



China's One Belt One Road – Myanmar's opportunity?

Policy Goals of OBOR

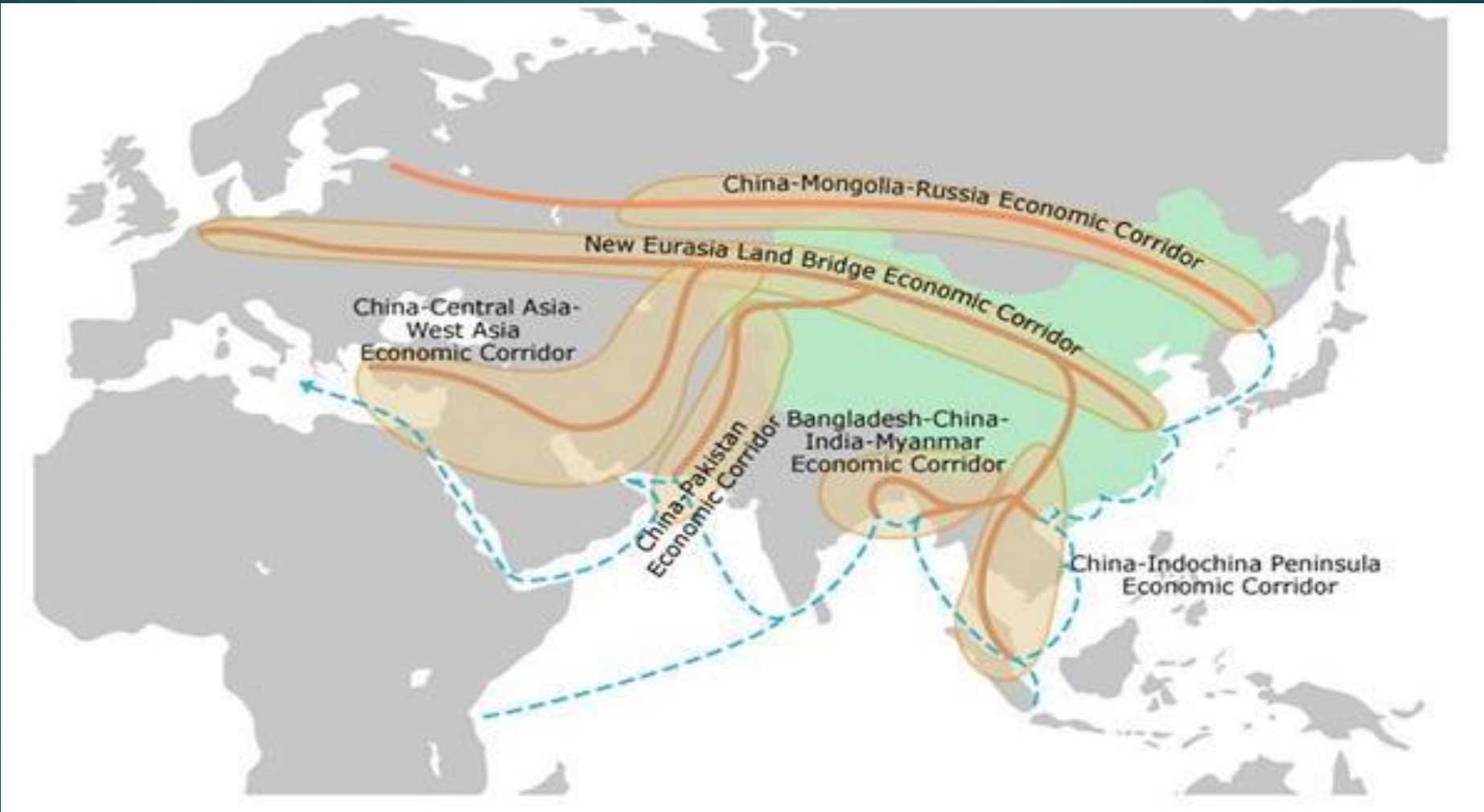
- ▶ Policy Co-ordination
- ▶ Facilities Connectivity
- ▶ Free Trade
- ▶ Financial Integration
- ▶ People to People bonds

Why China?

