

# Quick Look

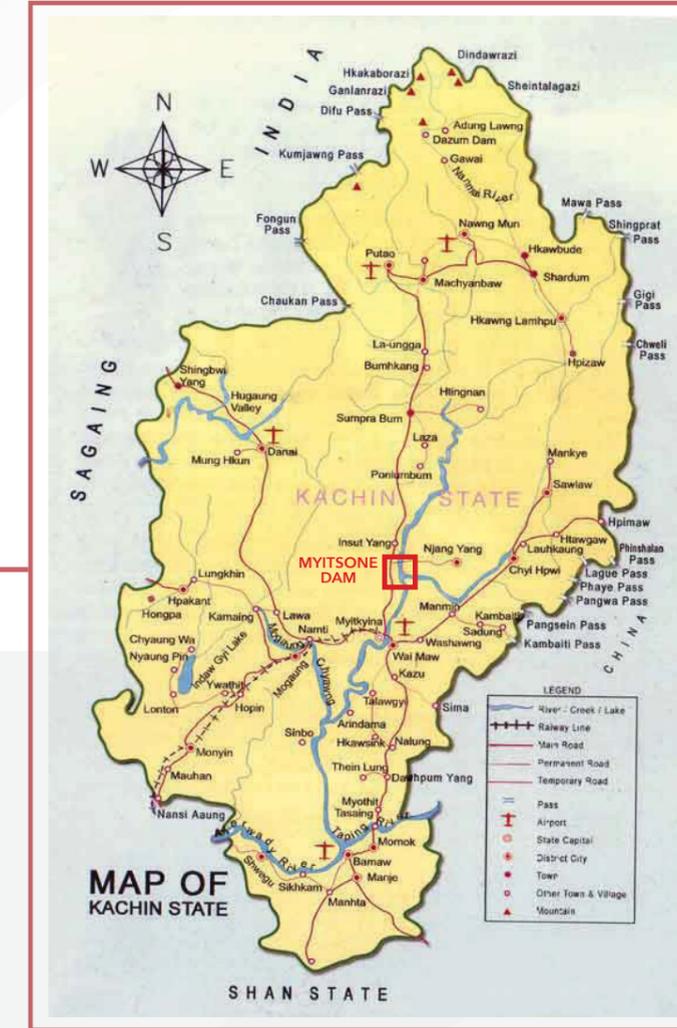
## Kaohin State, Myanmar



“Myanmar’s transition to a democratic society creates significant political, economic, and security challenges for investors.”

## SITUATION

After six decades of conflict, Myanmar is moving from war to peace; from a closed to free market economy; and from a tightly controlled authoritarian government to democracy. The rise to power of Daw Aung San Suu Kyi and the National League for Democracy (NLD) reinforces hope for progress, but also raises high and at times unrealistic expectations for development. Rapid changes to the political system have not yet materialized in Myanmar’s economic and social landscapes. Meanwhile, the military has guaranteed itself enough decision-making power to safeguard its interests and act if chaos arises. Polarizing social tensions, historic ethnic grievances, and competition for resources dominate Myanmar society and present the greatest risks for multinational corporations seeking investment.



“Myanmar has suffered decades of armed rebellion along its borders and no government has ever controlled all of the nation’s territory.”

## APPROACH

ENODO Global explores the social risks within the Kachin state and their impact on the Myitson hydroelectric power project. Our analysis uncovers social, environmental, and ethnic tensions that underpin grievances surrounding the project and prevent its completion.

“Myanmar is a highly diverse and divided society with over 135 ethnic groups and no unifying national identity.”

# FINDINGS

The greatest social risks to the Myitsone Dam include ongoing, widespread public opposition rooted in concerns over forced displacement, local and national environmental impacts, and the destruction of fertile land and areas with deep cultural significance. Moreover, fear and distrust of the Burmese military presence and of Chinese influence permeate Kachin society.

**Social Risk Rating - 7 High Risk:** A 7-9 score warns of an imminent or ongoing social risk that can negatively impact an investment that the asset's management does not have an effective strategy to mitigate.

“Kachin’s indigenous populations maintain deep bonds to their ancestral land.”



## Forced Displacement

In 2011, the newly elected government halted construction of the Myitsone Dam due to public backlash over social and environmental concerns. Approximately 12,000 people from over 60 villages will be displaced by the project. Thousands of ethnic Kachin have already been forcibly relocated from villages and uprooted from their traditional way of life. Although CPI supplied displaced peoples with considerable resources, they failed to provide villagers with the proper tools to recreate their agrarian lifestyles. The greatest challenge to a project restart is the relocation of indigenous populations in Kachin and along the Irrawaddy River.



