

# Fuelling Conflict

**Investment Exacerbating Turmoil In Western Burma**



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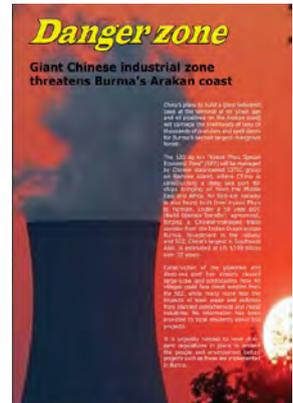
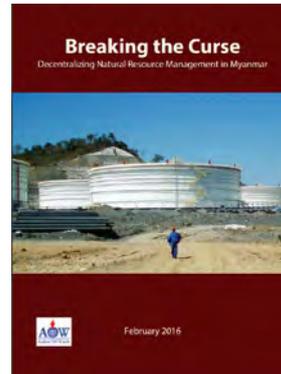
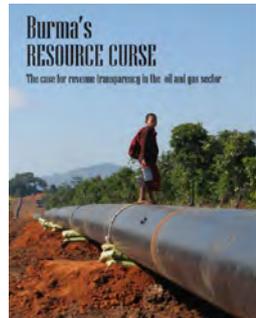
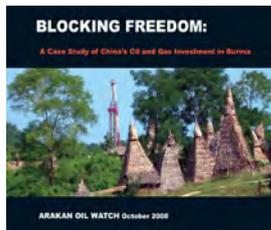
## Investment Exacerbating Turmoil in Western Burma

An Arakan Situation briefing - July 2020



Since its formation in 2006, Arakan Oil Watch has monitored investment projects in Arakan State, with a focus on the oil and gas industry, and has developed proposals for a future federal natural resource management system in order to promote sustainable peace and justice in Arakan and Burma. AOW is an active member of the Burma Environment Working Group (BEWG) and Oil Watch South East Asia (OilWatch SEA). Previous reports can be found at [www.oilwatcharakan.org](http://www.oilwatcharakan.org).

**Contact:** [infoarakanoilwatch@gmail.com](mailto:infoarakanoilwatch@gmail.com)



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# Executive Summary

With the conflict in Western Burma escalating to unprecedented levels amidst the Covid-19 crisis, it is urgently needed for the Burma government and international investors to stop plundering the rich natural wealth of Arakan State, as this is directly fuelling the war and driving the local population further into destitution.

China, India and South Korea have been key actors in pushing through unpopular multi-billion dollar projects in Arakan State, including the Shwe gas extraction, oil and gas pipelines, deep sea ports in Sittwe and Kyauk Phyu, the Kyauk Phyu Special Economic Zone and linked trade corridors. These projects have brought no benefits to local people, only loss of lands and livelihoods, environmental damage – and more recently, increased vulnerability to the global pandemic.

Even as war has been raging, and other borders under Covid lockdown, giant oil tankers from the Middle East have been docking at the Madaya Deep Sea Port at Kyauk Phyu, unloading oil destined for China. Official government regulations on Covid-19 health screening at the deep sea port are unclear, which has created additional fear of Covid-19 infection among the surrounding communities. Instead of allaying these community fears, the authorities sued two activists who were peacefully demonstrating their concerns.

Western oil corporations are also joining in the plunder. Since 2014, thirteen foreign oil companies have invested in gas exploration off the Arakan coast, and Australian Woodside Energy and French Total are moving ahead with development plans and billion-dollar deals to export gas to Thailand and China from newly found deposits, the most recent deal signed in December 2019.

Income from these foreign investments – not to mention millions of dollars of foreign aid channeled through the central government -- is propping up Naypyidaw's hegemonic rule, and subsidizing its war against its own people.

As it becomes increasingly clear that the Burma government's strategy to "crush" the Arakan Army is failing outright, it is time for foreign seemingly governments, corporations and multilateral institutions to review their engagement policies, and start heeding the grievances of the Arakan people.

This brief provides an update of foreign investments in Arakan State, armed conflict, the struggle by local communities to defend their lands and rights, and proposed federal solutions for resource management by leading political stakeholders – which are key to ending the conflict.

The Burma government is urged to immediately end military offensives in Arakan State and all ethnic areas, and start inclusive political dialogue addressing the root causes of ethnic conflict.

International governments and investors are urged to suspend all large-scale investment projects in Arakan and other ethnic states in order to end current conflicts until new federal constitutions and legislatures are adopted in accordance with a future Union Peace Accord.

## Armed conflict

Over the past year, the conflict in Northern Arakan State and southern Chin State has escalated to the fiercest levels seen in Burma for decades, as the Burma Army has sought to contain the serious military threat posed by the Arakan Army (AA).