- ▶ China believes that it possess a comprehensive Industrial Ecosystem that can integrate :
 - ▶ **Capital**
 - ▶ **Management**
 - ▶ **Labour**
 - ▶ **Long Term Commitment**
- ▶ Giving them a comprehensive competitive power

Five Routes, Six International Economic Cooperation Corridors

- ▶ New Eurasian Land Bridge
- ▶ China-Mongolia – Russia
- ▶ China-Central Asia –West Asia
- ▶ China-Indochina Peninsula,
- ▶ China – Pakistan
- ▶ Bangladesh-China-India-Myanmar





Importance of Yunnan to Myanmar corridor

- ▶ Bring about economic Integration with Greater Mekong Sub-region , connecting South and SE Asia
- ▶ ASEAN Economic Community
- ▶ Market population of over 600 million
- ▶ Market value + \$2.6 trillion

What is the OBOR?

- ▶ The belt and road is an economic and industrial plan connecting China to markets across Africa and Asia, opening up trade routes and investing heavily in the host countries.
- ▶ Enabling Chinese-made products move even more freely across Asia and, in time, products manufactured in China being brought into the West at a fraction of the current cost
- ▶ China's "One Belt, One Road" initiative – launched three years ago – is now gaining significant traction.
- ▶ Effectively linking trade in some 60 Asian and European countries along a new Silk Road – is China's most important strategic initiative,

- The China-backed Asian Infrastructure Investment Bank and the Silk Road Fund have around \$140 billion in capital between them to finance infrastructure across two great arcs of Chinese trade: the land-based “belt” to the north stretching across Central Asia and Russia to Europe, and the maritime “road” to the south, encompassing East Africa, South Asia and Southeast Asia.

Developments to Date

- ▶ India–Myanmar–Thailand Trilateral Highway and the Trans-Asian Railway are all speeding up change and development in transport and commerce in the region
- ▶ China has signed project contracts worth US\$926 billion along the belt and road. A series of cross-border infrastructure projects are under way – such as a new China-Laos railway, a highway in Pakistan and a port in Vietnam – and are expected to expand quickly.

Developments to Date

- ▶ Master plan on ASEAN Connectivity 2025, blueprint to improve transport, logistics and IT
- ▶ Third blueprint for ASEAN Integration to assist Cambodia, Laos, Myanmar and Vietnam
- ▶ Upper Marsyangdi-A HydroPower Station in Nepal
- ▶ Addis Ababa – Djibouti Railway – FIRST African cross border standard gauge Rail
- ▶ Train link Yiwu – UK allowing first delivery

Developments continued

- ▶ China has developed over 50 overseas economic and trade cooperation zones along the belt and road, and expanded its free trade zones trial from four to seven provinces, including inland regions, which will help push investment projects, simplify cross-border transactions and improve trade liberalisation
- ▶ So far it has lent US\$829 million to six projects in Pakistan, Tajikistan, Indonesia and Bangladesh.
- ▶ China invested about US\$14.8 billion in 49 countries of the 64 other countries along the Silk Road last year, or 12.6 per cent of the country's total outbound investment, according to the Ministry of Commerce.
- ▶ China Railway services 14 European Cities

Myanmar becoming a focus ...

- ▶ Seminars and forums conducted this year have focused on Central Asia, Tajikistan, the strategic development of Myanmar, new Silk Road regional and infrastructure policies, logistics and maritime studies
- ▶ Gas Pipeline Yunnan – Kyauk Phyu
- ▶ Myitsone Dam?

Why Myanmar and the OBOR?

- ▶ China's rebalancing has been by design but also forced as an response to economic imperatives. As demographics have changed, wages have risen, and with productivity growth not keeping pace, unit labor costs have gone up. That has forced China to start reducing its exports of labor-intensive light manufacturing industries such as garments, footwear, toys and furniture². This has created an opportunity for CMLV economies which needs to be seized with pro-active policy measures.

Why Myanmar?

Approximately 17% of the global daily oil production is transported via the Straits of Malacca. This delivers oil from the Middle East to the likes of China, Japan and South Korea. Issues that are becoming problematic with this trade route include:

- Increasing Piracy,
- Longer steam times between ports,
- Port and Channel Congestion – particularly in Singapore.