## Environmental & Cultural Impact



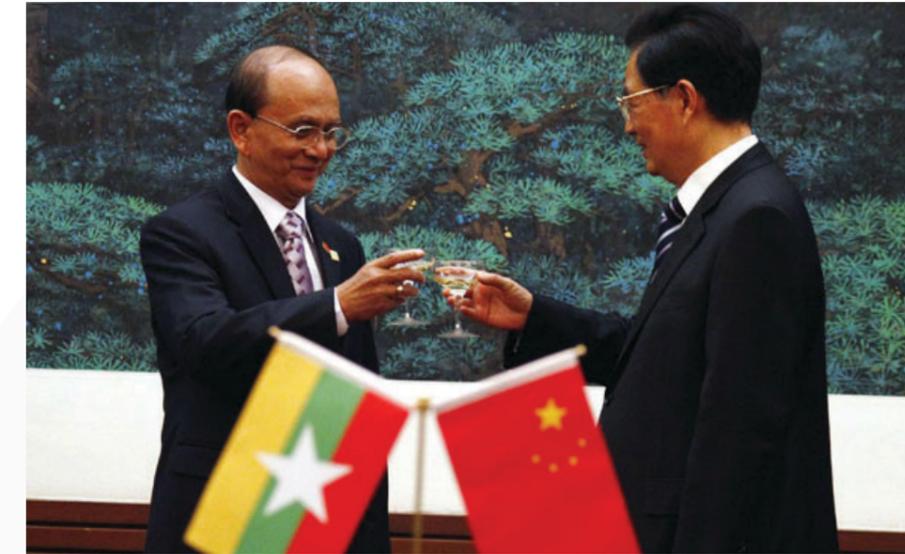
When complete, the Dam's catch basin will flood over 400 square kilometers of ecologically diverse arable land. Initial CPI studies indicated a minimal impact on the environment, however, independent studies highlight weaknesses in these assessments. Altering the flow of the rivers could potentially prevent sediment from reaching rice plains in the Irrawaddy Delta. The Delta is responsible for 60% of Myanmar's rice production and is a source of food for over a million people in Mon State and Rangoon. In addition to the loss of farmland, outside assessments have reported that a change in river flow would disrupt migration patterns of many species of fish, which would reduce income for fishermen.

The Myitsone Dam is located at the confluence of the Mali and N'mai Rivers. This area is considered the birthplace of Burma and is revered as a sacred place by Kachin groups. Indigenous communities believe that if the water way is broken, the spirits that reside in the confluence will unravel natural disasters in revenge.



## Chinese Influence

Opposition to the Myitsone Dam is rooted in long-standing distrust of Chinese interests and the lack of independent assessments of the project. Chinese companies have been linked to corrupt officials, environmentally degrading business practices, and contempt for the local culture. The former government severely limited communication between CPI, the public, and news media, which contributed to the spread of misinformation and increased public distrust towards the project. Given that CPI is a Chinese company, the Kachin and the Myanmar public will not trust CPI's assessments or intentions.



The Dam is designed to produce 6000 megawatts of electricity and generate an estimated \$17 billion of revenue over 50 years. 90% of the electricity produced will be used to power China's Yunnan province. The remaining 10% will supply the Myanmar Power Grid, which lacks the necessary infrastructure to deliver electricity across the Kachin State. The disparity in energy allocation and lack of transparency regarding revenue distribution reinforces resentment towards China and perceptions of its exploitative relationship with Myanmar.

**“The Irrawaddy is the cradle of Burmese civilization and the lifeblood for the country's agricultural production.”**

## OUTLIERS



### MILITARY INFLUENCE

Democracy has put significant power in the hands of civilians, but it has done little to pry control away from the institutionalized power of the Tatmadaw (Burmese Army). It controls much of Myanmar's bureaucratic processes, has veto power over constitutional matters in the parliament, and retains a preferential position in decision-making bodies (particularly the powerful National Defense and Security Council). In addition to being an economic force, the Tatmadaw has also retained control over key ministries guaranteeing its continued influence all the way down to the village level.

### ARMED INSURGENT GROUPS

Despite peace efforts by the Myanmar government, ethnic groups see the Tatmadaw as an invading force and refuse to sign the Nationwide Ceasefire Agreement. Many also oppose the Dam. Renewed fighting between the Tatmadaw and ethnic groups, along with human rights violations, have driven an estimated 75,000 from their homes, creating a constant source of instability. The likelihood of large-scale attacks that target the project's infrastructure or employees is low. Skirmishes within Kachin state, however, pose a serious threat to the project in relation to the supply lines that run through contested territory.



### GOVERNMENT TRANSITION

Myanmar's transition to democracy has empowered individuals, activist groups and ethnic minorities, raising expectations for a more legitimate and transparent government. It also shifts dependence from traditional sources (i.e., Tatmadaw and Chinese influence) to informal social structures and the population for political support. In order for the government to restart the project, it must balance economic development, Chinese geopolitical influence, regional Tatmadaw control, growing public participation, and social discontent.



**“Myanmar's conflicts can, to an extent, be understood as the result of deep tensions involving issues of self-governance, management of natural resources, and access to public services.”**

Resumption of the \$3.6 billion Myitsone Dam project can provide Myanmar with a much-needed source of revenue, fuel economic growth, and maintain its crucial geopolitical relations with China, Myanmar's greatest economic partner. Moreover, the recent acquisition of CPI by State Power Investment Corporation (SPIC) provides an opportunity to rebrand the project and reset the narrative. However, deep-seated anxiety and negative public sentiment will continue to provoke opposition to the project in both Kachin state and throughout the country.

In order for the project to resume and proceed uninterrupted, a neutral arbitrator must be designated to 1) oversee independent social and environmental impact assessments; 2) mediate stakeholder grievances between the government, military, ethnic groups and SPIC; 3) design and implement community development projects and communication strategies to alleviate social tensions and deliver enduring economic benefits to Kachin citizens. Properly resourced, the implementation of these measures would enable the project to resume. However, if these issues are not addressed, the project will continue to be plagued by protests and violence.



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