Deploying combat divisions from other parts of the country and new hi-tech weaponry, the Burma Army has launched large-scale offensives against AA positions, firing artillery from jets, helicopters and navy ships, as well as multiple rocket launchers from the ground. Flailing against the AA's high mobility and support within the Arakanese community, the Burma Army has engaged in indiscriminate shelling into populated areas, leading to at least 257 civilian deaths and 560 civilian injuries since December 2018.<sup>1</sup>

During this same period, at least ten villages have been burned down and over 200 villages affected, causing displacement of an estimated over 250,000 Arakanese and Chin ethnic villagers, of which approx. 156,000 live in IDP camps.<sup>2</sup> In late June 2020, at least an additional ten thousand villagers fled their home in Kyauk Tan village tract of Rathedaung as a result of Burma Army clearance operation.<sup>3</sup>

This is in addition to the mass 2017 displacement in northern Arakan, when the Burma Army's "clearance operations" against alleged Muslim terrorists, resulted in the burning or destruction of hundreds of Muslim villages, forcing over 700,000 people to escape to neighboring Bangladesh. Currently about 130,000 Muslims live in crowded IDP camps in Burma.<sup>4</sup>

### Conflict escalation during the Covid-19 pandemic

The Burma government and its army have for several years refused to engage with the AA through any meaningful ceasefire and political negotiations, and have instead escalated their rhetoric and military offensives. In January 2019, a government spokesperson stated that "the president's office has instructed the military to launch an operation to crush the terrorists"<sup>5</sup> and in June the same year banned internet communication in nine conflict-affected townships in western Burma.<sup>6</sup>

During the emerging Covid-19 crisis, on March 23 2020, the government officially designated AA as a terrorist organization, making communication with, or promotion of, the AA illegal, and simultaneously



Satellite image taken of Tin Ma village in Arakan State on May 14, 2020 showing approx. 140 buildings burned between March 22 and 23, 2020. (Source: Human Rights Watch/Planet Labs 2020)



Villagers in Rathedaung Township fleeing their homes due to civil war, on June 20, 2020. (Photo: BAR CAR)



According to a government spokesperson, the President's Office called on the Burma Army to "crush" the Arakan Army, after a rare meeting between Aung San Suu Kyi and the Burma Army chief in January 2019 (Photo: Internet)

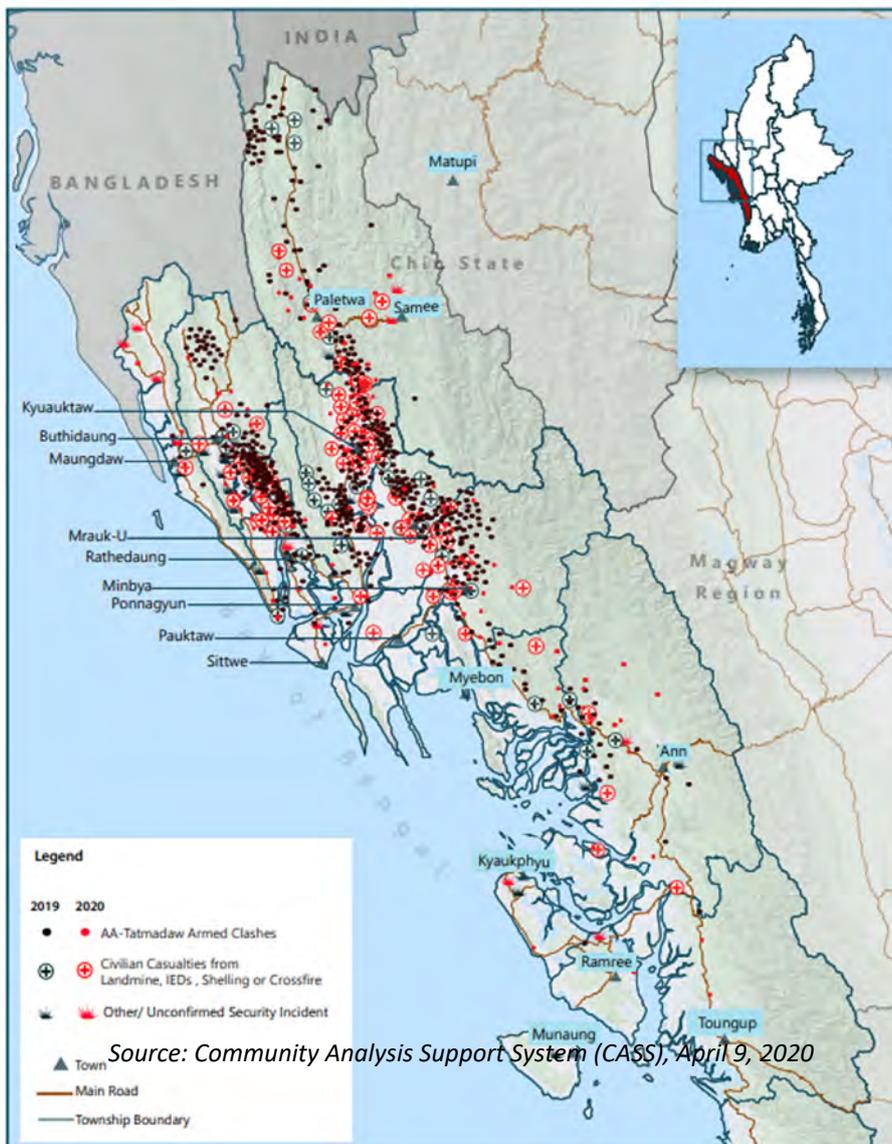
ordered internet providers to block 230 websites.<sup>7</sup> Soon after, several local journalists and local activists were arrested, accused of having interviewed or associated with AA representatives.<sup>8</sup>