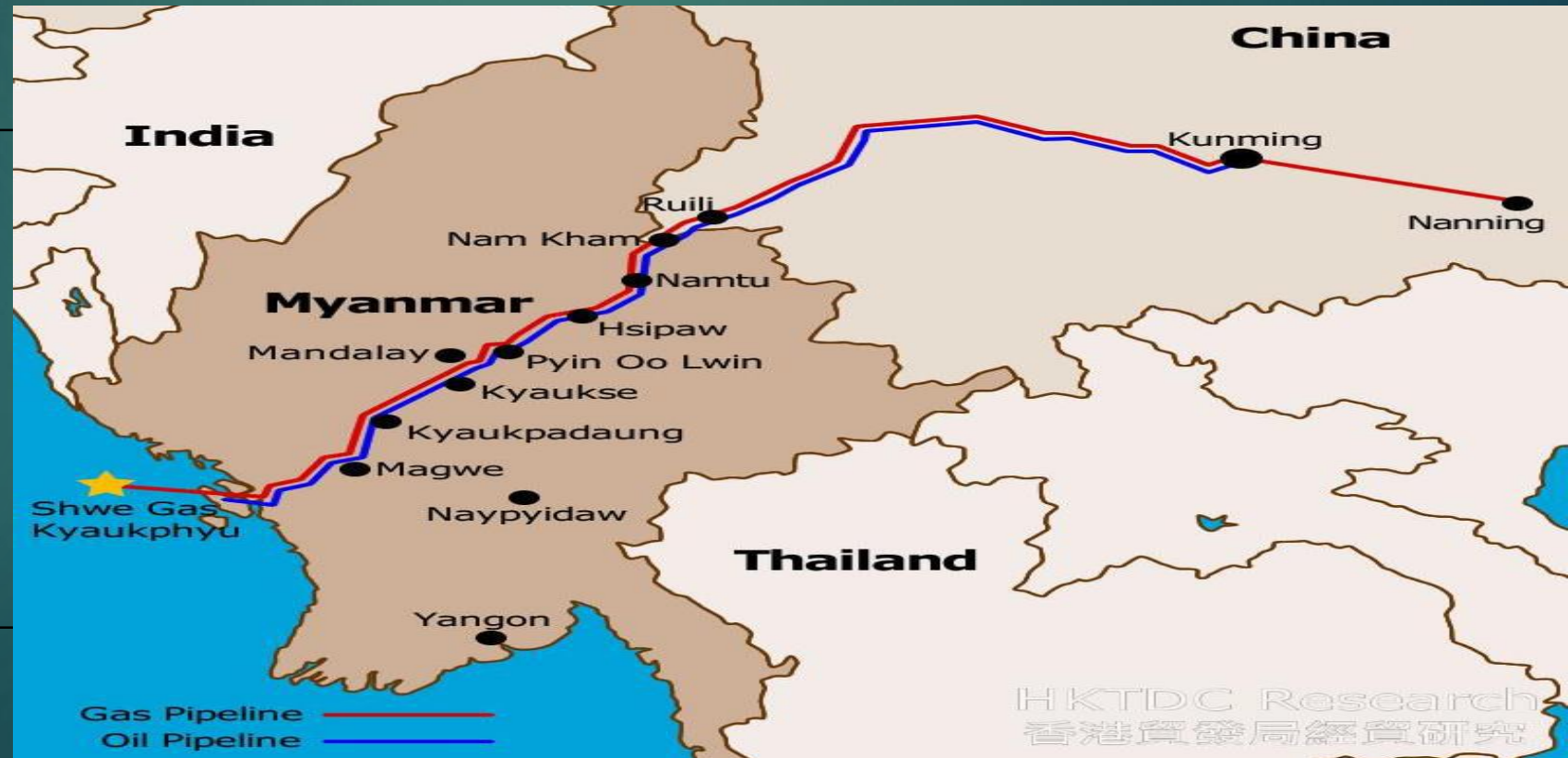
Significant Oil and Gas Exploration Activity in the Bay of Bengal and Andaman Sea, particularly in the countries of Myanmar and India that would address Chinese future energy security needs. The Silk Road brings all of these markets closer

The opening of the Chongqing rail route, the cheapest of 5 railway routes from China to Europe, with this mode of transport being twice as fast as shipping and is a more effective method of moving Hi Tech and Automotive parts

New road, rail and air Infrastructure provides the central city of Kunming better access, particularly ocean access, to the likes Myanmar, India, Europe. It is argued that Kunming will soon replace Singapore as SE Asia transport hub with Singapore becoming a feeder into the hub as will be China, Myanmar, Laos and Vietnam

