

## Myanmar Country Risk Brief

### August 2015

Since opening up to the international community after the election of a civilian government in 2010, Myanmar has undergone rapid political, economic, and social change. The potential for economic growth has attracted a huge flow of Foreign Direct Investment,<sup>1</sup> which in turn created new environmental and socio-political challenges. Competition for access to natural resources, inequitable wealth distribution, and increased pressure on resources and the environment are all likely to intensify due to a combination of factors including population growth, rapid industrialisation, and increasing demand for natural resources in food production, energy production and trade (ADB 2012a). Despite a recent boom in economic activity, Myanmar still ranks as one of the poorest countries in the world. It continues to suffer from entrenched internal ethnic-based armed conflicts which have been ongoing for the past 70 years and have caused widespread displacement and massive loss of lives and livelihoods. Given Myanmar's abundant renewable and non-renewable natural resources, effective natural resource management could help create the right conditions for a sustainable and peaceful transition to democratic governance.

Climate projections suggest that Myanmar will experience an increase in average temperatures, erratic rainfall variability and more frequent, intense, and widespread extreme weather events (Myanmar NAPA 2012). It is particularly vulnerable to the detrimental impacts of sea level rise, saltwater intrusion and shorter monsoon seasons, coupled with more intense rainfall and flooding events and severe cyclones that will particularly affect the coast and destroy mangroves, which are a natural shoreline protection. These hydro-meteorological impacts are accompanied by a possible increase in the occurrence of droughts, loss of biodiversity and ecosystems (e.g. wetlands), and land degradation (ADB 2012b).

### **Compound risks: Links between climate change, fragility and security**

#### **1. Climate change and land conflicts**

Access to land is vital for the more than 70% of Myanmar's citizens who live in rural areas and depend on agriculture-related activities for their livelihoods. With up to 50% of the rural population considered landless (USAID 2013), access to land is particularly problematic and a major obstacle to poverty reduction in the country. The former military government facilitated recurrent land confiscation and land expropriation in favour of large-scale agribusiness enterprises, leaving thousands of people without land and contributing to population displacement and discontent (Soe Nandar Linn 2015). Decades of civil war, massive displacement and weak tenure security have contributed to more systematic land confiscation. In conflict-affected border states, both government forces and non-state armed groups have used land resources as a strategy to finance military operations by leasing land to investors, which has led to land grabbing on both sides (Henley 2014).

Since the beginning of the democratic transition, large-scale land allocation has increased significantly and land grabbing events have intensified and led to reported protests (OECD 2014). A study found that the conclusion of new ceasefire agreements in conflict-affected border states have further facilitated land grabbing by making those areas more accessible (TNI 2013). More recently, large-scale land acquisitions for biofuel production or hydropower electricity generation facilitated by international climate mitigation strategies have raised particular concern (TNI 2014). They mainly occur in the resource-rich upland areas like Kachin State that are already suffering from entrenched ethnic tensions and violence (Woods 2015). While investment in such projects is gathering momentum, there is a need for more research on the interplay between climate mitigation policies and their impacts on land acquisition. This would help mitigation projects to maximise social benefits for local communities and reduce conflict risks.

The compound pressures of climate change, conflict, displacement, population growth in upland areas, rapid economic growth, and unsustainable land and forestry management policies and practices

<sup>1</sup> "Pledged foreign direct investment grew from US\$1.4 billion in FY 2012 to US\$4.1 billion in FY 2013" (CIA World Factbook 2015).

will put land and forestry resources and the people who depend on them at further risk. If investments in large-scale development projects are implemented ignoring local land rights and customary land tenure, they are likely to fuel local populations' grievances, particularly in ethnic minority areas, protracting conflict and instability in the country. Land grabbing is of particular concern for Myanmar's peaceful transition and will remain one of the most contentious and volatile issues in the peace process (Mercy Corps 2014).

**2. Climate change, disasters and fragility**

According to the Germanwatch Global Climate Risk Index, Myanmar was the country second-most affected by extreme weather events between 1994 and 2013 (Kreft et al. 2014) and the capital Rangoon was recently ranked among the five cities most vulnerable to climate change. The country is frequently struck by a wide range of hazards, particularly floods, cyclones, and earthquakes. As Myanmar is geographically diverse, many of the communities in border areas governed by ethnic minority armed groups face very different hazards to those in the Irrawaddy delta or the dry zone. The population is particularly vulnerable because years of civil conflict have caused massive displacement and loss of livelihoods, infrastructure and shelter. For example, intercommunity violence in Rakhine state has left 140,000 people homeless (Myanmar DRR WG 2013). The situation of IDPs, alongside the 800,000 individuals in Rakhine State who lack citizenship, has deteriorated to a worrying degree. It is worsened by the politically-driven restrictions of humanitarian access in the region (UNHCR 2015). Disasters and conflict have created a vicious cycle of vulnerability where people lack the means to recover from more frequent, unpredictable and intense disasters, keeping them in protracted poverty. The consequences of extreme weather events on people and infrastructures are putting further strain on the government's capacities to respond to