On May 3, the Three Brotherhood Alliance, a coalition of ethnic armed groups including the AA, issued a statement extending their previous unilateral ceasefire until the end of May, due to the Covid-19 pandemic. The Burma Army responded a week later, on May 9, with the announcement of a four-month unilateral ceasefire in all areas of the country except western Burma. On May 11, the Three Brotherhood Alliance called for Arakan State not to be excluded from the ceasefire “to prevent the spread of Covid 19” and “to work for peace”.<sup>9</sup> The UN and Burma-based Ambassadors have also issued statements calling for a nationwide ceasefire, but the Burma Army has called this “unrealistic”. During the second half of May, the Burma Army burned down about 270 houses in two villages, including 200 houses in Lakka village in Mrauk U Township on May 16 and about 70 deserted houses in Meelatwa village in Paletwa Township on May 26. While the Burma Army blamed the Arakan Army, witnesses had seen Burma Army soldiers in the areas before they were torched.<sup>10</sup>

While military conflict is the first and foremost threat for communities in northern Arakan, once Covid-19 reaches the area, it is likely to spread quickly in crowded IDP camps as well as military camps. The lack of information through internet communication will pose further difficulty in limiting the spread of the disease.

**CASS**

**Security Incidents in Rakhine State and  
Southern Chin State in 2019 and 2020 (as of 25 March)**



## Land and natural resource conflicts

### National revenues from oil and natural gas investments

The Burma government earns over US 3 billion dollars annually from the export of natural gas to Thailand and China through four offshore projects: Yadana, Yetagun, Shwe and Zawtika.<sup>11</sup> This constitutes around 50% of its total export revenues, creating a strong dependency on export, and only utilizing approx. 17% of all natural gas production for domestic use.<sup>12</sup>

The Oil and Gas sector has over the last 30 years provided the largest source of Burma's Foreign Direct Investment (FDI), reaching US 22 billion dollars.<sup>13</sup> This accounts for nearly 30% of Burma's FDI, involving China, India and South Korea, but also a number of western companies such as French Total and US Chevron.

### Large-scale investments in Arakan

Since 2013, Arakan natural gas, via the Shwe Gas Project, has become a massive cash cow for Naypyidaw, and several recent offshore natural gas finds are likely to augment this. The Shwe gas project also paved the way for multi-billion projects including a Chinese oil pipeline, deep sea ports in Sittwe and Kyauk Phyu, a Kyauk Phyu Special Economic Zone and planned trade corridors to China and India.



*Shwe gas project offshore platform (Source: POSCO International)*

## Arakan Offshore Natural Gas

The offshore Shwe natural gas project, operated by a POSCO-led South Korean/ Indian consortium, provides approx. US\$ 1.5 billion -- half of Burma's gas revenues -- from sales to China through a gas pipeline cutting across Burma.<sup>14</sup> In early 2020, the consortium announced they had struck another gas deposit in the same block and are also continuing exploration in nearby concession areas.<sup>15</sup>

Thirteen foreign companies invested in offshore exploration activities off the Arakan coast following the last round of government tenders in 2014, but five blocks were relinquished by companies between 2017 and 2019 due to poor results. Australian Woodside Energy and Dutch-British Shell have invested heavily, with the former finding considerable gas deposits in blocks A-6 and AD-7. Initial plans for the development and sale of natural gas from the A-6 block were signed with the Burma government in December 2019 and a majority of the gas is destined to be sold to Thailand, to connect to and replace the diminishing Yadana field by the end of 2023. French Total Oil, the main operator of the Yadana Fields, holds an equal 40% share in A-6 with Woodside. Only 25% of this gas is currently destined to stay in Burma, channeled through an existing pipeline between Yadana and Yangon. Woodside has also indicated that potential sale of gas from their AD-7 block would likely be transferred through the Shwe pipelines to China.

