MoU on Kyaukphyu SEZ likely in August

Su Phyo Win 07 Aug 2017

A gas terminal at Kyauk Phyu SEZ. Photo - EPA

MoU on Kyaukphyu SEZ likely in August

An MoU between China and Myanmar relating to a national-level framework for the Kyaukphyu Special Economic Zone (SEZ) is likely to be signed by August, a spokesperson of Kyaukphyu SEZ Management Committee told The Myanmar Times during an exclusive interview on August 4.

Currently, the equity share and terms and conditions between China's CITIC consortium and Myanmar Kyaukphyu SEZ Holding Company (MKSHC consortium) is still being negotiated but a deal is expected within the month of August, said Dr Oo Maung, vice-chair of Kyaukphyu SEZ Management Committee.

The negotiations could end in a larger-than-expected equity stake for Myanmar in a US$7.3 billion deep sea port at the Kyaukphyu SEZ, U Than Myint, commerce minister and chair of the newly formed SEZ Central Working Body under the current government, told The Myanmar Times.

"CITIC is willing to give more shares to Myanmar, but Myanmar has to think about the financial burden involved in taking a higher share. It is likely to be a deal resulting in a 70pc stake for China and 30pc for Myanmar. If negotiations go well, we can sign a framework MoU," said U Than Myint.
But Myanmar needs to consider its position as the project is very important and factors delaying the project will likely occur. If delays happen, the financial burden would be difficult for the Myanmar consortium to tackle, he added.

CITIC controls two out of three projects to develop Kyaukphyu SEZ. It was awarded the role under the previous government in 2015. Under the initial talks, CITIC was expected to receive an 85pc stake for the deep sea port project and a 51pc stake for the second industrial park project.

“According to the previous plan for developing the deep sea port, CITIC will take 85pc, Myanmar Port Authority 5pc and the Myanmar consortium, 10pc. But MKSHC is now negotiating for a higher 25pc stake so CITIC will get only 70pc,” Dr Oo Maung said.

Meanwhile, Myanmar’s share in the industrial park will remain unchanged at 49pc. The total cost for both the deep sea port and industrial park projects is estimated at US$10 billion.

The Kyaukphyu SEZ project started in 2015 with a 35-year project timeline. So far, only two small dams have been constructed and a survey of 250 acres of land relating to the first phase of the industrial park has been done.

But after the MoU is signed in August, there will be seven new contracts: four for the deep-sea port and three for the industrial park. Still, negotiations might take a year-and-a-half, Dr Oo Maung said.

The MKSHC consortium comprises 53 local companies including Golden Myanmar Airlines Public Company, Kyaukphyu District Development Cooperation Public company, Shwe Taung Development Company.

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