from DSEZ to:

132	Thai-Myanmar border (Ban Phu Nam Ron)
300	Bangkok (TH)
450	Eastern Seaboard (TH)
600	Yangon (MM)
1,050	Vung Tao (VN)
1,200	Chennai (IN)

Vision

Dawei SEZ's vision is to become "Myanmar Regionally-Integrated, World-Class and Export-Focused Special Economic Zone"

Vision for Dawei SEZ

Regionally-Integrated

- > Fostering Asian regional integration and completing **GMS Southern Economic Corridor**
- > Linking **Southeast Asia to the West**
- > Integrating with domestic gateways and SEZs

Export-Focused

- > Focusing on **servicing the western markets** (e.g. textile, fishery)
- > Completing the **missing rapidly chain links** of AEC (e.g. Steel, automotive, electrical & electronics)

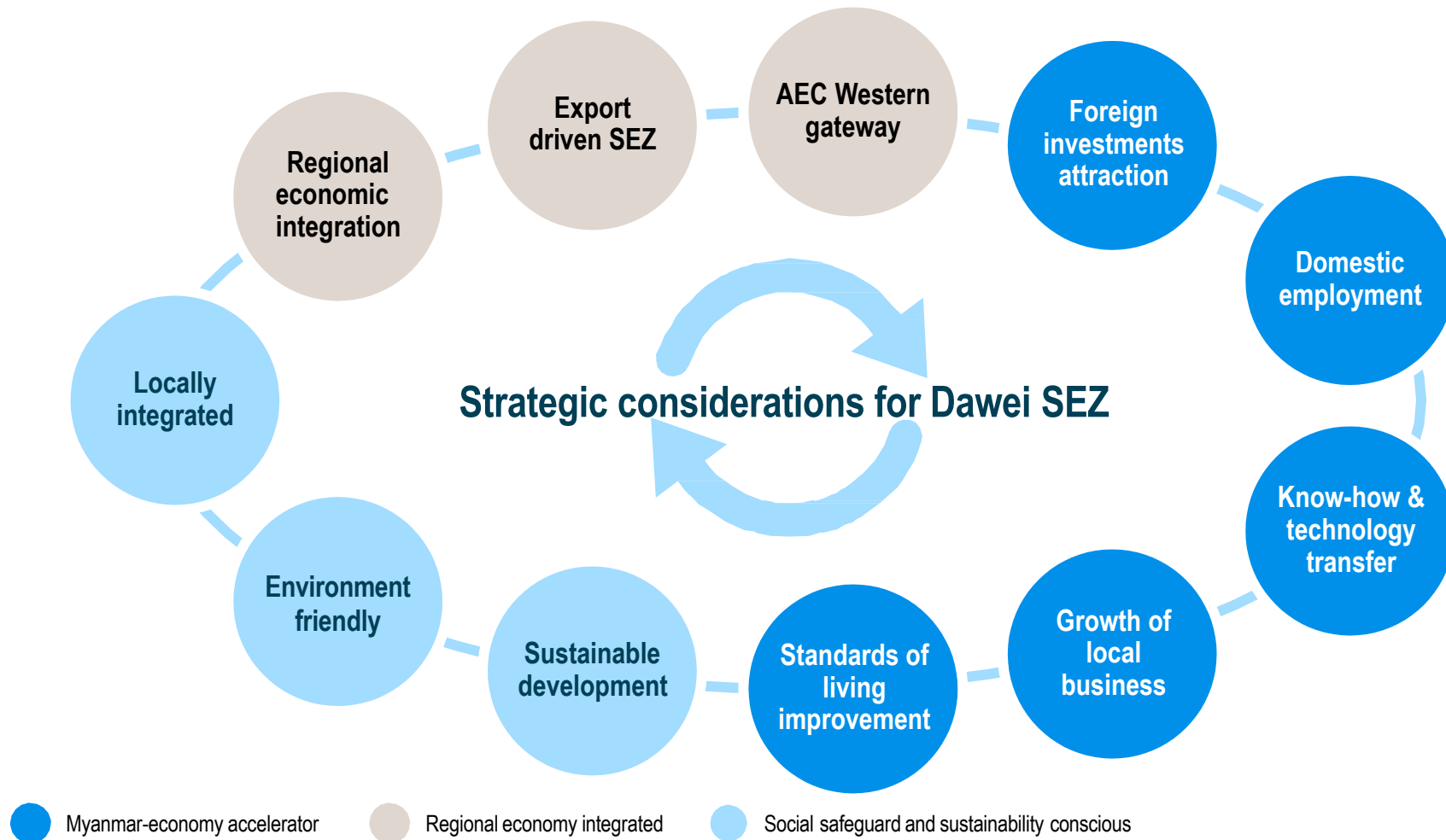
World-Class

- > **Deep-sea port** competing with the largest ports in the region, the largest in Myanmar
- > **Largest SEZ** in size in Southeast Asia
- > Taking into account **sustainability**



Vision

Dawei SEZ development is driven by 11 strategic considerations as guiding principles to boost the leap-frog but sustainable growth



Impacts of Dawei SEZ

Dawei SEZ will benefit local people and boost business opportunities

Foreign investments attraction

Easing of investment rules and regulations and **strengthening of foreign investment benefits**, supported by the Investment Law and Special Economic Zone Laws

Know-how & technology transfer

Development of manufacturing know-how and **acceleration of technology-transfer** to local employees and businesses from rising foreign investments

Growth of local business

Increase in demand of local supply chain and logistics service to assist emerging businesses and industries in Dawei SEZ

Domestic employment

Creation of jobs within the SEZ and among **local businesses providing supply chains** to the industries within the SEZ, including tourism

Standards of living improvement

Improvement of local infrastructure in the Dawei region and utility project such as highway and power supply

Impacts of Dawei SEZ

The benefits of Dawei SEZ on Myanmar extend from macroeconomic level to the levels of local businesses and people



Benefits to Myanmar people

- > **Standards of living enhancement** for the locals
- > **Infrastructure improvement** and better public facilities
- > Tremendous **job creation** and employment

Benefits to Myanmar businesses

- > **Great business prospects** for local ventures from increased regional logistics connectivity
- > **Joint venture potential** between local and foreign companies
- > Improvement of **industrial development**
- > Vast business opportunity from **huge FDI inflow**

Benefits to Myanmar Nation

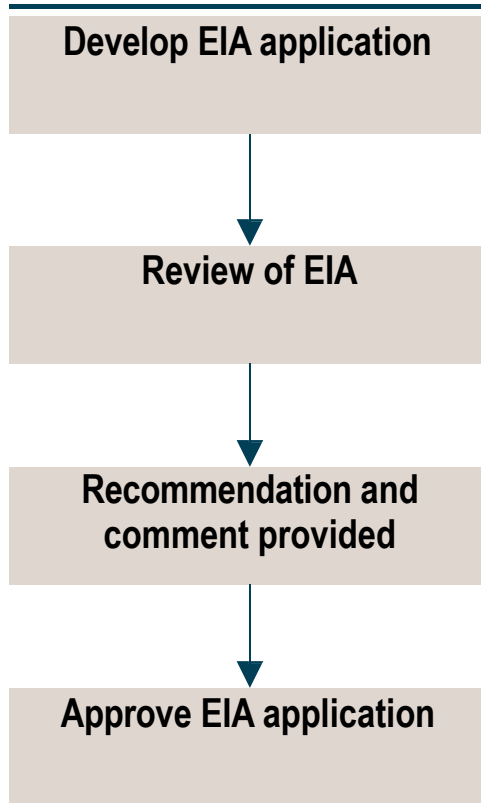
- > **Economic growth**
- > **Expansion and diversification of economic activities** from high-density Yangon area
- > Improvement of **income distribution**/Narrowing of the **income gap**
- > **Incoming tax revenues** for government
- > Improvement of **national reputation and credibility**

Environmental safeguards

To manage environmental impact, EIAs will have to be conducted and approved by the government before construction work can begin (All Reports were Approved by MONREC in 2018)

Environmental Impact Assessment (EIA) as environment safeguard

Key process



Details

- > Application must be developed by independent party
- > Reviewing team formed by the Cabinet will review the application
- > Review team will give comments to Minister of Environmental Conservation and Forestry
- > Application is approved, an Environmental Compliance Certificate was delivered in 2018



- > The Environmental Conservation Law is already in place in Myanmar
- > The related rules were also promulgated in 2014

Sr.	Projects	Types of Report				Approved by ECD
		EMP	ESIA	EIA	IEE	
1	Initial Industrial Estate					9-Nov-17
2	Water Treatment Plant					29-Aug-17
3	Two Lane Road					31-May-18
4	Small Port					7-Nov-17
5	Boil Off Gas					15-Feb-18
6	15 MW Temporary Power Plant					25-Oct-17
7	Initial Phase Power Plant					25-Oct-17
8	Initial Township					25-Oct-17
9	Small Water Reservoir					29-May-18
10	LNG Terminal					7-Nov-17
11	Telecommunication Landlines			Nil		

Social safeguards

Relocation and Compensation will occur in line with international practice

Relocation and Compensation

Relocation and Compensation process for affected population will be...