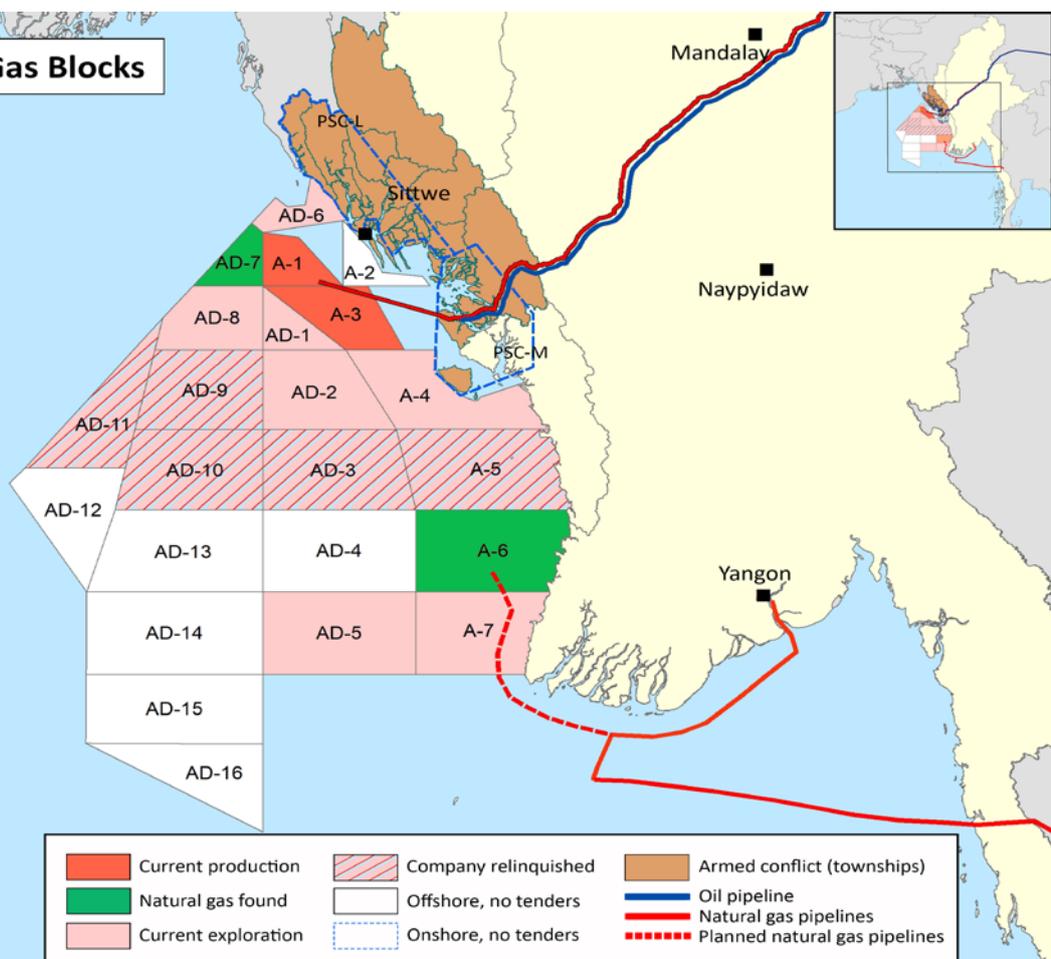
Burma had originally planned to announce a tender for further oil and gas exploration in 2019, but due to the delayed drafting of a new petroleum bill (the Exploration Prospecting Development and Production of Petroleum Bill) and the Covid-19 pandemic, this is likely to be postponed to 2021. The current draft indicates that the Myanmar Oil and Gas Enterprise (MOGE) would have to relinquish additional administrative and financial powers to its mother ministry, the Ministry of Electricity and Energy (MOEE) – which would increase revenue transparency, but further centralize management of the oil and gas sector.<sup>16</sup>

### Western Burma Oil and Natural Gas Blocks

Country	Company	Active offshore blocks
 UK/Netherlands	Royal Dutch Shell	A-4, A-7, AD-2, AD-5
 Australia	Woodside Energy	A-6, A-7, AD-1, AD-7, AD-8
 France	Total	A-6
 China	CNPC	AD-1, AD-6, AD-8
 South Korea	POSCO	A-1, A-3, AD-7
	KOGAS	A-1, A-3
 India	ONGC Videsh	A-1, A-3
	GAIL	A-1, A-3

