

THE ARAKAN NATURAL RESOURCES CURSE;  
IS IT COMING TO AN END?



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February 2025



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## **1. Introduction**

The Arakan Land, despite possessing natural resources and a strategically important geographical location in economic, political, and military terms, has lost everything under the unitary system of Myanmar. Not only Arakan's natural gas but also Arakan's sea and Arakan's forests have not been benefited by the Arakanese people, and these resources have even caused the people of Arakan to be cursed.

The Arakan Army began re-capturing Arakan Land city by city on November 13, 2023, and has now acquired all but three cities: Sittwe, Kyaukphyu, and Manaung. Therefore, the cursed natural resources of Arakan are nearing the end of their curse.

In addition, among Arakan's natural resources, the Shwe natural gas currently being developed and produced, the additional natural gas deposits that have been discovered, and the Kyaukphyu Special Economic Zone and Kaladan Multi-Modal Transit Transport Project, among other projects, must be officially entitled to the rightful rights.

The Arakan Army's attacks and conquests of Kyaukphyu where the remaining Shwe natural gas and Chinese investments are located and Sittwe, the capital of Rakhine State under the military council, where the Indian project is located, its intensification of offensives into three plains regions of Myanmar, and the ceasefire negotiations are interconnected and proportional, in which Arakan's natural resources and investment projects play a major role.

Therefore, this paper is written with the aim of supporting the end of the natural resources curse for the benefit of the people of Arakan Land, who have lost all their natural resource rights under the unitary government of Myanmar.

## **2. Prospects for a Ceasefire**

The Myanmar government, through enacted laws and military force, has seized all ownership, control, and management of natural resources in Arakan Land through centralized control. The people of Arakan have not only failed to benefit from their natural resources but have also lost their lands and livelihoods. The Arakanese people's demands for their rightful share in natural resource projects have been ignored and met with disregard.

However, the current situation in Arakan Land has changed. By the end of 2024, the Arakan Army had captured 15 townships, including 14 in Rakhine State and Paletwa region. All of Arakan Land's borders with Bangladesh and India, as well as the land bordering Myanmar proper, have fallen under the control of the Arakan Army.

Currently, only Kyaukphyu city, where Chinese projects are located, Sittwe city, the military council's Rakhine state capital, and Manaung city remain. On Rambree Island, the city of Rambree has been captured, and only the Kyaukphyu city area, the naval base, and Made Island remain under military council control. The rest of Kyaukphyu's rural areas are under Arakan Army control. Sittwe is also under military council control only in the city center, and most of Sittwe's rural areas and connected Ponnagyun and Rathedaung regions are under Arakan Army control.

For the military council, the only remaining means of communication and supply to these three cities are by air and sea. Based on the operations carried out in Thandwe and Ann, it is evident that the Arakan Army, which possesses heavy weapons, can reach the vicinity of airports, and the military

council will no longer be able to carry out airlifts. Based on the combat strategies carried out in cities such as Thandwe, Gwa, Kyauktaw, Mrauk-U, and Minbya, once naval bases are captured, naval vessels will no longer be able to approach or land on the shore, only firing from a distance.

On December 29, 2024, the Arakan Army announced that it was ready to resolve the current situation in Myanmar through political means. Subsequently, the military council has been continuously bombing civilian targets in Arakan Land controlled by the Arakan Army. Similarly, according to the Arakan Army's statements on January 27, 2025, the Arakan Army has completely captured the Ann, Taungkok, and Gwa Roma passes and has been expanding its offensive into Magway Region, Bago Region, and Ayeyawady Region, which are adjacent to these Roma passes.



In the battles in Magway Region's Ngape township, the Arakan Army was able to eliminate forces under the 99th Division, reducing their strength from over 1,300 to just 700. In Ayeyawady Region, they have crossed the current Rakhine State border and are heading towards Patheingyi city, where the Southwest Regional Military Command is located, via Magyizin, Shwethaungyan, and Thabaung. On January 26, the Arakan Army captured the Moehti Taung camp on the Rakhine-Bago Region border and is now turning its offensive towards Bago Region.