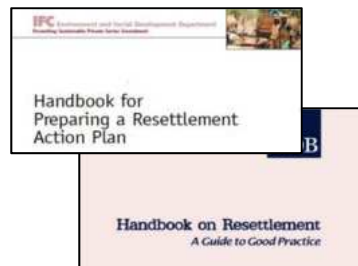
...led by experts Coordinated with TNY Relocation and Compensation Committee ...based on Guidelines

- > Experts appointed with **experience in similar scale projects of comparable scale**
- > **Independence emphasized** – experts cannot be affiliated with major developer

- ...involving communities**
- > **Plan designed** based on international standards (e.g., IFC)
 - > **Implementation monitored** to ensure adherence to international standards

- ...done transparently**
- > **Affected communities closely involved**
 - > **Participatory approach**

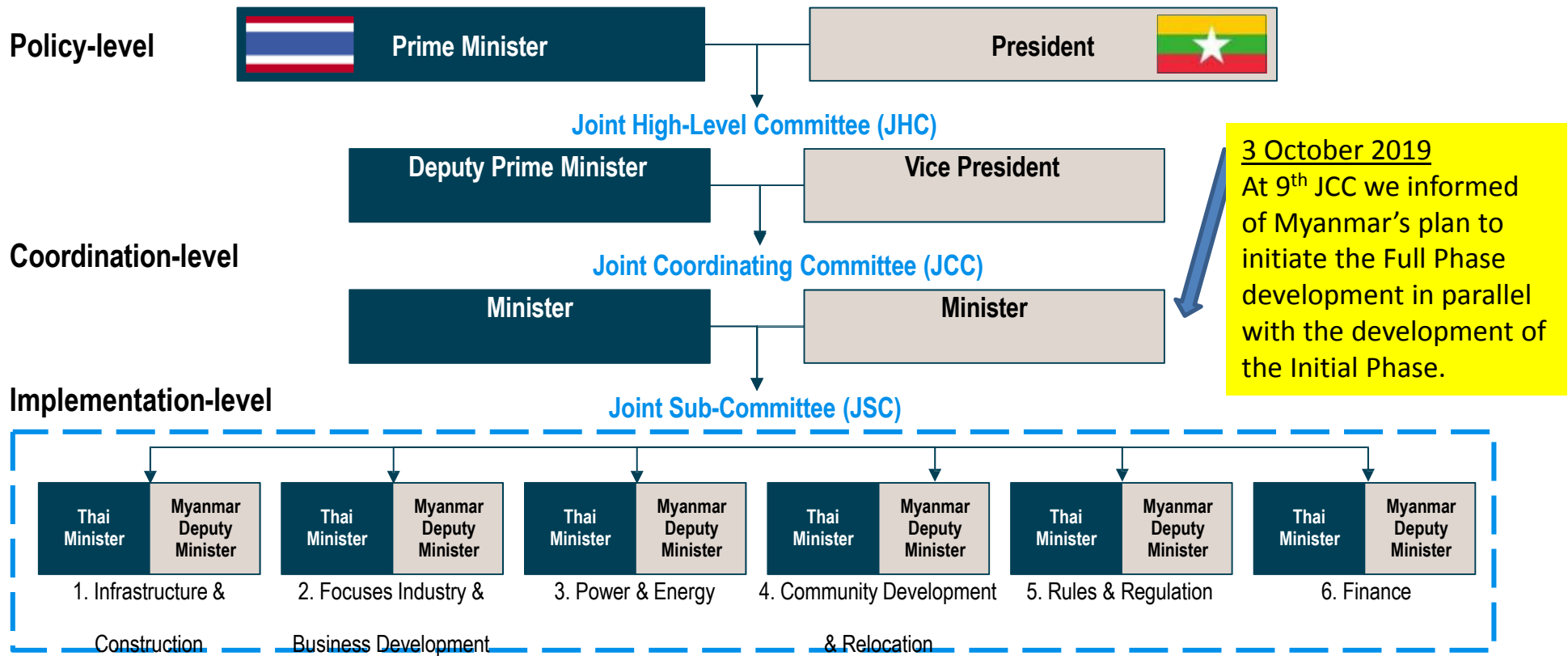
- > **Finalized plan to be made available** to the media, public and investors



Dawei SEZ governance

With both countries expected to benefit, Dawei SEZ is receiving full support from both Thai and Myanmar governments at all levels

Myanmar-Thailand collaboration structure for Dawei SEZ

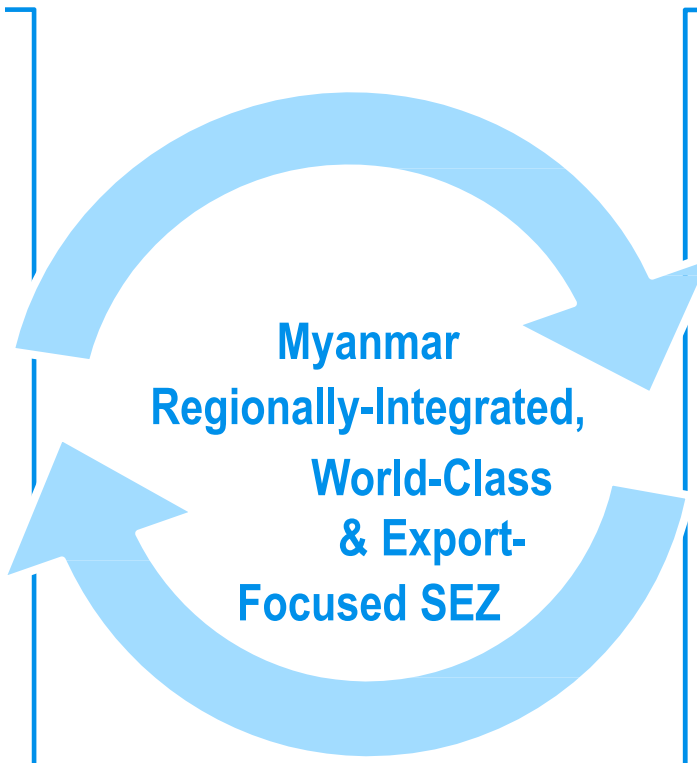


Value propositions of Dawei SEZ

Government incentives, as well as Dawei's location and Myanmar's economy and resources will attract wide range of investors

Value Proposition of Dawei SEZ

- A** Proximity to Eastern Seaboard & completion of SEC¹⁾ 
- B** Gateway to the West 
- C** Supply of local resources in hinterland 
- D** Competitive labor cost 
- E** Myanmar market growth 
- F** SEZ Legal framework, incl. fiscal incentives 
- G** Import duty exemption (GSP) 



Industries

Cluster 1:
Steel & Automotive

Cluster 2:
Labor driven (e.g. Textile/ Garments & Footwear, Electrical and electronics)

Cluster 3:
Resources driven (e.g. Non-ferrous metals, Rubber, Wood products, Food processing, Edible oils)

Cluster 4:
Petrochemical (e.g. Plastic products, Fertilizers, Pharmaceutical, Refinery, Chemicals)