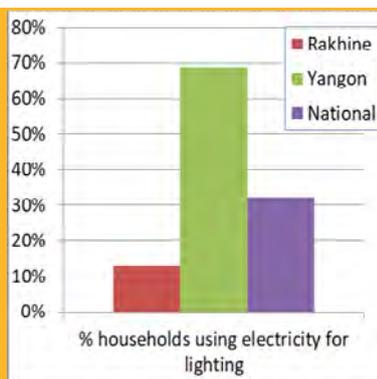
#### Companies that have relinquished offshore blocks

Ophir (UK), Chevron (US), MOECO (Japan), Shell (NL), Statoil (Norway)	A-5, AD-3, AD-9, AD-10, AD-11
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### Injustice and centralized projects fuel conflict

Although Arakan State is a primary source of Burma's revenue from energy extraction, it is officially the second poorest state in Burma with a poverty rate of 41.6%, which is nearly twice as high as the national average of 24.8%, and its electrification rates are among the lowest in the country (World Bank). The Arakan State government lacks the political power to own, control and manage its resources and set its own development priorities, as a result of the centralized and military-dominated constitution. These injustices have fuelled conflict and destitution.



2014 Myanmar Population and Housing Census

The central government has not only ignored these injustices and ethnic demands for devolved powers, but is now prioritizing centrally-designed development aid projects, through grants and loans from international multilateral agencies, such as the World Bank. As these projects are controlled by the Union government, this foreign aid further promotes centralized governance, a key root cause of the civil war in Burma, and exacerbates conflict.

The government has taken full advantage of the Covid pandemic to publish a Covid-19 Economic Relief Plan (CERP) claiming it requires USD 2 billion, which international agencies such as the IMF, World Bank and Japanese JICA have quickly responded to in the form of loans, set to be implemented as top-down projects. The CERP promotes "fast-tracking" of international investment projects, which threatens to further escalate conflict.

### Arakan as a Chinese trading hub

The Shwe gas pipeline project has spearheaded Chinese investment into Arakan, with its hub at Kyauk Phyu, where an oil pipeline, deep sea port and oil terminal have already been built, and where the new Kyauk Phyu Deep Sea Ports and Industrial Zone project is now being planned – all controlled by China.

A parallel oil pipeline was built next to the gas pipeline and has since late 2017 channeled Middle Eastern -- mainly Saudi Arabian -- oil to China's Yunnan Province, via a deep sea port and terminal in Kyauk Phyu. The deep sea port and oil terminals were built on community farmlands on the Maday Island in Kyauk Phyu, and weekly visits of up to 330 metre-long 320,000 Dead-Weight Tonne (DWT) oil tankers have destroyed previously fertile fishing grounds of local communities. Pollution and potential oil spills further threaten the Thanzit River and large surrounding mangrove forests, including the "Key Biodiversity Area" Wunbaik Mangrove forest.<sup>17</sup> Wunbaik is home to the Hawksbill and Loggerhead turtles as well as the Mangrove terrapin, all listed as "Critically Endangered" by the International Union for Conservation of Nature (IUCN).<sup>18</sup> Despite considerable negative impacts for the environment and local communities, Naypyidaw's revenues from the oil transfer are minimal, as Burma in 2019 only received an estimated US\$ 24.3 million, which is less than 0.5% of the US\$ 5.5 billion actual value of the oil.<sup>19</sup>

The new Kyauk Phyu Special Economic Zone Project, which consists of two deep sea ports, an industrial zone and a residential area, is considered by China as one of the three main pillars of its Belt and Road Initiative (BRI), and between late 2015 and early 2020, a series of agreements to build the project have been reached between China's CITIC Corporation and the Burma government. In February 2020, Burma's Deputy Minister of Commerce, U Aung Htoo, reported to the Union Parliament that the whole CITIC project could be worth around



# INFRA-STRUCTURE DEVELOPMENT PROJECTS IN ARAKAN STATE



## Arakan as an Indian trading hub

In a geopolitical battle over Arakan control, China has so far steamrolled India. The Shwe gas was originally intended to be piped to India, until China cast a UN Security Council veto protecting the SPDC regime from international sanctions in January 2007, and shortly after were given the MOU for the project.<sup>22</sup> Apart from holding a minority 25% stake in the Shwe fields, India instead focused on the Kaladan Multi-Modal Transit Transport Project, which is aimed to connect Kolkata by sea with a US\$ 484 million Deep Sea Port at Sittwe, and from there a Kaladan River and road transport link between Sittwe and the North East Indian State of Mizoram.<sup>23</sup>



*Sittwe seaport in Arakan, part of the India's kaladan Multi-Modal Transit Transport Project (Photo: AOW)*

