

The Mekong-India Economic Corridor (MIEC): Dawei Deep Sea Port Projects

San Myint Yi¹

Abstract

The Mekong-India Economic Corridor (MIEC) involves integrating the four Greater Mekong Countries - Myanmar, Thailand, Cambodia and Vietnam with India through its east coast. It is proposed to connect Ho Chi Minh City (Vietnam) with Dawei (Myanmar) via Bangkok (Thailand) and Phnom Penh (Cambodia) and further linking to Chennai in India. There are two main routes, namely the sea route along MIEC and the land route along the Trilateral Highway. Dawei deep sea port projects are the main importance for the successful completion of MIEC. The corridor would provide opportunities to individual Mekong Countries of MIEC to build a strong economic and industrial base and a world-class infrastructure. In this context, this paper intends to explain the importance of MIEC to achieve "ASEAN Connectivity"; to explore the development of Dawei deep sea port projects in Myanmar; to examine how Dawei projects benefit to Myanmar and Mekong region and to analyze the facing challenges in the implementation of Dawei projects.

Key words: GMS, MIEC, ASEAN Connectivity, Dawei Deep Sea Port

Introduction

Countries in the Mekong region have been developing steadily since 1997. The Mekong region still needs hard and soft infrastructure for the following reasons. First, the positive economic impact of tariff reduction is limited in geographical terms. With the ASEAN Free Trade Area (AFTA) almost completed, six forerunner and four newcomer countries have reduced tariffs to zero for most goods. The ASEAN promotes several institutional economic integration measures toward the establishment of the ASEAN Economic Community (AEC) in 2015. However, the gaps still remain. Hiratsuka et al, (2009) suggested that implementing FTAS were insufficient to narrow the economic gaps between forerunner countries and newcomer countries. More measures are needed to achieve "ASEAN Connectivity" or intra-regional connectivity in the Southeast Asian region.

Second the financial crisis in 2008 made Mekong countries aware of the serious risk of excessive dependency on the demand of the United States and European countries. Asian countries have produced a lot of goods as the "factory of the world" and exported to the United States, European Union and other countries while the demand for goods from Asia was relatively small. In order to expand the production networks so as to bring benefits to a broader range of countries and region, further infrastructure development is indispensable. Therefore, the development of hard and soft infrastructure is considered vital to narrowing

¹ Associate Professor, Dr, Department of International Relations, Yadanabon University

the gaps in economic development. The key in considering infrastructure development is the concept of "economic corridors" which aims to promote regional cooperation. The significance of this concept is detailed in the Comprehensive Asia Development Plan (CADP) which prepared by the Economic Research Institute for ASEAN and East Asia (ERIA) and submitted to the Fifth East Asia Summit held in October 2010. The idea is to promote the fragmentation of production activity by improving distribution infrastructure and thereby strengthening the linkage or connectivity among regions located along the economic corridors, i.e., roads, bridges, and other transport infrastructure, while at the same time properly controlling agglomeration and dispersion forces that operate between industrial clusters and neighboring regions. The CADP provides a detailed analysis of economic plans designed to accommodate local needs.

Integration with India is likely to add momentum to corridor development due to growing trade and investment linkages between India and Mekong countries. The share of total trade of India with Mekong countries has more than doubled in a span of 15 years. MIEC is expected to augment trade with India by reducing travel distance between India and MIEC countries and removing supply side bottlenecks. In 2011, *the Comprehensive Asia Development Plan (CADP)* recommended the Mekong-India Economic Corridor (MIEC) to enhance the connectivity between Ho Chi Minh City, Phnom Penh, Bangkok, and Dawei by road, and further to Chennai in India by sea route. The Mekong-India Economic Corridor (MIEC) may have a greater economic impact compared to two other major economic corridors in the Mekong region, namely, the East-West Economic Corridor (EWEC) and the North-South Economic Corridor (NSEC). This resulted in a set of policy recommendations for the development of MIEC including the enhancement of non-physical infrastructure². In particular, it is called for the development of Dawei, the largest missing link in the MIEC, as a project of crucial importance.