1) GMS Southern Economic Corridor
Source: Roland Berger

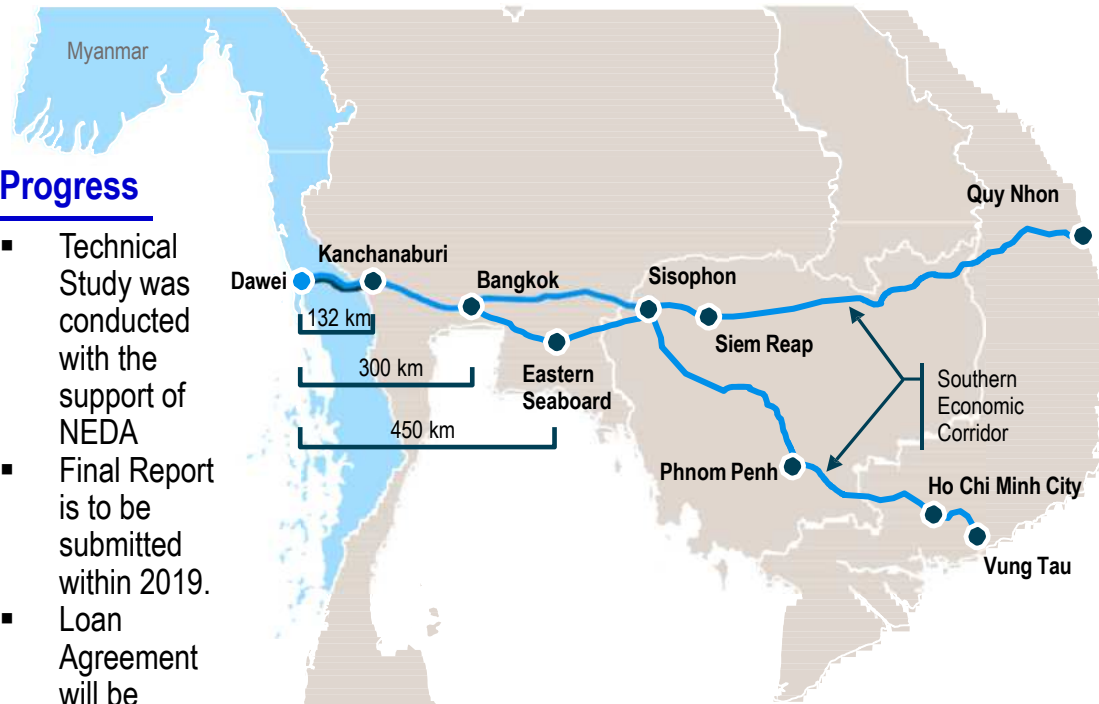
Proximity to Eastern Seaboard and GMS Southern Economic Corridor

Dawei SEZ completes GMS Southern Economic Corridor, connecting regional supply chain linkage through Thailand's Eastern Seaboard

Road links to Thailand

Progress

- Technical Study was conducted with the support of NEDA
- Final Report is to be submitted within 2019.
- Loan Agreement will be signed 3 or 4 months after receiving report



Key highlights

- > **Complete GMS Southern Economic Corridor** establishing regional connectivity and creating land bridge from **Dawei – Bangkok - Phnom Penh - Ho Chi Minh**
- > **Supply chain linkage with Thailand's Eastern Seaboard (ESB)** allowing industrial expansion
- > **Strong economic and political linkage to ASEAN**
- > **Opportunity to accept factories of labor intensive industries**
- > **New production base** creating new areas for **industrial expansion** and increasing the regions' **trade volume**
- > **Economic and social development:** job creation, enhanced livelihood and basic infrastructure improvement

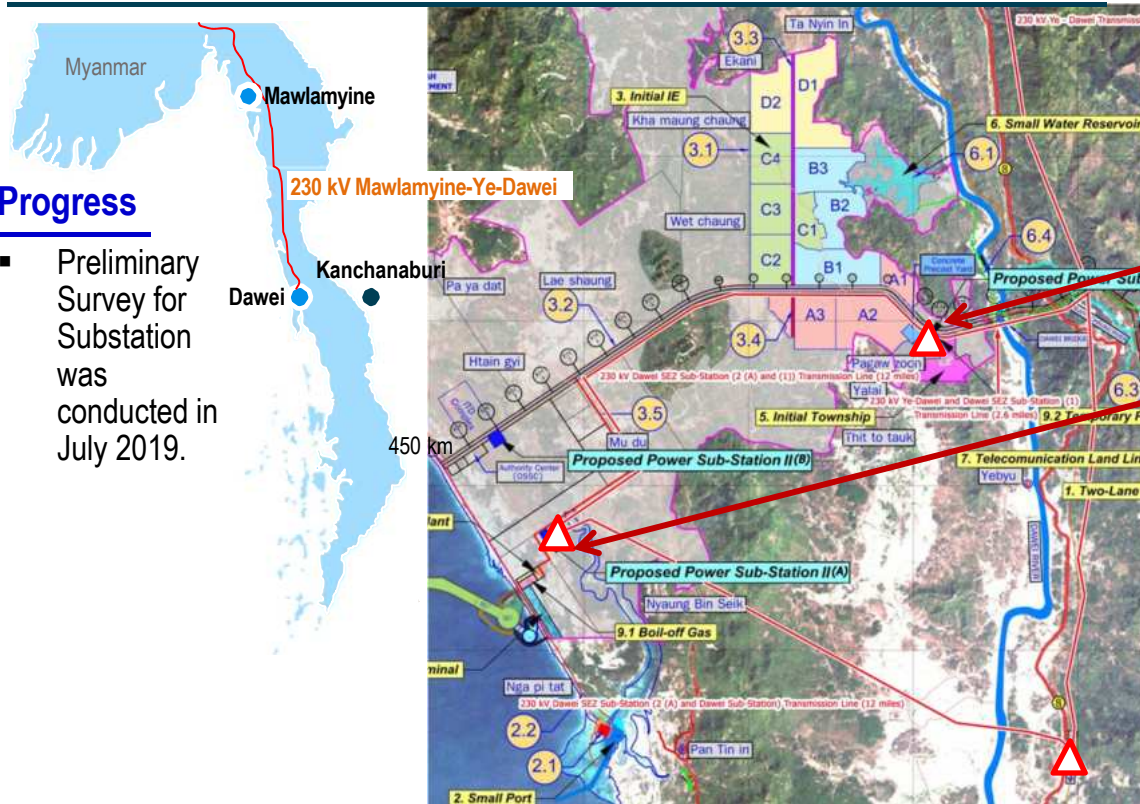
MOEE, Myanmar has been strenuously making its all of efforts to make electricity adequately available in a full strength available from the National Grid and also from nearby future power plants.

Power Supply from Myanmar's National Grid

Key highlights

Progress

- Preliminary Survey for Substation was conducted in July 2019.

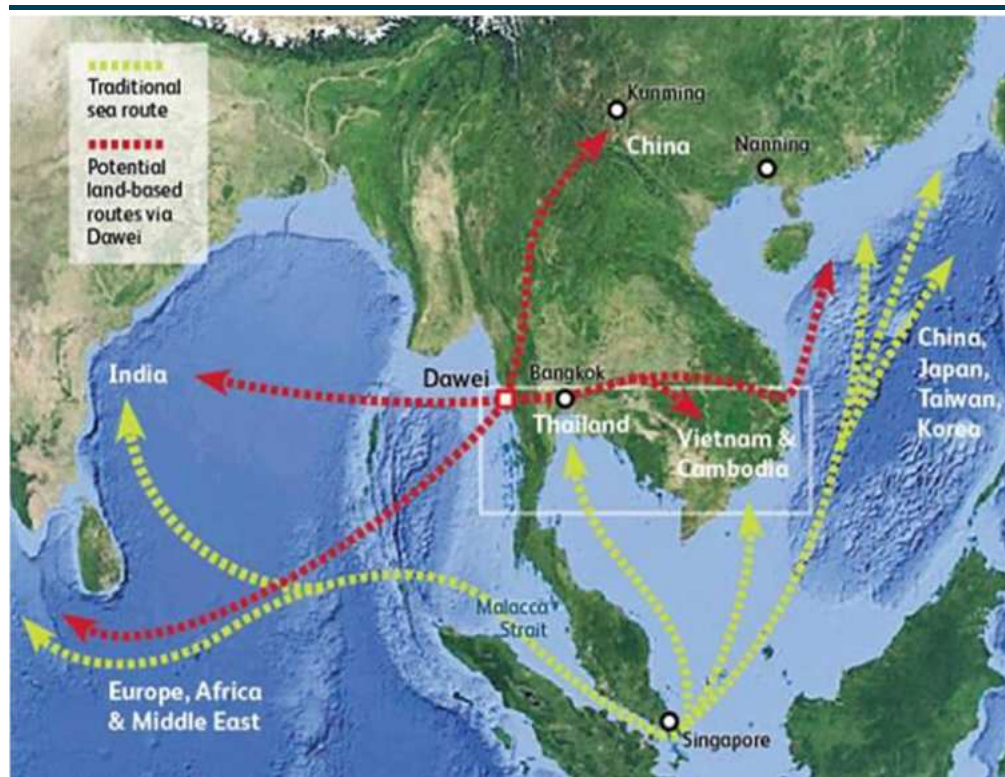


- > 230 kV Mawlamyine-Ye-Dawei was financed by ADB.
- To connect from ADB funded Transmission Line
- Initial Plan is one 230 /66/11 kV 150 MVA substation and 66/11 kV Distribution substations as requires
- Another 230 /66/11 kV 150 MVA substation for Heavy industries and Full Phase will be connected with a ring circuit with three sources.