The Sittwe Deep Sea Port, Kaladan river dredging and a river port in Paletwa have been completed, with only the overland road between Paletwa to Zorinpui on the India border still under construction. The whole project was slated for completion in 2020, but heavy fighting between the Arakan Army and the Burma Army in the Kaladan River valley has slowed down road construction to a virtual standstill. In November 2019, the Arakan Army intercepted a vessel ferrying raw materials for the Kaladan project and abducted 10 people including 5 Indian workers. A day before the Indian workers were released, one suffered a heart attack and died in custody.<sup>24</sup>

## Centralised governance fuelling conflict

Natural gas extraction and the multiple investment projects in Kyauk Phyu have provided the central government with billions of dollars in revenue, while the local government and communities have had no say in the decision-making process. As a result, communities have lost fertile farmlands and fishing grounds for little or no compensation, creating conflicts with authorities and foreign companies.

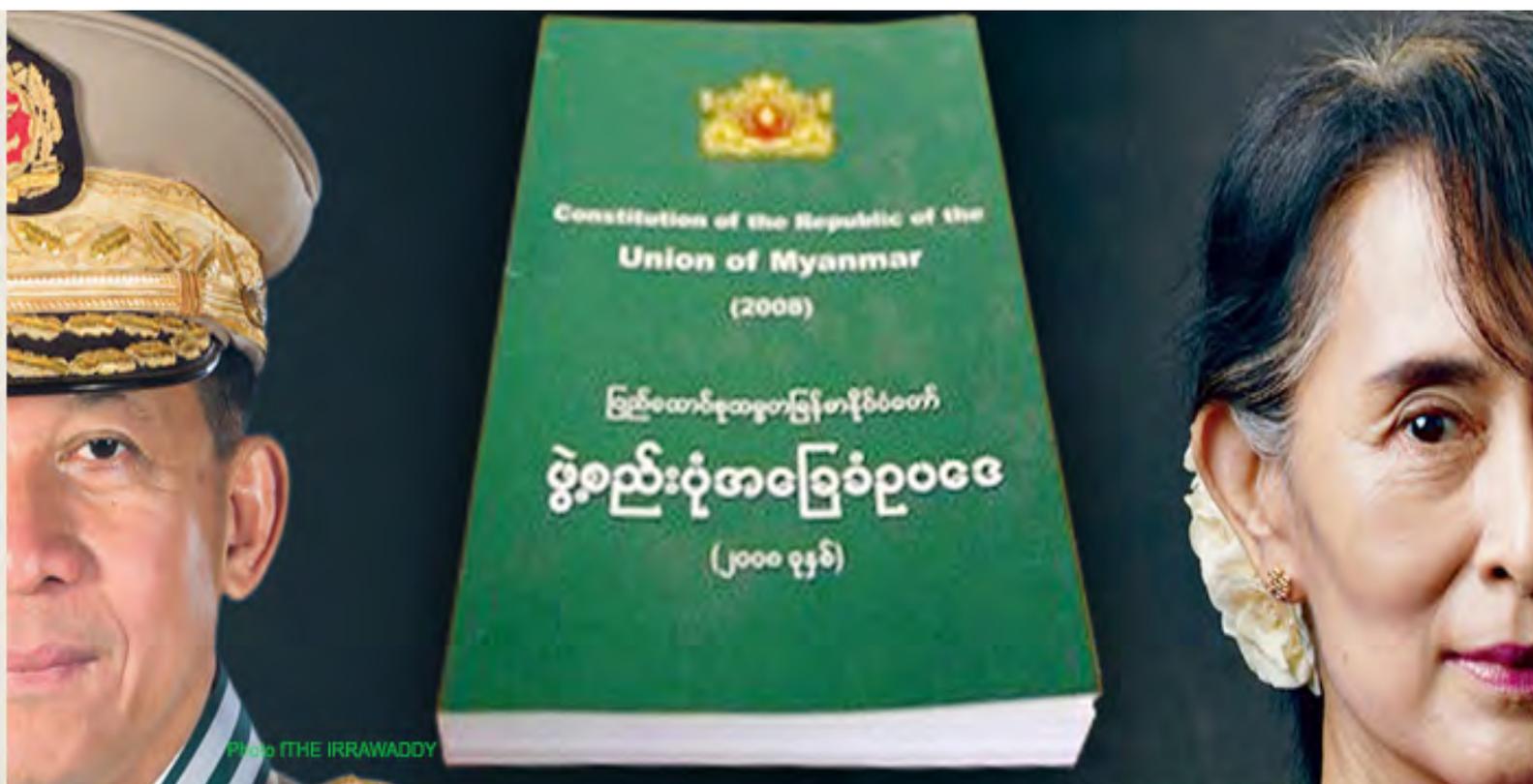
The extremely centralized nature of consecutive Burma constitutions is one of the key root causes of civil war in Burma. Arakanese communities have, together with other ethnic communities, for decades demanded their right to self-determination, aiming to establish a federal democratic union.