Furthermore, as the Arakan Army's military capabilities and strategies have been clearly demonstrated over the past year, it cannot be definitively said that they have abandoned the three remaining cities in Arakan Land, even though they have launched offensives in three plains regions of Myanmar. Especially Kyaukphyu and Sittwe cities, as mentioned earlier, except for certain urban areas, all other rural areas have been captured and controlled by the Arakan Army. The Arakan Army is also in a position to launch simultaneous offensives on all these fronts.

The military council has suffered major defeats across the country, including Rakhine State, Northern Shan State, Kachin State, Karen State, Karenni State, and Chin State, and its ability to extend its power has been greatly diminished. Due to the revolutionary attacks by the People's Defense Forces in the regions, the administrative machinery can no longer be effectively implemented, stability has been disrupted, and economic structures have collapsed. They have also lost most of the border trade and the resources of ethnic areas where natural resources are extracted. Due to the conscription law, human resources are flowing out of the country, electricity distribution has declined, and the country's revenue has been continuously declining due to instability and economic sanctions.

The military council is in a situation where it desperately wants to hold elections because it has illegally seized state power, has no public support, and is not recognized as a legitimate government on the international stage.

To hold elections, the military council will use all possible means, including China, to create a temporary stable situation in the country and to expand the areas where elections can be held as much as possible. Therefore, it can be assumed that the military council will inevitably have to make ceasefires and peace talks within the next six months. In this regard, the Arakan region is a strategically important region in political, military, and economic terms, and it is also a region that the military council has almost completely lost militarily.

On the one hand, China will push for a ceasefire in the Arakan region to ensure the safe operation of one of its energy sources, the Shwe natural gas pipeline and oil pipeline, and to continue implementing the Kyaukphyu Special Economic Zone project, including the deep-sea port, which is an outlet to the Indian Ocean.

China knows that it is impossible to continue with the projects in Kyaukphyu without considering the Arakan Army, as it is not in a position to launch a counter-offensive against the Arakan Army in Arakan Land. Therefore, the military council, which relies on China for support, may also receive pressure to cease fire.

The Arakan Army cannot completely disregard China's wishes. China is a major power in the region, and compared to other countries, including the Western bloc, it is a country that is directly involved in Myanmar's affairs. Furthermore, the Arakan Army's military base geographical factors, current situation, and future economic prospects are among the reasons why the Arakan Army will have to accept China's intervention to some extent.

However, the prospects for a ceasefire or the battles for Kyaukphyu and Sittwe cities and the central Burma plains offensives depend in part on how much China's intervention can achieve in the withdrawal or continued presence of the military council from Kyaukphyu and Sittwe, the military situation that will arise in connection with these decisions, and the control, management, and profit-sharing rights of the Chinese projects in Kyaukphyu.

Therefore, although it is important to negotiate with the Arakan Army, the military council tends to take an overbearing stance and make unrealistic demands in the negotiations, which are not in line with its own situation, making it difficult for the negotiations to take place and succeed.

The Arakan Army will also need a ceasefire to rebuild the region. However, the Arakan Army and the Arakanese people will find it difficult to accept the continued presence of military council troops and administration in the Arakan areas, the movement of military council naval vessels in the Arakan territorial waters, the portrayal of Rakhine State as a region under the military council in international relations, and the interference in Arakan Land affairs.

Moreover, as the Arakan natural resource projects and other projects are important sectors for the Arakan Army, the military council, China, India, and the POSCO group, these can lead to ceasefires or, conversely, escalate conflicts.

In any case, as the Arakan natural resource projects play a major role in the reconstruction of Arakan Land, it is even more important to ensure that we do not lose our rightful rights related to natural resources.