B Gateway to the West

Dawei SEZ opens a new gateway to the West – linking India, Europe, Africa and Middle East with ASEAN & East Asia

New gateway to the West



1) From 4,500 km via the Malacca Strait vs. 2,500 km via Dawei's deep-sea port; 2) Mekong-India Economic Corridor

Source: Globalasia, NESDB, Roland Berger

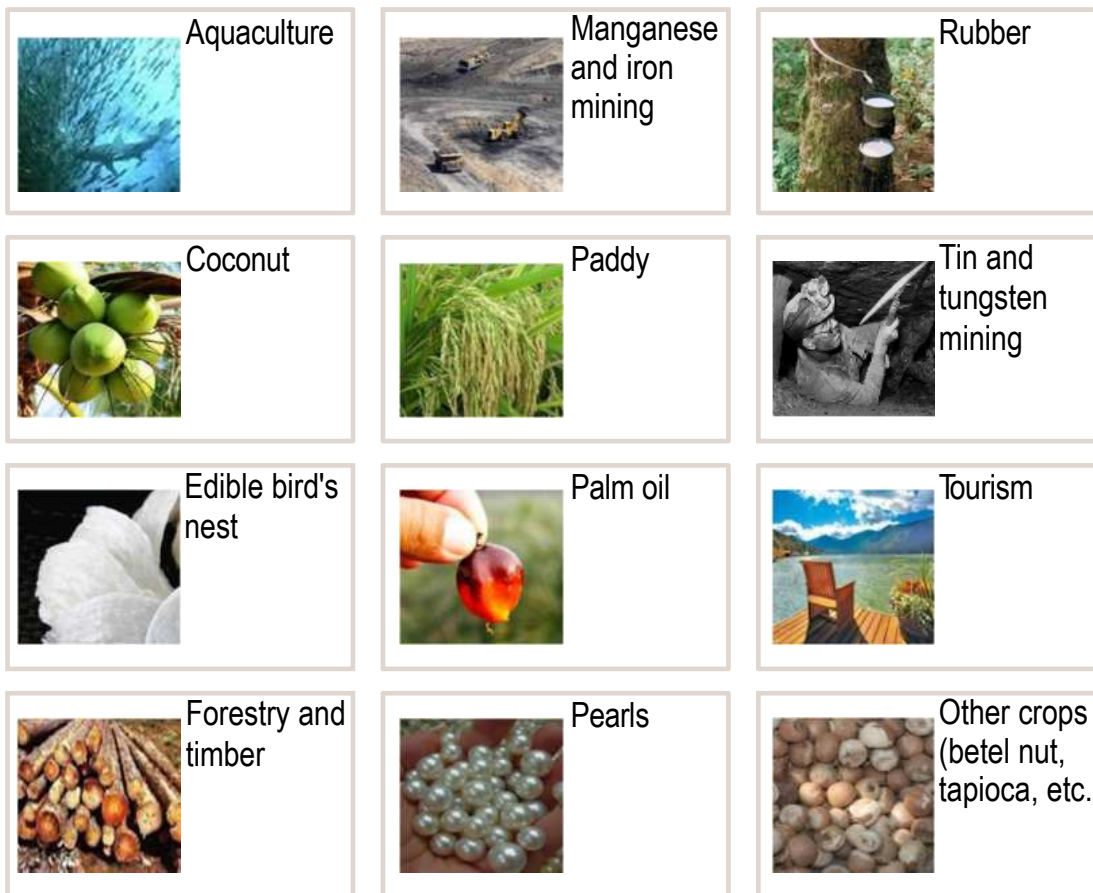
Key highlights

- > **Strategic location:** New gateway to the West connecting Indian and Pacific Oceans linking between Southeast Asia and South Asia, the Middle East, Europe and Africa
- > **Connecting GMS Southern Economic Corridor markets to the West:** ~USD 120 bn total trade flow of Thailand, Cambodia, Vietnam to the Western markets
- > **MIEC² linkage:** complete linkage to India via Chennai – Dawei's deep-sea port
- > **Dawei SEZ will support Myanmar's regional development** throughout the southern area as there are no big cities in the southern area except Dawei and Myeik

C Local resources in Hinterland

Dawei SEZ can leverage supply of local resources in Tanintharyi region, such as aquaculture, rubber, timber and tin

Key resource-based potential sectors in Tanintharyi



Fishery and aquaculture:

In Tanintharyi region, along the west coast, fishing beds can be found, serving as key areas for fishery and aquaculture location (1.1 m tons in 2010)

Forest:

38 k ha of forest area (4% of total forested area in Myanmar), primarily for hardwood

Rubber:

324 k ha of rubber plantation combining with Mon state, the largest rubber plantation area in Myanmar

Palm oil:

147 k ha of Palm Oil in Tanintharyi region for oil palm

Tin/tungsten:

700 k ton deposits within 80 km from Dawei SEZ

Antimony:

160 k ton deposits within 160 km from Dawei SEZ

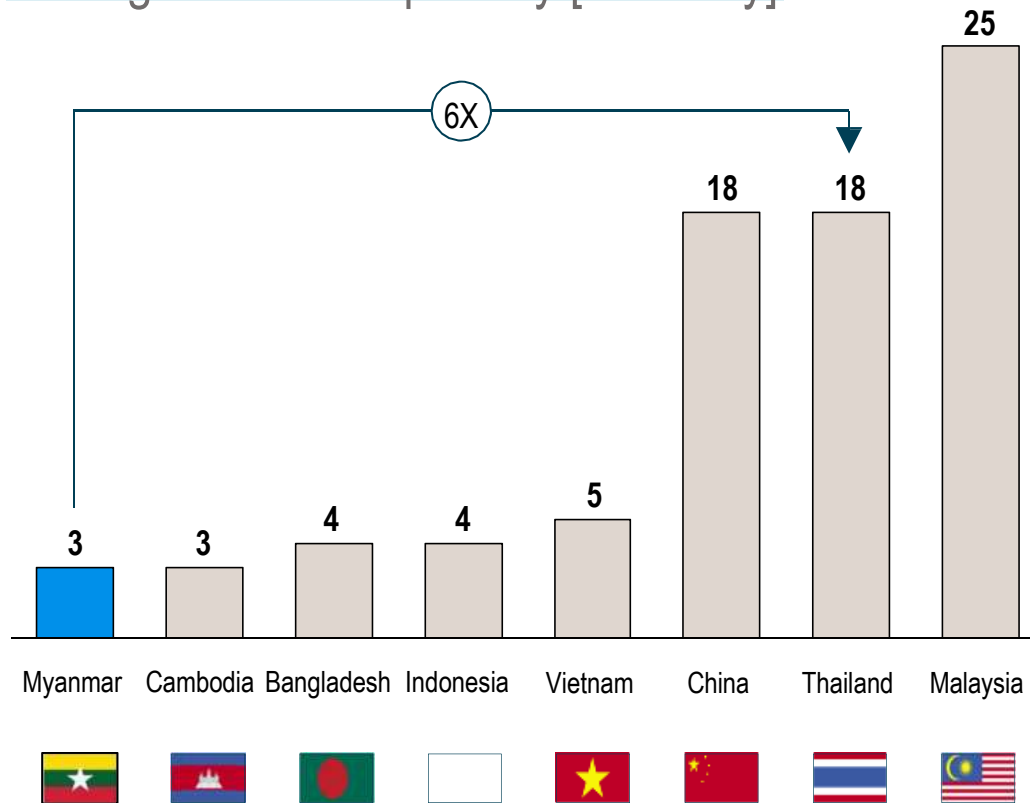
Offshore gas resources

are also prevalent in the region with new exploration potential

D Competitive labor costs

Average labor cost in Myanmar is USD ~3/day, providing Dawei SEZ with an advantage to attract labor-intensive industries

Average labor cost per day [USD/day]