² Hidetoshi, N : "Connectivity between ASEAN and India and the Significance of the Dawei Development Project", <www.rieti.go.jp/special/p_a_w/data/cv-nishimura.pdf>

Map of MIEC



Source: *Mekong-India Economic Corridor Development: Concept Paper*, ERIA, 2009, p.6

The corridor would provide opportunities to individual countries of Myanmar, Thailand, Cambodia and Vietnam to build a strong economic and industrial base and a world-class infrastructure. The emphasis of the corridor is on expanding the manufacturing base and expand trade with rest of the world particularly India. The corridor will enable these economies to further integrate and collectively emerge as a globally competitive economic bloc.

The vision for the corridor is “to create a strong economic base that provides employment, reduces poverty, and promotes human resources development through provision of world class infrastructure and facilitation of trade between Mekong region and India”. MIEC project will be conceptualized to achieve the following goals:

- Generate employment and opportunities for social development.
- Enhance economic development and trade between India and Mekong region.
- Boost investments in the corridor with focus on attracting FDI.
- Exploit underlying comparative advantages and complementarities within the corridor.

Development of MIEC envisages an integrated approach with a comprehensive regional planning perspective to transform the MIEC region into a major economic hub of

East Asia. It will focus on building robust industrial and transport infrastructure for each of the countries, including promotion of industries based on location strengths and exhibiting better efficiency in production. These industries along with good transport infrastructure provided by MIEC will promote inter-industry linkages, provide opportunity to countries to diversify their product lines, shift in production lines in emerging industrial MIEC economies. It is envisaged that high impact nodes are developed at the strategic locations in the corridor that will serve as engines of growth for the corridor. MIEC would therefore have four broad components:

- **Growth Pole:** Focal centre of economic activity or focal production blocks of national significance.
- **Growth Node:** Secondary production blocks or centres of economic activity with high potential to become future growth driver.
- **Transport Linkages:** To promote efficient linkages between the centres for economic activity, reducing service link costs and thereby attracting new production blocks to the corridor
- **Support Infrastructure:** Focuses on improving capacities of human capital to reduce costs in the production blocks and sustain long term development.

After attaining a high-level of economic development, these nodes or production blocks would generate positive externalities thus also benefiting the region outside MIEC area. Further, MIEC concept has identified key *Initiatives for each* growth poles and nodes. These initiatives comprise of overall plans for the region related to Industrial infrastructure such as Comprehensive Development Zone 3, Integrated Townships, Transport and Support Infrastructure.³ MIEC in terms of infrastructure primarily deals with only the hard infrastructure development as the soft infrastructure issues have been addressed by various other organizations.

Key infrastructure projects

ASEAN-India connectivity is selected as the main theme of the second of the CADP (CADP 2), because of the growing importance of the issues among the ongoing restructuring of economic activities. Though India is the emerging economic superpowers in the region as well as the immediate neighbours to ASEAN, the exposure of India in ASEAN is still limited