**Climate change, Cyclone Nargis and conflict in Myanmar**

Climate change was identified as a major risk after the country was hit by Cyclone Nargis in 2008, which caused an estimated loss of 140,000 lives, and devastated the livelihoods and shelter of 2.4 million people. The cyclone cost the government approximately \$4bn in damage to infrastructure and physical access to markets and left the country in need of both immediate and long-term humanitarian assistance. Prior damages to the environment caused by widespread deforestation, degradation of mangrove and over exploitation of natural resources such as fisheries have contributed to make the cyclone's impacts worse in Myanmar (UNEP 2009).

Myanmar's response to the cyclone was highly criticised for its inefficiency. The government was more concerned to deal with conflict in non-affected regions such as Kern state. In addition, it restricted foreign aid and limited humanitarian access to the affected zone, fearing that foreign aid would sow the seeds of political unrest (Selth 2008). Instead, it prioritised security issues and deployed its already stretched resources on military operations against armed groups, rather than on relief and recovery efforts (South et al. 2012, cited in Harris et al. 2013).

It is worth recalling that Nargis struck at a time when Myanmar was fully closed off to the outside world. It had a repressive military government (although there are important distinctions between the army and the government), and there was almost no formal civil society. Pressure from the international community on Myanmar's government because of its poor disaster response, and the growth of local civil society organisations that responded to the Cyclone, were arguably contributing factors in the eventual opening of Myanmar (Larkin 2011).

humanitarian crises (see box).

This is especially worrying, since ineffective disaster responses and the failure to manage extreme-weather-induced disasters can challenge the legitimacy and authority of governance providers and can erode the social contract between the government and affected communities (Mitra and Vivekananda 2015) thus further challenging the newly-formed government led by President Thein Sein and a peaceful political transition.

**3. Water, energy and conflict**

Myanmar is rich in natural resources, including oil and gas, minerals, precious stones and gems, timber and forest products, and water. Since the opening and political reform process, the hydroelectric power development sector has sparked foreign investors' interest. This sector is currently the second-largest FDI recipient after the oil and gas sector (Allan and Einzenberger 2013). Large-scale hydro-power projects have received bad press and public acceptance of them remains low, as the social costs of such projects are high. Many of these projects offer little or no benefits to local communities and result in substantial and often irreversible environmental and social damage. This includes massive displacement, the flooding of huge areas and forced resettlement of local communities (KHRG 2013). It is planned that most of the energy produced will be exported to China and Thailand, while only 26 percent of the more than 60 million people in Myanmar have access to domestically produced electricity. This is very likely to create grievances against the central government, which is perceived

as systematically exploiting the natural resources of these areas without reinvesting the revenues to benefit the local population. Civil society opposition to big hydropower projects led to a nationwide campaign against the Myitsone hydropower dam in Kachin State (Allan and Einzenberger 2013) blaming its social and environmental impacts ([BBC 2011](#)) and the unfair benefits distribution among local communities (SIDA 2013). Most of the large hydro projects are in areas affected by conflict such as Kachin, Shan, and Mon state. The fact that many natural resources are found in conflict regions further complicates management of these resources and can contribute to instability (Soe Nandar Linn 2015). Indeed, management of natural resources interplays with deeply rooted political and economic grievances in Myanmar, which explains the protracted situation of the conflict.

The consequences of the huge flow of foreign investment to rural areas may exacerbate resentment in communities that do not directly benefit from economic growth, but suffer from the negative impact of clear cut forests, streams polluted with mining run-off and fertile farm land shifted to industrial use (Mercy Corps 2014). This is seen as a major cause of conflict in the country and may negatively affect the peace process.

## Conclusion

Sustainable and inclusive natural resource governance, and better forest and land management practices, such as secure and socially acceptable land tenure and distribution, are crucial to ensuring a sustainable and peaceful social, political and economic transition. Competition over access to natural resources, entrenched ethnic conflict, shifts in agricultural output, pressure on natural resources, internal displacement, and accelerated social and economic change are likely to push Myanmar toward more fragility. These risks need to be taken into account as part of the political negotiation and peace process in Myanmar. How these changes are managed in a context of complex political, economic and social changes will play a major role regarding Myanmar's future stability and resilience. Supporting key government and civil society stakeholders in establishing platforms that enable more open and inclusive dialogue and debate around natural resource management will be key to achieving lasting peace in Myanmar. In order to create the conditions for lasting, sustainable peace, reforms need to include the local business community, involve women, and be sensitive to the complex, evolving, but deep-seated, conflict dynamics (International Alert, March 2015).

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