Key highlights

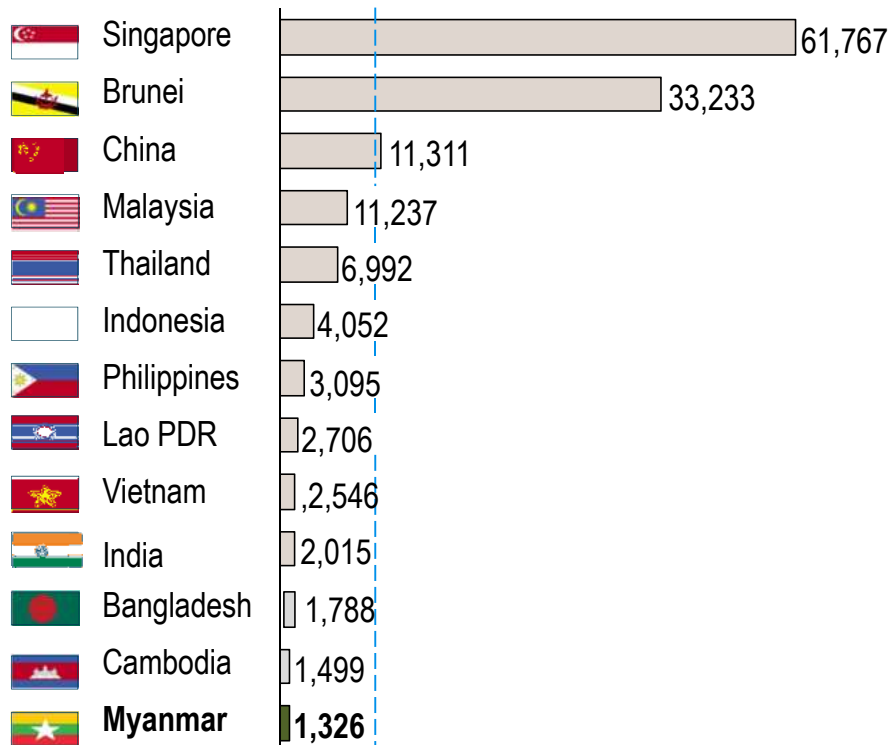
- > Labor costs on average in Myanmar are competitive
- > **Labor costs in the Southern area in Myanmar already rose since** the area is a supply base for overseas migrant workers, especially for Thailand
- > Consequently, **Dawei might not enjoy the most competitive labor cost relatively**, but is Thailand and neighbouring countries

E Myanmar market growth

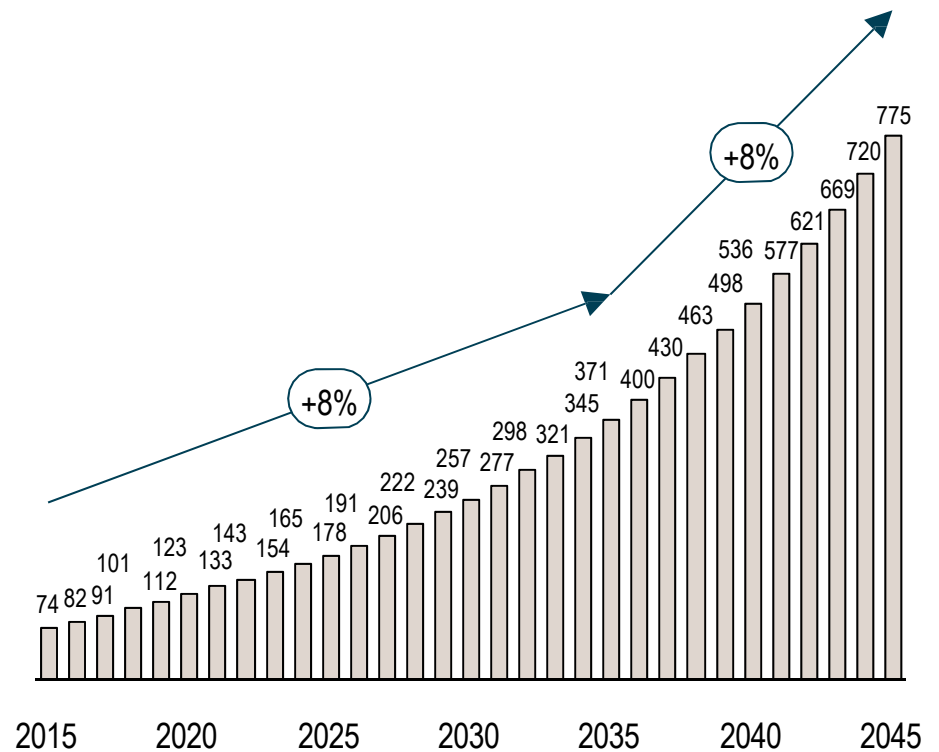
Myanmar's economy is expected to boom, which will help elevate the country's GDP and GDP per capita

Forecasted GDP growth

GDP per capita [USD, 2013]¹⁾



Forecasted GDP growth [bn USD, nominal]



1) ASEAN and neighboring countries

F SEZ law and fiscal incentives

The SEZ Law provides significant tax privileges for investors and ensures the establishment of a One-stop Service Center

SEZ Law (January 23, 2014) – Selection of key benefits for investors

Income tax exemptions



- > **In Free Zone** (for export):
 - y-year exemption
 - 50% relief for next 5 years
 - 50% for next 5 years if profit reinvested within 1 year
- > **In Promotion Zone** (for sales within Myanmar):
 - 5-year exemption
 - 50% relief for next 5 years
 - 50% for next 5 years if profit reinvested within 1 year

Commercial tax/VAT exemptions



- > **In Free Zone:** investor may be given exemption
- > **In Promotion Zone:** investor may be given exemption during specific period only

Dividend pay-out



- > Investors may apply for income tax exemption for dividends based on profits accrued locally for which tax has been paid

Import tax exemptions



- > **In Free Zone:**
 - Exemption on import of raw materials, machinery & spare parts, construction material and motor vehicles for construction purpose
 - Exemption on import of trading goods
- > **In Promotion Zone:**
 - 5-year exemption on import of raw materials, machinery & spare parts, construction material and motor vehicles for construction purpose
 - 50% relief for next 5 years

One-stop Service-Center (OSSC)



- > One-stop-service-center to be set up for approval of investments, company registration, issue of entry visa, issue of certificate of origin, collection of taxes, approval of employment permits, permission for factory construction

Asset protection



- > Assets, profits & other rights shall be recognized and protected
- > It is guaranteed that investment shall not be nationalized

SEZ law and fiscal incentives

The OSSC facilitates investments by having relevant entities under one roof and acting as one single window for dealing with investors

The One-Stop Service Center facilitates investments by....

...combining all entities involved with business set-up under "one roof"

- > **Directorate of Investments and Company Administration (DICA)**
- > Department of **Immigration** and National Registration
- > Department of **Customs**
- > **Internal Revenue** Department
- > **Trade** Department
- > **Environment** Department
- > **Labor** Department
- > **Central Bank** of Myanmar

Reduces time needed to set up businesses as all procedures are done in Dawei

...acting as one "single window" for dealing with investors' applications

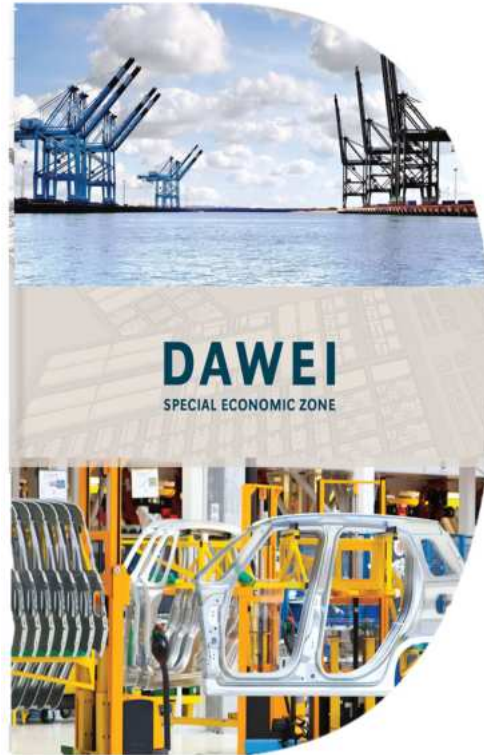
- > Assign one **representative** for each investor
- > **Give information** and **answer queries**
- > Support the investors in **obtaining all the required documents**
- > Guide and support investors through the **online application program** on the DSEZ website
- > **Receive and check documents** received
- > Issue **approvals** required to start business
- > **Collaborate with investors** until approval is eventually granted