³ MIEC: *Concept Paper*, pp.7-8

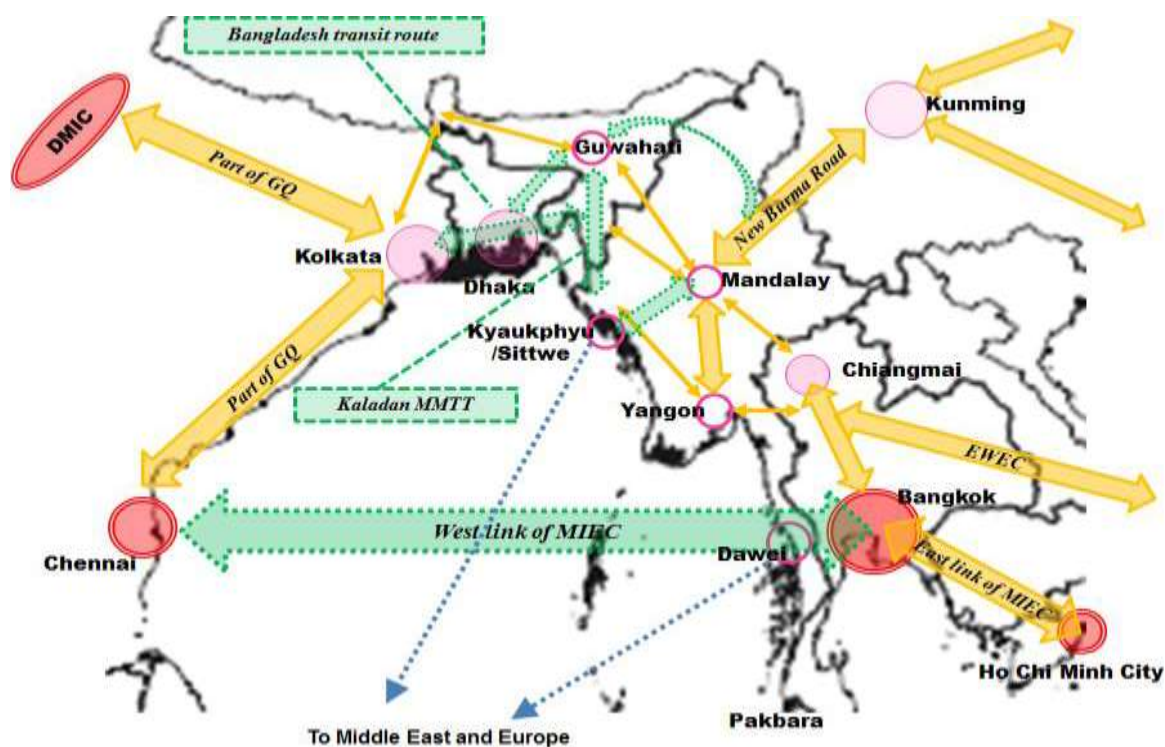
compared with China, reflecting the differences in the historical relationships and the weaker physical connectivity with ASEAN. Therefore, it is highly important to develop a basic strategy to enhance the connectivity between ASEAN and India, because there are huge potential benefits.

Figure (2) provides a regional framework to enhance connectivity between ASEAN and India. There are two main routes, namely the sea route along MIEC and the land route along the Trilateral Highway. The new “trilateral highway” is aimed at creating a new economic zone ranging from Calcutta on the Bay of Bengal to Ho Chi Minh City on the South China Sea”. This project was agreed to complete as a super highway linking Guwahati in Assam to Myanmar’s border with Thailand via Mandalay and Yangon in 2016.

According to analysts, the road is a key part of a plan to open the MIEC to link the world’s second fastest growing market – India – with the new Asian Tiger economies of Indo-China. For India, the new highway will open up new oil and gas opportunities off the coast of Myanmar, and also Vietnam, as well as easier to Japanese products made in Thailand. It would also bring new wealth to its poor and marginalized North-Eastern states like Manipur and Naga land, which have been blighted by local insurgencies and heavy security⁴. 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

⁴ “ India to open super highway to Burma and Thailand”, <www.telegraph.co.uk › New › World News › Asia › India>

Figure (2) Regional Framework

Source: Osius, Ted: *Enhancing India –ASEAN Connectivity*, CSIS, Washington, DC, June 2013

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 “Asia Highway Network”(AH123) is not included in the “designated” TTRs. As the completion of MIEC is already agreed as one of the strategic actions in “the Master Plan on ASEAN Connectivity” (MPAC), this route should be included in the designated TTRs⁵. The MIEC was one of the earlier corridors identified by the ADB, and includes the southern economic corridor which connects Chennai port to Bangkok through Dawei port in Myanmar on the sea route.