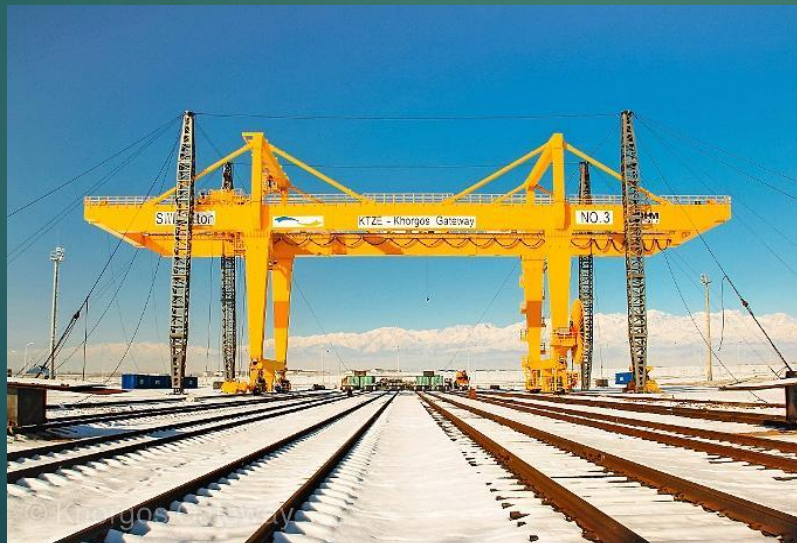


- Deep water port facilities and Oil/gas pipeline at Kyaukpyu in Myanmar, connecting Yunnan Province, and has already seen the start of shipping direct from China to Kyaukpyu via the Malacca Straits. This has significantly reduced steam time as they can now bypass Singapore.



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- ▶ Increased diplomatic activity between the two countries (the Lady visited China before the USA and Europe),
 - ▶ Key negotiations to resolve the Myitsone Dam project issue with important infrastructure concessions being contemplated that secure the Yunnan Province / Kyauk Phyu transport corridor,
 - ▶ China's role as peace maker in the Northern States regional conflict zone

- ▶ Further developments has seen the signing of the BCIM (Bangladesh / China / India / Myanmar) economic co-operation agreement. The outcome of this agreement is to create a link between Kolkata - Dhaka – Mandalay – Kunming with a focus on building a transport, energy and telecom corridor.
- ▶ Myanmar's economy is expected to grow around the 8% mark in the coming year. According to reports out of the ADB and others, China will account for 40% of trade. Furthermore, in order to facilitate and secure this trade, China has granted highly concessionary terms to finance construction and infrastructure projects



CLMV economies

- All these economies have low wages and Vietnam and Cambodia have established manufacturing bases. But as we know, China did not become a manufacturing and exporting juggernaut merely because it had cheap labor. There was supporting infrastructure, an ease of setting up and doing business, access to credit, reliable labor etc. etc.
- That is the challenge for CLMV economies. The lower-wage labor is there in abundance. They need to create the enabling environment for it to flourish.

Rail as a threat to Maritime trade?

- ▶ Rail carriers travel at up to triple the speed of a vessel, and the potential financial savings from this new transport mix will translate into savings along the supply chain. One need consider the amount of time/money tied up in L/Cs and Value of Goods whilst in transit on lengthy Sea Voyage Journeys.
- ▶ Shippers may well respond by pushing and or developing super ports / break bulk hubs to improve transit times and reduce the cost per mile per shipped container, but these concerns have been taken into the strategy with key ports and canals under consideration. All these elements will help reduce the LC exposure period as well as improve shipping times.

Improved Supply Chain Visibility

- ▶ China's new satellite-navigation services, according to a government policy paper on the country's space program released Tuesday.
- ▶ That means people from East Africa to the South Pacific will have access to the Chinese Beidou-2 satellite network, Beijing's answer to the U.S. Global Positioning System, by 2018, with the satellites providing the digital glue for the roads, railways, ports and industrial parks China intends to build on terra firma.