Eradicates needs for investors to deal with multiple entities separately

B. Development of Dawei SEZ







B.1 Development of Dawei SEZ – Overview



Different development Phases

Development will be done simultaneously; the Initial Phase differs from the Full Phase in size, industries, infrastructure and developer

Major differences between Initial Phase and Full Phase Development

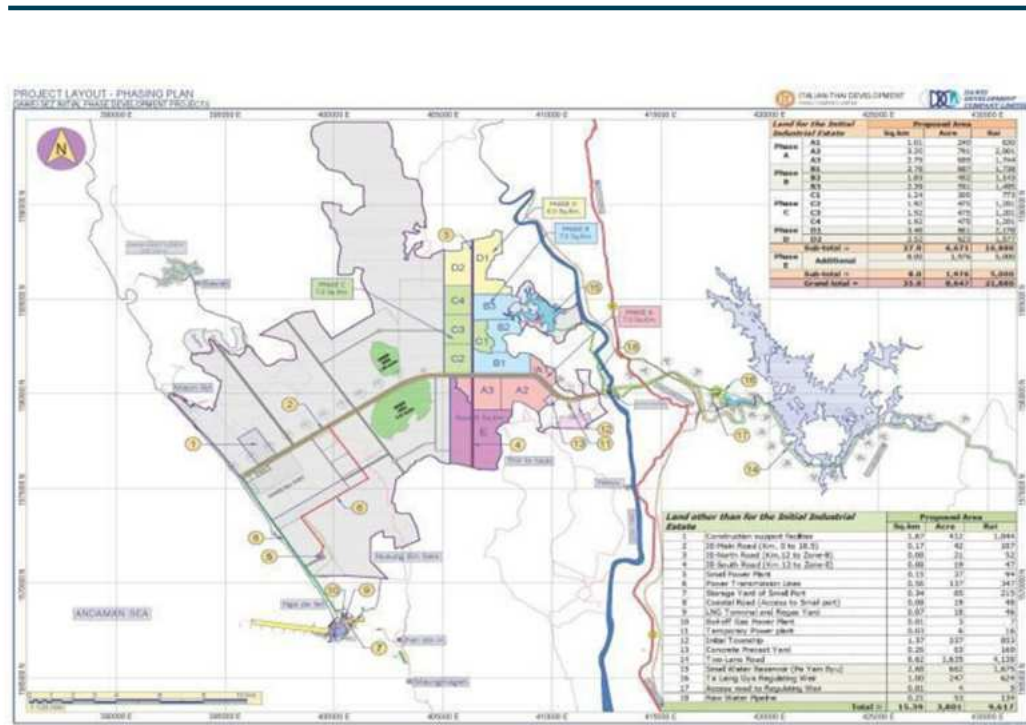
		<u>Initial Phase (ITD)</u>	<u>Full Phase</u>
A	 Size	Up to 35 km ²	196.5 km ²
B	 Focus industries	Light and medium manufacturing, labor-intensive in nature	Heavy manufacturing, scale and infrastructure-dependent in nature (e.g. Steel, Oil & Gas, Petrochemical)
C	 Supporting infrastructure	Set-up and development of infrastructure	Addition, upgrade and enlargement of infrastructure
D	 Developer	To be done by consortium of Thai companies led by ITD ¹⁾	Tendering (t.b.c)

1) Italian-Thai Development PCL, a leading Thailand-based construction company

Size and objectives

35 km² is allocated for Initial Phase development, while the Full Phase development will cover 196.5 km²

Size- Initial Phase vs. Full Phase



I Initial Phase development

Total Industrial Estate land size: Up to 35 km² (colored zone)

Objectives: Start construction of the initial development as soon as possible to generate **jobs & economic growth by 2020**

II Full Phase development

Total SEZ land size: 196.5 km²

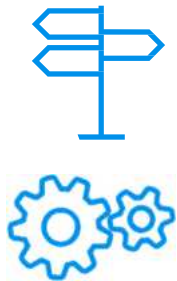
Objectives: Catalyze the economic development of Republic of the Union of Myanmar

Priority industries

The Initial Phase will focus on light and labor-intensive industries; heavy manufacturing will be the focus of the Full Phase

Focus industries- Initial Phase vs. Full Phase

Focus industries¹⁾



Initial Phase

> **Light and medium manufacturing**

- Labor-intensive
- Resource-intensive
- Moderate infrastructure-dependence

Automotive Parts 	Agricultural Products 	Garments, Textile & Footwear
Food Processing 	Wood Products 	Non-ferrous Metal
Rubber Products 	Electronics 	Small Machines

Full Phase

> **Heavy manufacturing**

- Capital-intensive
- Significant scale and infrastructure-dependence

Automotive (assembly) 	Edible Oils 	Pharmaceuticals
Steel 	Chemicals 	Refinery
Fertilizer 	Plastics 	Cement

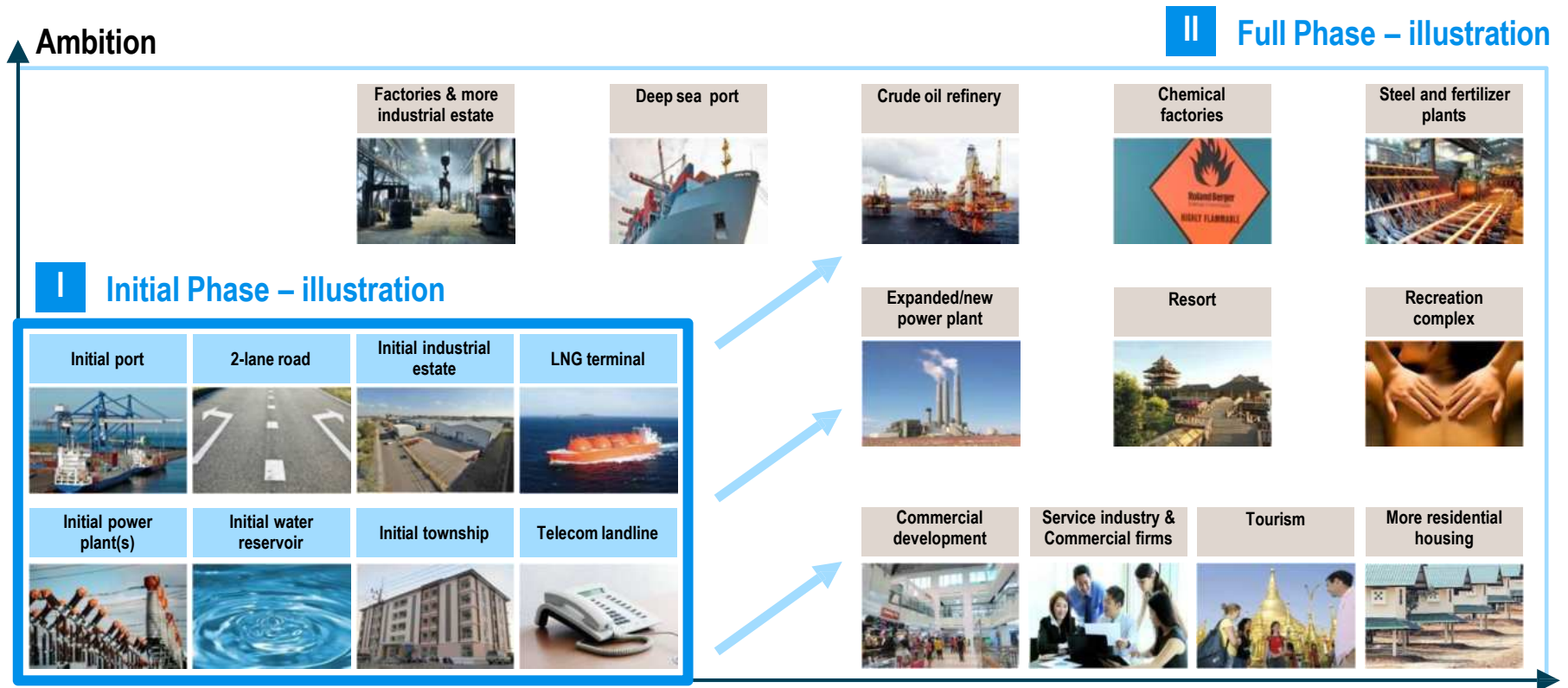
1) Focus industries here refer to industries emerging with growing influx of investments in each Phase. For instance, light and medium manufacturing will continue to grow in the Full Phase, but the emergence and rapid influx of investments in heavy manufacturing means heavy manufacturing is the focus industry for Full Phase

Source: Roland Berger

Supporting infrastructure

More infrastructure will be developed in the Full Phase to support growing scale of the SEZ and increase in variety of industries

Supporting infrastructure- Initial Phase vs. Full Phase



Initial projects to materialize launch ...