⁵ Umezaki, So: “ASEAN-India Connectivity: The Comprehensive Asia Development Plan (CADP), Phase 2”, An ICRIER Seminar on *India-Japan Relations: Trends and Prospects*, Claridges Hotel, New Delhi, 29 February 2012 (Henceforth, Umerzaki : “ASEAN-India Connectivity”, 2012)

Dawei Deep Sea Port

In May 2008, Myanmar and Thailand signed a Memorandum of Understanding (MoU) on the development of “the Dawei Deep Seaport and Road Link to Bangkok” on the sideline of an ASEAN ministerial meeting. Less than a month later, in June, the Myanmar Port Authority (MPA) and the Italian-Thai Development Public Co. Ltd. (ITD), Thailand’s biggest construction company, signed another MoU that gave the company the right to conduct a ground survey for the feasibility of the deep seaport and the road link to Thailand. Although the two governments’ MoU was to construct a deep seaport and a highway link between Dawei and Kanchanaburi, the MoU between the MPA and the ITD expanded the project’s scope to include a special economic zone (SEZ), which included heavy, medium and light industrial estates. The scope of project included construction of highway road and development of deep sea port to accommodate 50,000 Deadweight tonnage (DWT) and 300,000 DWT general/container vessels and break bulk vessels respectively.

With the beginning of the initial ground survey in 2008 four years ago, the Framework Agreement between MPA and ITD was 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.⁶ Max Myanmar Group of Companies, a local business entity whose owner is very close to the ruling authorities and is one of the business cronies in the US and EU sanction list, became the key local partner of the ITD. Together, the companies formed and registered the Dawei Development Co. Ltd. (DDC) in Myanmar. The ITD owns 75% of the DDC, while Max Myanmar owns the remaining 25%.

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:

⁶ Aung Min & Toshihiro Kudo: “Newly Emerging Industrial Development Nodes in Myanmar: Ports, Roads, Industrial Zones Along Economic Corridors”, *Emerging Economic Corridors in the Mekong Region, BRC Research Report No. 8*, edited by Masami Ishida, Bangkok Research Center, IDE-JETRO, Bangkok, Thailand, 2012, p.189 (Henceforth, Aung Min: “Newly Emerging Industrial Development Nodes in Myanmar”, 2012)

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- a. Deep sea port (North) - Port area is 2.7 km² and 1.5 km² cargo yard and 1.4 km² ship building yard.
- b. Deep sea port (South) - Port area is 3 km² and 1.5 km² ship agriculture yard is include

Map of Dawei Deep Sea Port



Source: Aung Min: "Newly Emerging Industrial Development Nodes in Myanmar", 2012, p.189

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 oil⁷. The handling capacity of the Dawei Port is up to 200 million ton a year.⁸

The plan to construct a deep seaport and a cross-border highway between Dawei and Kanchanaburi links into the "Asia Highway Network (AHN)" plan to connect the Indian Ocean to the South China Sea via a "land bridge". The deep seaport and the transnational highway is also an important component of MPAC that is intended to be fulfilled by 2020.

⁷ Umezaki, So: "ASEAN-India Connectivity", 2012

⁸ "Dawei Deep Seaport & Industrial Estate Development Project",
 <[http://daweidevelopment.com/Downloads/Dawei% 20Project% 20Presentation_February% 202012.pdf](http://daweidevelopment.com/Downloads/Dawei%20Project%20Presentation_February%202012.pdf)>

The completion of the port and highway also enables the opening of the Southern Economic Corridor (SEC), which aims to link a Mekong-India Economic Corridor (MIEC) crossing the Indian Ocean.

If the plan is completed, Dawei will become the western gateway to the Indian Ocean that facilitates regional trade and logistics integration via a land bridge connecting Thailand, Laos, Cambodia and Vietnam through the AHN thus avoiding the increasingly congested Malacca Strait. 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.