### According to Section 37 of the 2008 constitution:

(a) “the Union is the ultimate owner of all lands and all natural resources above and below the ground, above and beneath the water and in the atmosphere”

(b) “Union shall enact necessary law to supervise extraction and utilization of State-owned natural resources by economic forces”

This provides the central government with full ownership, control and management over lands and natural resources, including the right to legislate, tax, sell and utilize the resources. This centralized control has had disastrous effects in widening inequality, fueling a cycle of armed conflict and violence, and depleting non-renewable resources that could be the basis of a sound economy for future generations.



## Arakanese positions on land and natural resource management

All major stakeholders of Arakanese society have made their positions clear and demanded their rights for ownership, control and management of natural resources, within a devolved federal governance framework. Arakanese armed groups have included these demands in statements and political negotiations with the Union government and its army; political parties have made demands in parliament and public fora; and civil society and affected communities have produced research and analysis reports, organized numerous public gatherings and petitions demanding their rights.

The following are some selected positions on land and natural resources from Arakanese stakeholders:

### Arakan National Party (ANP):

- *“All natural resources are owned by respective ethnic nationalities’ states, which have control and management rights.”*
- *“Respective ethnic nationalities’ states have rights to the use of their own resources, and the states will manage natural resource revenue and will share back to the federal government.”*



(paper submitted to the Union Peace Conference September 1, 2016)

*Dr Aye Maung, former Chairman of the Arakan National Party, reads an ANP paper at the Union Peace Conference on September 1, 2016*

### The Arakan Liberation Party (ALP):

- *“The legal framework of land ownership and management must be decentralized and in line with traditional customs and culture of the people in the State and shall include land and natural resources under and above the ground.”*
- *“States of a Federal Union must have rights to adopt and implement land and environment policies that are suitable to their state.”*

(Excerpts from joint demands made by eight Ethnic Armed Organisations, including ALP, who signed the Nationwide Ceasefire Agreement (NCA) at the “2<sup>nd</sup> Land and Environmental Sector Negotiation Meeting” including Union government and Army representatives in Naypyidaw, May 7-9, 2017.)



## Communities, civil society and political parties have organized multiple public events to advocate for federal land and natural resource management structures



Media launch of an Arakan state-wide petition organized between June to August 2016 calling for constitutional rights over lands and natural resources, signed by approx. 300,000 people, September 12, 2016. (Photo: ANREN)



Fishermen protest against the destructive Chinese oil tankers and the deep sea oil port project in Kyauk Phyu on May 22, 2017. (Photo: KRDA)



Political parties, civil society groups and communities collaborate in the 2nd anniversary of the 2016 march. Thousands of participants demanded their rights to lands and natural resources, and sent these demands as an open letter to President U Win Myint in November 2018. (Photo: ANREN)



Farmers calling for the protection of their lands from the deep sea port construction on Maday Island, May 22, 2017. (Photo: KRDA)



A week-long 300-mile march from Sittwe to Kyauk Phyu in November 2016 gathered around 50,000 people calling for land and natural resource ownership, control and management rights. (Photo: ANREN)



Farmers calling on Chinese CNPC to "get out" at a demonstration in Kyauk Phyu Township, March 22, 2018. (Photo: Myo Lwin)

## Arrests of Kyauk Phyu activists expressing community demands

The government has ignored the efforts of political parties, armed groups, civil society and communities to engage in dialogue to address root causes of these land and natural resource conflicts, and has pushed ahead with new investment projects, attempting to silence opposition by charging community leaders for organizing peaceful protests against these projects.

Some recent examples of unjust charges against Kyauk Phyu community activists include:

- March 23, 2020:** Two leading members of the Kyauk Phyu Rural Development Association (KRDA), Tun Kyi and Chan Maung Nu, were charged by the Kyauk Phyu General Administration Department (GAD) under article 19 of the Peaceful Assembly and Peaceful Procession (PAPP) Law for having facilitated a meeting of 470 local farmers and fishermen addressing impacts of the planned Special Economic Zone (SEZ) on March 20. The workshop had resulted in a public statement, highlighting lack of recognition of customary land ownership, lack of project transparency as well as loss of land and livelihoods, and calling for the project to be halted until community demands were met. The two community members have to attend ongoing court proceedings twice a month.