... that will lead to much bigger projects in the future

Time

Developer

The Initial Phase development is done by ITD-led consortium while the Full Phase developers will be determined by DSEZ MC

Developer overview – Initial Phase vs. Full Phase

Phase	Developers	Next steps
I Initial Phase	ITD-led consortium 	<ul style="list-style-type: none"> > Fulfillment of all condition precedents by ----- > Construction of concession projects to commence afterward
II Full Phase	The allocation of various Developer/infrastructure project tenders	> Finding

1) Special Purpose Vehicle co-owned by the Myanmar government and other investors (foreign governments, private companies etc.). Preliminary plan is to have SPV2 in charge of granting concessions for individual development projects

Source: ITD, Framework Agreement

B.2 Details on Initial Phase Development



Initial Phase – Expected industries

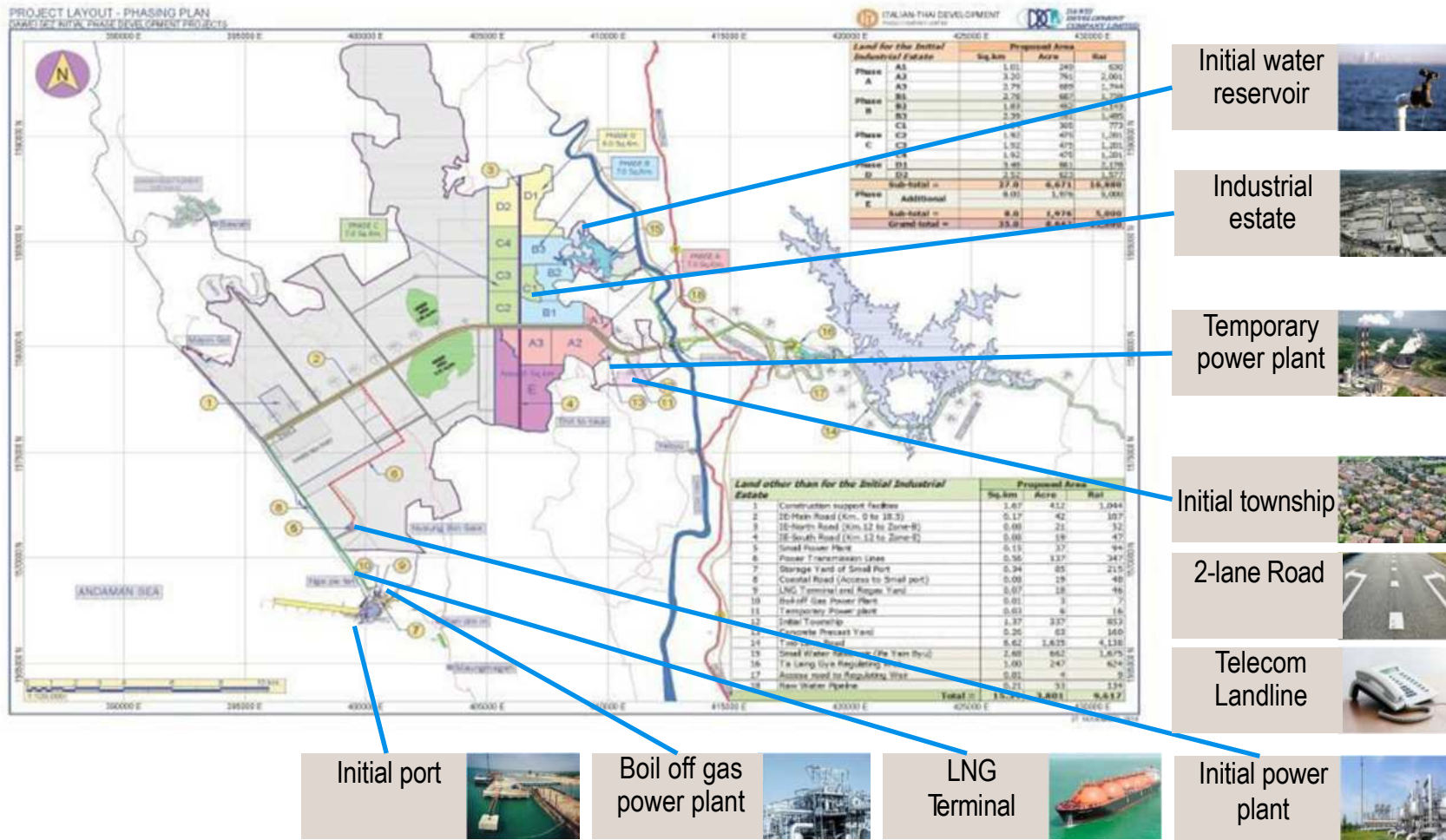
Light and medium industries will be the focus of the Initial Phase to quickly spur the development and create jobs

Initial Phase: Expected industries



Initial Phase – Infrastructure

The concession projects are located within Dawei SEZ or next to Dawei SEZ (defined as Dawei SEZ-related infrastructures)



Initial Phase – Governance

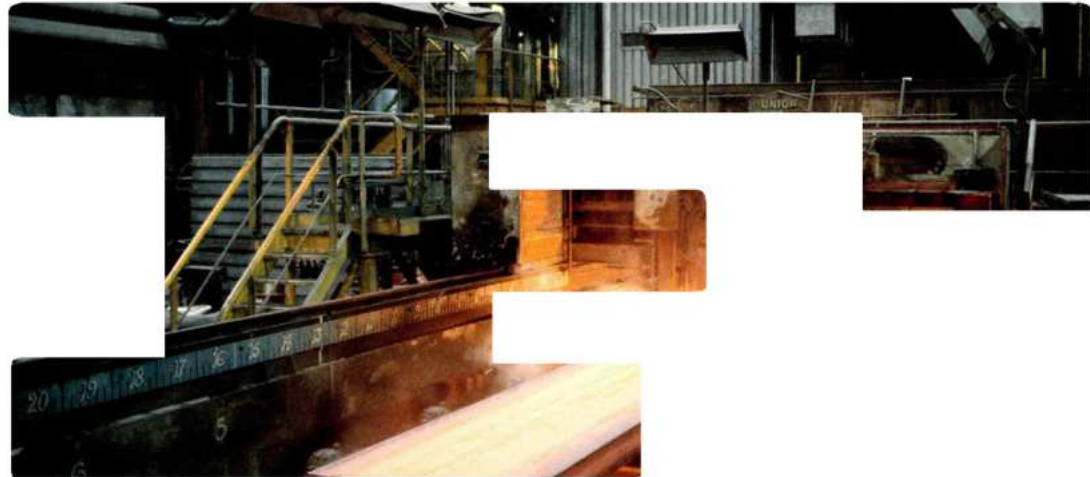
The DSEZ MC is in charged of granting concessions to developers; a consortium of Thai companies led by ITD has been selected

Initial Phase governance



The relationship between the DSEZ Management Committee and the Consortium of Thai Companies is governed by Concession Agreements, whose scope is limited to Initial Phase development only

B.3 Details on Full Phase Development



Full Phase – Expected industries

The Full Phase will cover wider range of industries from light to heavy manufacturing

Full Phase: Expected industries

Automotive Parts	Agricultural Products	Garments, Textile & Footwear	Automotive (assembly)	Edible Oils	Pharmaceuticals
					
Food Processing	Wood Products	Non-ferrous Metal	Steel	Chemicals	Refinery
					
Rubber Products	Electronics	Small Machines	Fertilizer	Plastics	Cement
					

Full Phase – Expected industries

Four major clusters consist of key priority industries to be developed in DSEZ are namely, Auto and Steel, Labor driven industries...