Dawei Special Economic Zone

After the ITD signed the framework agreement with Myanmar Port Authority, 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.

The economic zone is located about 300 km west of Bangkok⁹. After the completion of all of these projects, emerge as a trading hub linking Southeast Asia with the Indian Ocean, the Middle East, Europe and Africa, spurring growth in the entire ASEAN region.

Apart from that, the Myanmar parliament has enacted the environmental law, the labor union law and land laws¹⁰. Under these circumstances, coal-fired power plant¹¹ was

⁹“mekong-india-economic-corridor-dawei-project-myanmar-analysis/.”
< <http://www.oilseedcrops.org/2013/07/11/>>

¹⁰ “An Industrial project that could change Myanmar”, <<http://www.nytimes.com/2010/11/27/world/asia/27iht-myanmar.html?pagewanted=all>>

¹¹ The ITD planned to construct a 4,000 MW coal-fired power plant from which 3,600 MW was intended to be exported to Thailand. However, on January 9, 2012, Myanmar announced the cancellation of the power plant construction.

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canceled. Both the Myanmar and the Thai governments and the ITD and Max Myanmar also took tremendous political risks in a highly uncertain political climate, but anticipating the potential of high economic returns from the project.

Distance between Dawei and Bangkok



Source: “mekong-india-economic-corridor-dawei-project-myanmar-analysis/.”
 < <http://www.oilseedcrops.org/2013/07/11/> >

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 including 18 sectors 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 offices¹².

The ITD made a major change in the project design, namely: reducing the size of the project from 250 km² to 204.5 km² and re-designing the deep seaport from a three-basin port to a single “L” shape port.

The project also changed its timeline from 2010-2019 to 2012-2020. Phase I of the project intends to complete by 2015 the construction of a deep seaport, the road to Dawei Airport, the initial four-lane cross-border road link to Thailand, the industrial estate road and drainage networks, a water reservoir, a wastewater treatment plant, and a 400 MW⁶ coal-fired power plant¹³. The ITD’s timeframe is intended to complete the infrastructure constructions in line with the inception of the ASEAN Economic Community (AEC) in 2015¹⁴. In the following years up to 2020, the projects phases II and III will continue with the expansion of the road link from a four to eight-lane highway paralleling the construction of a railway, electricity transmission line and oil and gas pipe line to Thailand.

Myanmar granted Italian-Thai Development PCL (ITD) a 75-year concession in 2008 - covering the area of 250 km². ITD lost the 75-year concession in 2013, with the governments of Thailand and Myanmar taking a 50% stake in the project each. The estimated total costs of the project were US\$8.6 billion, and had risen to US\$10.7 billion. Hence, investments from countries have suspended their constructions in 2013 due to lack of Fund. Thailand and Burma tried to propose involving Japan as a third-party investor. In Myanmar, the World Bank’s future assistance program will ultimately be shaped by the pace and scale of political reform. Dawei deep sea port project is in the initial stage of development by an Italian –Thai development corporation and needs additional financing from the Thai and Myanmar governments, multilateral development banks, or the private sectors. Currently, no funding has been identified for rail links from Dawei and Mawlamyine in Myanmar to Katchanburi province in Thailand or for a land bridge from Tamu, Myanmar, to Moreh in northeast India.

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

¹² “Dawei Deep Seaport & Industrial Estate Development Project”,

<[http://daweidevelopment.com/Downloads/Dawei% 20Project%20Presentation_February%202012.pdf](http://daweidevelopment.com/Downloads/Dawei%20Project%20Presentation_February%202012.pdf)>

¹³ ITD redesigned the project to build a 400 MW plant only to supply the domestic demand of the project.