Chan Maung Nu



Tun Kyi

- April 22, 2020:** Two environmental activists, Myo Lwin and Thein Nyunt, were charged under article 19 of the PAPP Law for protesting against Chinese oil tankers' entry to the Maday Island in Kyauk Phyu during the Covid-19 pandemic on April 7.

Similar unjust charges have been filed against Kyauk Phyu activists in previous years:

- April 19, 2013:** Six villagers were charged for protesting against CNPC's projects in Maday Island in Kyauk Phyu Township. 500 villagers had marched and protested against loss of lands and livelihoods in front of CNPC's oil port and oil terminal project site for several hours.



(Photo: Htun Kyi)



- **January 21, 2016:** Maung Aye, a leader of the Kyauk Phyu Rural Development Association (KRDA) and an outspoken critic of large-scale investment projects in Kyauk Phyu was arrested on charges of having communicated with the Arakan Army, under the Unlawful Associations Act 17/1. He was originally sentenced to two years' imprisonment in Kyauk Phyu prison, and was released in May 2017.



- **Oct 1, 2018:** Myo Lwin (see above) was charged with article 66 (d) of the Telecommunications law for posting a Facebook message and video showing how thousands of dead clams had washed ashore near Kyauk Nu village in the Thanzit River in September. He had documented how 167 villagers had contracted skin diseases after collecting clams. Water testing facilitated by civil society groups had found extremely high levels of lead and phenol compounds in the water, which local organisations believe is a result of the oil tankers and deep sea port activities at the Maday Island in the Thanzit River.<sup>25</sup> The government claimed that the clams had died as a result of heavy rains and flooding. Two years on, Myo Lwin is continuing to attend court procedures for this case twice a month, while facing new charges related to unlawful protest.

## Conclusion

Escalating conflict and exploitative investment are pushing Arakan society to the brink of collapse.

By excluding the Arakan Army from a nationwide ceasefire and political dialogue, and committing to full-scale war, the Burma government has chosen a dangerous path. Their ongoing plunder of Arakan natural resources, and use of this very revenue to buy weaponry against the Arakan people, is fuelling anger and enflaming the conflict.

Communities across northern Arakan are in grave crisis, facing daily casualties, human rights abuses and loss of livelihoods – and now added fears of Covid-19.

Foreign governments, multilateral institutions and corporations are exacerbating Burma's ethnic conflicts through investments and financial aid that promote centralized governance.

These stakeholders must now take strong and immediate action, incorporating ethnic perspectives to promote sustainable peace and development in Arakan and Burma, before conflict in Arakan spirals out of control and countless more lives are lost.

# Recommendations

## The Burma government should:

1. end military offensives in Arakan State and other ethnic areas, and announce a comprehensive nationwide ceasefire to protect civilian lives, combat the Covid-19 pandemic and build trust with ethnic stakeholders;
2. invite all ethnic armed groups, including NCA signatories and non-signatories, to comprehensively review the current peace process in order to begin substantial political dialogue which addresses root causes of ethnic conflict;
3. suspend current and new large-scale projects, such as the Shwe gas and Kyauk Phyu SEZ, until peace is restored in Arakan State and new constitutions and relevant legislations are adopted, in accordance with a future Union Peace Accord.
4. immediately suspend all incoming Chinese oil tankers and workers from oil companies into Arakan state during the Covid-19 pandemic.
5. drop existing legal charges against community leaders in Kyauk Phyu, and other parts of Arakan and Burma, that have demonstrated peacefully to protect their basic rights, livelihoods and environment.
6. end the internet blockade in Arakan and Chin states to protect freedom of opinion and expression, in accordance with the Universal Declaration of Human Rights.

## International governments should:

1. make collaboration with the Burma government conditional upon a nationwide ceasefire throughout the entire country, including Arakan, and facilitation of a peace process that includes all ethnic stakeholders;
2. suspend large-scale development aid and loans to the Burma government that target conflict- affected ethnic areas and make resumption dependent on a comprehensive review of this aid, incorporating ethnic perspectives and an assessment of impacts on the current peace process;
3. suspend large-scale investment projects in Arakan and other ethnic states – including the Shwe Gas and Kyauk Phyu SEZ projects, until peace is restored in Arakan State and new constitutions and relevant legislations are adopted, in accordance with a future Union Peace Accord.

## International corporations and shareholders should:

1. invest in long-term relationships with local authorities and communities in ethnic states, by suspending current and planned large-scale investment projects, such as the Shwe Gas and the Kyauk Phyu SEZ projects, until peace is restored in Arakan State and new constitutions and relevant legislations are adopted, in accordance with a future Union Peace Accord.

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This brief provides an update of foreign investments in Arakan State, armed conflict, the struggle by local communities to defend their lands and rights, and proposed federal solutions for resource management by leading political stakeholders - which are key to ending the conflict.



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