Italian-Thai says local investors wary of project

The Thai and Myanmar governments agreed to raise funds to finance the development of the massive Dawei deep-sea port and special economic zone project during a key meeting in Myanmar Monday.

Thai’s Prime Minister Yingluck Shinawatra and her delegation, including 40 Thai businesspeople, visited Dawei city in Myanmar to inspect the sites of the development projects.

The governments’ infusion of cash is expected to prove to international investors that Dawei is a sound investment.

It was agreed that once funds are in place, construction will begin between April and the end of next year.

The delegation, which met Myanmar President Thein Sein, included Deputy Prime Minister and Foreign Minister Surapong Tovichakchaikul, Deputy Prime Minister and Finance Minister Kittiratt Na-Ranong, Transport Minister Chadchat Sittipunt and Energy Minister Pongsak Raktapongpaisal.

Ms Yingluck told the meeting her government fully supported development projects in Dawei. She hoped her trip would boost the project and give the businesspeople who accompanied her more information about the various development projects and the city.

The Dawei project has made progress since both governments formed a joint committee for the development plans last month, Ms Yingluck said.

Thailand plans to open a consulate in Dawei to ease investment, she said.

The Thai-Myanmar Joint Coordination Committee is reviewing technical data and working out details about how to attract investment to Dawei, but the investment details are not yet finalised.

She expects the committee will finish reviewing the project details by February next year and both countries could sign a framework agreement and their sectorial agreement on the project in March.

Both countries hope to start fund-raising in April next year, with initial construction beginning shortly after.

Ms Yingluck and Thein Sein said a full partnership between the countries will assure development projects in Dawei will be completed in an environmentally friendly manner.

In July, the two countries signed a memorandum of understanding to create a special economic zone for Dawei, with Bangkok agreeing to provide security, infrastructure and logistical assistance.
The project led by Thailand’s largest construction contractor Italian-Thai Development is expected to bring foreign investment into Myanmar as it emerges from decades of military rule, and provide Thailand with a gateway to the Indian Ocean and to Western markets.

But it has faced funding difficulties as Italian-Thai continues to seek investment partners.

Resistance has also come from locals. “Thai investors are afraid and hesitating about Myanmar’s political policies and the funding,” Italian-Thai marketing manager Pravee Komolkanchana said before the visit. “Thai banks are less likely to lend money if it is to invest in other countries, especially in Myanmar.”

Potential Myanmar investors are also wary, according to a businessman in Yangon who did not want to be named. “We dare not invest there because of the costs. We would have to pay Thai salary rates,” he said.

“The project won’t benefit Myanmar much, but mainly Thailand.”

Work has yet to progress beyond the construction of new homes for the thousands of villagers due to be resettled, but the developers hope to begin work on infrastructure and factories next year.

Opponents to the plan were emboldened by Thein Sein’s decision last year to suspend construction of a $3.6-billion Chinese-backed hydropower project in the northern state of Kachin - a rare response to public opposition.

But local resistance to Dawei appears to have eased, although some villagers are still reluctant to move despite the offer of new homes. “We understand that we cannot stop the whole project,” a local environmental activist said.

During the meeting, Thein Sein agreed to a long-standing Thai request to have the Dan Singkhon border passage at Prachuap Khiri Khan developed into a permanent crossing.

Ms Yingluck has promised to support the building of a highway from Myawaddy via Kawkareik to Mawlamyine, and to revive an old railway near the Three Pagoda border crossing.

Somchet Thinaphong, managing director of Dawei Development Co (DDC), said the visit of Prime Minister Yingluck Shinawatra and Myanmar President Thein Sein was the “blessing” for the Dawei project in eastern Myanmar.

Myanmar and Thailand signed a memorandum of understanding to cooperate in developing the area in 2008. “It is the first time both sides had seen the boundary and clear development taking place at the site,” said Mr Somchet, who accompanied Italian-Thai Development Plc (ITD) president Premchai Karnasuta during the visit. “They also adopted a timeline for Dawei.”

DDC was founded by ITD, Thailand’s largest contractor by market value, to be in charge of the Dawei project, for which ITD was granted a concession.

Kiwamu Honda, DDC’s senior adviser to the chairman of the board, also said the visit of the leaders was an important step to boost investors’ confidence after detailed development plans had not been clear to date.

Delays to the project have prompted the Japanese government and investors to shift focus to Thilawa, a special economic zone near Yangon, he admitted.

“Thilawa is the priority for the time being because it is close to the big market of Yangon while Dawei is a long-term project. Thilawa is for light industries but Dawei is for heavy industries,” Mr Honda told the Bangkok Post.

“Japan has an interest in both Dawei and Thilawa, but it has to choose one for now.”

Mr Honda also noted that the master plan for Dawei has been proposed and is awaiting endorsement by the Myanmar government.

“Construction of infrastructure should kick-start next year shortly after the plan is approved by the Myanmar government,” he said.

International financial institutions including export credit agencies from Japan have expressed keen interest in jointly supporting the US$50-billion project, said Mr Honda.

Mr Somchet said executives of Thai banks including Bangkok Bank visiting Dawei yesterday have stated their intention to extend bridging loans to finance the project.

Tanit Sorat, vice-chairman of the Federation of Thai Industries, said that although Ms Yingluck’s visit reaffirmed confidence that Dawei will proceed after delays, funding remains a concern.

“The private sector also would like to see the project’s feasibility study so that we will know how much the cost is [for investing in Dawei],” he said.

Minoru Furusawa, president of the Japanese Chamber of Commerce in Bangkok, said Japanese investors are interested in both Dawei and Thilawa and would appreciate progress in the Dawei scheme.
Dawei will provide shorter access for Thailand to Europe and the Middle East. Many Japanese companies have invested in Thailand, so they would benefit from the project, he said.