¹⁴ “Dawei Deep Seaport & Industrial Estate Development Project”,

<[http://daweidevelopment.com/Downloads/Dawei% 20Project%20Presentation_February%202012.pdf](http://daweidevelopment.com/Downloads/Dawei%20Project%20Presentation_February%202012.pdf)>

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 hope to lift the sanctions imposed by them in due time. Nevertheless, the initial resumption of construction has being started on 15 May 2014. Accordingly, the large MNCs started to pay more attention to Myanmar. When the National League for Democracy government takes the power in Myanmar, the project will continue with a change of administration. On 30 January 2015, Japan agreed to participate in the project¹⁵. It was revealed that they will hold equal partnership to Thailand and Burma in the Dawei Special Economic Zone Development Co, and intend to provide technical and financial support for the project.

Since 1962 more than half a century of military rule ostensibly comes to a close on 1st April 2016, when National League for Democracy (NLD) led by Daw Aung San Suu Kyi officially takes over Myanmar's government and the first civilian President starts leading the nation. The outgoing government initiated a number of significant changes, including efforts to encourage economic development through foreign trade and investment. This strategy included heavily promoting foreign investment through three major special economic zones (SEZs) – in Thilawa, Dawei, and Kyaukphyu. These were said to build on Myanmar's strategic location and low-cost production base for export destinations in the region. The NLD recently announced to reconsider the continuation of the Dawei and Kyaukphyu SEZs, while it supports the zone in Thilawa.

As the NLD-led government considers its investment and development strategy and priorities, it should live up to its party's ideals and place democratic principles, especially respect for human rights, citizen participation, transparency and accountability at the center of economic considerations¹⁶. This involves ensuring that the policies and laws are fair and equally applied and cover fundamental rights protections, and that processes allow for the meaningful participation of local communities.

¹⁵ "Japan offers cash for Dawei deep-sea port" <www.bangkokpost.com/news/politics/435630/japan-offers-cash-for-dawei-deep-sea-port>

¹⁶ "Myanmar: New government inherits problems and promise of special economic zones", <<http://business-humanrights.org/myan...>>

Opportunities

In analyzing the above mentioned the facts that MIEC provides opportunities to individual countries to build a strong economic and industrial base and a world-class infrastructure. The emphasis of the corridor is expanding the manufacturing base and expand trade with rest of the world particularly India. MIEC also promotes to further integrate and collectively emerge as a globally competitive economic bloc¹⁷. It has 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. Allowing the transit transport in Myanmar is critical for countries other than countries, especially for Thailand; firms in India, particularly those in Chennai, are expected to have less costly and alternative access to ASEAN.

MIEC will reduce transport cost and time for Thailand, China, Vietnam and Laos and also able to cut an average of 10days off transport an attractive industrial location for private firms and factories. Tanintharyi, where Dawei is located, enjoys the largest impact. Dawei project is part of the MIEC. 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. An alternative route, in addition to the existing route via Singapore, would enhance the resilience of regional production networks¹⁸. 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. The mega-project in Dawei will generate many job opportunities. This could be exciting news for the poor residents of Dawei. Investments in the Dawei projects will boost the region's economic growth. Thailand's National Economic and Social Development Board (NESDB) pronounced that the port fitted in well with Greater Mekong sub-region schemes for developing economic trade routes, including the East-West Economic Corridor, the Southern Economic Corridor, and the North-South Economic Corridor. This project will profit traders from Myanmar and Thailand. Because of the link to the ASEAN highway system, Myanmar's raw materials can flow to regional markets smoothly and quickly."¹⁹ The Dawei project has also been touted as an effective link within the region corresponding to the plan for greater "ASEAN Connectivity." Furthermore, Dawei has the potential to

¹⁷ *Concept Paper* : <http://www.eria.org/publications/res...aper_Final.pdf>, p.5

¹⁸ *ASEAN-India Connectivity* : <<http://www.oilseedcrops.org/wp-conte...r-Analysis.pdf>>, p.10

¹⁹ Chachavalpongpan, Pavin: *Dawei Port: Thailand's Mega project in Burma*, Global Asia Vol. 6, No. 4, ASEAN Studies Center, Institute of Southeast, Asian Studies, Singapore, Winter 2011, p. 100

become the West regional hub for the entire Mekong region and also increased the economic value to not only Myanmar, but also to the region as a whole.