Threats to Myanmar

- ▶ Pakistan also provides a route to the Indian Ocean directly from China (no travel through a third country). There is also a deepwater port on the coast of Pakistan (Gwadar). Gwadar is not connected to Pakistan's power grid, using electricity imported from Iran
- ▶ For China, CPEC offers a shorter route to the Indian Ocean, without going through the congested and strategically sensitive Strait of Malacca



- China must engage with ASEAN on the basis of equal level, not in a hegemonic way. China must also provide high quality infrastructure, refrain from harvesting short-term gains and focus on sustainability
- existence of “thriving networks of cross-border criminals”, a “fully operational framework on tackling cross-border crime does not exist”
- ADB study has shown that rail is considerably cheaper than ship. However the study does have drawbacks in that the modelling was based Double Stack Trains and does not take account of rail gauge issues as well as cross border bureaucracy



Conclusion

- ▶ With the shipping and rail complementing each other as evidenced by the transport maps above, Myanmar still has an important role in the One Belt One Road strategy. If the country takes lessons learned from the Dubai model that sees vessels diverting from the main trade routes with large container loads that can be offloaded onto rail. Myanmar's location lends itself to carve a niche within the China One Belt One Road roll out. What it needs to ensure is that they have deep water ports with large break bulk areas developed within SEZ's to make this niche a reality.



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Thank you for your time today

You can find me:

- Featured on Oil Pro
- Engaged with LinkedIn
- andre@wheelermanagement.com.au

The screenshot shows the Oilpro website profile for Andre Wheeler. The header includes the Oilpro logo and navigation links: Profile, Network, Posts, Q&A, Jobs, and More. A search bar is present. The profile section features a photo of Andre Wheeler, his name, and his title: Global Director, Marine at Ceti Corp Incorporated. Below this is a 'Follow' button and location information: Perth, Australia. A list of skills is provided: contract-negotiation, logistics, strategy, strategic-planning, and business-development. The 'PROJECTS' section is partially visible, showing a project titled 'Gorgon (ITA)'.

O&G Industry's Global Reach Is Mirrored By Oilpro Membership

Although US shale has catapulted North American O&G activity to the forefront of the global industry landscape in recent years, the O&G business is truly worldwide in nature.

While Oilpro was founded from our Houston headquarters and will always have US roots, the community's membership outside the US has been growing at a rapid pace. In fact, about 45% of the members on Oilpro are located in countries outside North America. From Singapore to Ecuador and from Azerbaijan to Norway, word of Oilpro's industry specific platform has reached literally every O&G corner around the world.

This month, Oilpro celebrated the opening of our first international location, christening our London office several weeks ago. Over the next few years, Oilpro offices will open on several other continents - the company's physical presence will rise to match our membership, which mirrors the industry's global nature.

This month's 5 Star Oilpros post honors 5 members that exemplify the community's geographically diverse membership. Among this month's star members are Oilpros that have worked in or hail from Switzerland, the UK, Canada, Australia and the US.

[Just Named Today: 5 Star Oilpros For February>>](#)



5 Star Oilpro Members - February 2015

The screenshot shows a page from 'Western Australian Business News'. The main headline is 'Indigenous investment'. The article discusses the North West Cape Exports Aboriginal Corporation (NWEAC) and its partnership with MSA Marine Solutions for the provision of entry-level maritime and services training within the oil and gas industry. It mentions that revenues generated from the program will also help fund development of a spiritually-based training centre on site, as well as creating employment for young people at risk. The article also mentions that the program has been successful in providing training to 18 Aboriginal young people and that the NWEAC has received a grant from the Australian Government to support the program.

maritimeCEO

HOME NEWS SHIPOWNERS IN FOCUS
OTHER NEWS FROM AROUND THE WORLD: or calls off oil concession bid

News
Asia Pacific Connex: Jack-up precipice nearing



Peter: Driftships have already been hit hard by the declining oil price, but the worst is yet to come for jack-up rigs, says a leading Australian offshore consultant. Andre Wheeler heads up Asia Pacific Connex, a company connecting people and resources within the APAC region to provide services to the oil and gas sector as well as assisting Australian companies enter Asian markets.

"There is a lot of nervousness within the offshore sector, particularly with regard assets used in exploration," Wheeler says, noting how contracts are coming under pressure with the likes of Transocean having contracts cancelled. The market is still to react to the recent announcement by Seadrill that it is writing down \$1.1bn associated with a Petrobras contract awarded in November 2014 for supply of deepwell vessels.

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