Priority sectors and key drivers for investments (1/3)

Cluster 1: Automotive and steel

Automotive



- > **Booming domestic demand** with car ownership expected to increase to ~25% by 2045,
- > Location is close to Thailand, allowing **export of car parts to assembly plants in Thailand**
- > DSEZ can supply local needs for **after-sales car parts market**, and the **local car assembly** once the market is more mature

Steel



- > Booming **domestic demand**
- > **Opportunity for steel export to Thailand** to support the country's substantial steel import needs for construction and automotive
- > **Deep-sea port** to handle imported raw materials, and **highway / rail** to transport finished products to Thailand

Cluster 2: Labor-driven industries

Textile, garment, footwear



- > **Competitive labor cost** leveraged
- > **Myanmar's GSP status**, e.g. EU import tariff for textile: Myanmar 0% vs. Vietnam 10%
- > One the targeted, prioritized sectors for **Myanmar National Export Strategy**

Electrical and electronics



- > **Growing domestic demand** for E&E consumptions
- > **Myanmar's GSP status** e.g. EU import tariff for video camera: Myanmar 0% vs. Thailand 4.9%
- > **Low cost position** potentially laying path to be main regional production base

Full Phase – Expected industries

...Resources-driven industries (non-ferrous metals, rubber, wood and food processing products)...

Priority sectors and key drivers for investments (2/3)

Cluster 3: Resources-driven industries

Non-ferrous metals



> **Abundant natural resources in and around DSEZ** e.g. tin, tungsten, zinc, manganese, antimony

> **Booming domestic consumption** driven by

growth of E&E and textile industries

> **Potential to export to China**, especially tin

Rubber-based goods



> **Locally abundant natural resources** with Tanintharyi and nearby Mon states producing over 53% of Myanmar's

rubber

> **Myanmar's GSP status**

e.g. EU import tariff for pneumatic tire : Myanmar 0% vs. Thailand 4.5% tariff

Wood-based goods



> **Abundant forest supply**, primarily teak with Tanintharyi ranked 4th in state with forested area, covering

> 8% (38,000 km²)

Government's ban of

raw timber export enhances local downstream wood processing industry

Food processing



> **Abundance of fish, shrimp, crops and livestock supply** available in Tanintharyi region

> **Myanmar's GSP status** e.g. EU import

tariff for frozen fish: Myanmar 0% vs. Vietnam 9%

Edible oils



> **Increasing domestic consumption, and insufficient local production** with over 40% of volume imported

> **Proximity to large-scale oil palm cultivation** in

Tanintharyi Region (99% of country's cultivation)

Full Phase – Expected industries

... and Petrochemicals and related industries

Priority sectors and key drivers for investments (3/3)

Cluster 4: Chemicals and petrochemicals

Fertilizers



- > **Growth opportunity in fertilizer consumption per arable land** (15

kg/Ha vs. 153 kg/Ha in Thailand)

- > **Insufficient domestic production of fertilizer** with 67% of volume imported
- > **Agricultural sector prioritized by government** e.g. goal to triple rice export to 4 m tons by 2020

Chemicals



- > **Booming domestic demand** from increase in household income,

- > **Local businesses producing polyester**

fibers allow Integrated supply chain for textile industry in DSEZ

- > **Proximity to LNG supplies** and deep-sea port

Plastics



- > **Booming domestic demand** from packaging, construction

and housewares industries

- > **High synergies with other industries in DSEZ** (e.g. chemicals)
- > **Proximity to deep-sea port very critical** for raw materials imports

Pharmaceuticals



- > **Large growth potential** with health expenditure per capita still low (USD

25 per capita vs. USD 215 per capita in Thailand)

- > **Insufficient local production** with >90% of volume imported
- > **Supported by the government** with rapid rise in public expenditure on healthcare

Oil and Gas



- > **Booming domestic demand for refinery** driven by automotive and

road development

- > **High synergies with other industries in DSEZ** e.g. electronics, food and textiles
- > **Several unexplored basins** near DSEZ area

Investors wishing to open businesses in Dawei SEZ should e-mail us and one representative will be assigned to each investor

Next steps for interested investors

1. Reach out to ho-npt@daweisezmc.com to reserve the land with the Developer

- **Obtain any more information** on DSEZ and the application process
- **Provide information** on company's profile and details of investments (e.g. size of land required)
- **Reserve land** with the Developer

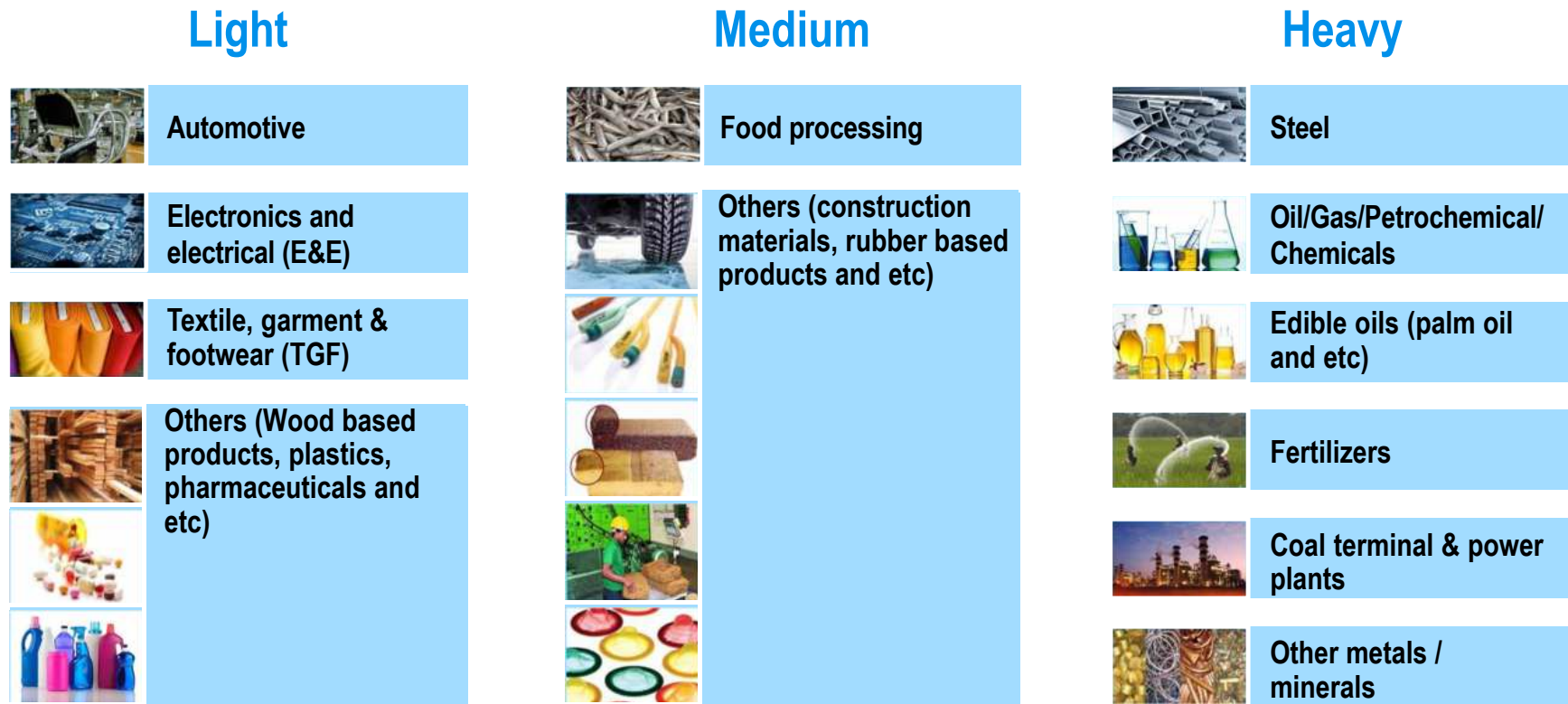
2. Be connected with a representative from our **One-stop Service Center**, who will be the key contact person in charge of facilitating business set-up in Dawei SEZ. The representative will collaborate closely with the investor throughout the entire process of setting up the business, including:

- Facilitating **application for Investment Approval** from the DSEZ MC
- **Explaining all procedures** required for setting up businesses in DSEZ, after an Investment Approval is obtained
- Outlining **key application forms and documents** that need to be submitted
- Guiding the investors through **online application platform** on DSEZ website
- **Receiving** any application forms and documents

Full Phase – Spatial zoning

Each industry will be positioned with considerations of environmental impact, infrastructure requirements and synergy

Industry spatial cluster and sub cluster



Cluster Sub cluster

Contact us

For investment enquiries,

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pmo-ygn@dawaisezmc.com



For media enquiries,

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Welcome to Dawei SEZ.

Kyae Zu Tin Bar Tal

DSEZ MC