Challenges

Despite these potentially favourable outcomes for the corridor, the negative impacts from the development of the MIEC are intertwining for the Mekong region. The special economic zone project has been criticized extensively for its human rights abuses of local villagers. There is significant opposition from local populations, due to alleged land seizures, forced evictions, insufficient compensation for confiscated farmland, and denial of their right to sufficient food, and adequate housing. Additionally, there is a significant fear of health problems, as the massive industrial complex will be a significant polluter²⁰ that calls for to enhance social welfare to ameliorate existing and possible negative impacts.

The Dawei project needs to secure 204.5 km² land area, but the designated project area is not vacant land. It is home to at least 20 village communities that have been established in that area for a long time. Consequently, this project has challenged the entire existing social structure directly and fundamentally with the drastic structural changes in the region. Due to the plans to change the area from a subsistence largely self-sufficient agriculture-based economy to an industrialized export-oriented special economic zone, the affected local people face the permanent loss of their agriculture lands for the industrial development, leading to losses for local livelihoods and a growing economic insecurity. The biggest current challenge for the company is the land acquisition issue which is tremendously complex and costly.

Massive infrastructure constructions and large-scale development project will always be intertwined with environmental issues. The construction of the deep seaport alone will clear 35 km² of mangrove, natural and reserved forests. the size of the project and its infrastructure development - the construction of a deep seaport, a 160 km-long eight-lane highway, and a large water reservoir - will inevitably cause tremendous changes to the natural environment and have an impact on the distribution and use of natural resources by the local communities.

²⁰ “Dawei Port Project”: <http://www.en.wikipedia.org/wiki/Dawei_Port_Project>

Conclusion

The most important aspect of the regional integration is the trade facilitation. In order to get the full potential of the economic integration from the economic corridor, the trade facilitation agreement must be promoted. With respect to the MIEC, the Dawei Deep Sea Port Project can contribute to as an alternative gateway to the Andaman Sea. However, a number of priorities projects still need to be introduced in order to make the corridor functioning properly.

In the case of Dawei projects, the key decision makers from the two governments and the companies have focused heavily on the economic benefits of the project, paying significantly less attention to the environmental and socio-cultural impacts to the affected local society living in the project area. This is reminiscent of business practices under military rule in Myanmar, whereby for large projects that were introduced by the military government in cooperation with the private sector, domestic or foreign alike, the authorities would usually exercise excessive power to confiscate land and relocate villages by order and without compensation, and as such the businesses didn't need to worry about these issues. However, the procedure has now changed under the new government which, on paper at least, requires land confiscation, compensation and relocation to follow the new laws. In this new context, the existing SEZ law requires that the developers or investors must take responsibility to compensate the properties of the affected people. They are also responsible to prepare relocation housing plans before doing the actual resettlement.

The problems surrounding SEZs are significant and urgent, and this period of re-evaluation provides the new government an opportunity to build on some legislative gains and take further steps that will protect affected communities against unjust land acquisitions, build community support for projects, and avoid costly delays. Among the things it could do are pass the requisite by-laws, and ensure that the newly formed Ministry of Resources and Environmental Conservation will enforce environmental laws and procedures for all future SEZ development, while complying with international laws and standards. The new government also has the opportunity to amend the SEZ law to ensure that investment projects are planned, designed and undertaken with respect for the fundamental principles of participation, transparency and accountability. While land issues are undoubtedly complex, the prevalence of land-related grievances presents a challenge for the new government to take bold steps towards the protection of land rights, including addressing historical land grabs and making real efforts to meet international standards for compensation and resettlement.

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