### **3. The Importance of Natural Resource Projects for the Rehabilitation of Arakan Land**

The renewed Rakhine war, which began on November 13, 2024, has devastated numerous towns and villages. Homes, infrastructure, communication networks, businesses, and public services such as education and healthcare have been disrupted. Trade has been blocked, leading to shortages and hardship. The military council's near-daily airstrikes have created a climate of insecurity, resulting in increasing casualties.

Therefore, it is imperative that the Arakan Army undertakes the swift rehabilitation of Arakan's towns and villages. Achieving this will require a ceasefire. Arakan's natural resource projects can play a crucial role in this process, as discussed below:

#### **3.1 Potential to Lead to a Ceasefire and Peace Talks**

According to the Arakan Army's statements, they intend to complete their offensive and capture all of Arakan Land, including Kyaukphyu, where natural resource projects are located, and Sittwe, the state capital. It can be inferred that even if the military council loses all of Arakan Land, they may seek to retain a share of the revenue from Arakan's natural resources. In exchange, they might agree to a temporary cessation of hostilities in Arakan to focus on other fronts. This suggests that the potential benefits from Arakan's natural resource projects could create conditions for peace talks.

#### **3.2 Securing Reliable Support for Rehabilitation**

Whether the cessation of hostilities is driven by the desire to end the conflict or by the potential benefits from natural resource projects, Arakan's natural resource sector will be a central topic in any political dialogue. If these discussions yield positive results, the Arakan People's Government will have the opportunity to secure a legitimate share of the revenue generated by these projects. This income would provide a solid foundation for the state's rehabilitation efforts.

#### **3.3 Enabling the Acquisition of Solid Foreign Revenue to Start Operating as a Government**

Securing foreign revenue is essential for any government to operate. If negotiations on the sharing of Arakan's natural resources are successful, the Arakan People's Government will gain a reliable source of foreign income, enabling it to effectively carry out its functions.

#### **3.4 Potential to Create Job Opportunities**

The Arakan People's Government will need to revise or renegotiate contracts for existing and future natural resource projects (such as the Shwe Gas Project, the Kyaukphyu Special Economic Zone Project, and the Kaladan Project). These contracts should include provisions for addressing the losses suffered by local communities in terms of land and employment, guarantees for job opportunities for the Arakanese people, and commitments to local development. This would help restore jobs lost during the conflict and contribute to economic stability.

### **3.5 Potential to Initiate the Establishment of a Monetary System**

If negotiations on the sharing of Arakan's natural resources are successful, the Arakan People's Government will need to establish a banking system to manage its revenue. This would lay the foundation for a domestic financial system, potentially freeing the state from the military council's restrictions on the use of Myanmar Kyat within Arakan Land.

### **3.6 Potential to Provide Electricity**

With a successful agreement on natural resource revenue sharing, the Arakan People's Government could also gain access to natural gas for domestic use. This gas could be used to power gas-fired power plants, providing electricity to the state. Additionally, the Thahtay Chaung hydropower project in Thandwe could be revived to provide another source of electricity. Access to reliable electricity is a fundamental requirement for the rehabilitation of Arakan's economy.

### **3.7 Potential to Revive Trade**

If the Rakhine State government can effectively manage its natural resource projects, it can revitalize trade. For example:

- (1) The Kaladan Multi-Modal Transit Transport Project could facilitate trade with India, with goods being transported via Sittwe Port.
- (2) The Kyaukphyu Deep Sea Port Project could enable maritime trade with other countries.

## **4. Recommendations for Discussions and Negotiations on the Division of Arakan's Natural Resources**

While the ongoing conflict in Arakan land is not solely driven by disputes over natural resource rights, the natural resource sector is a key factor. Therefore, how Arakan's resources are managed will play a crucial role in achieving a ceasefire and building lasting peace.

In conducting discussions on Arakan's natural resources, the following aspects are essential for a successful outcome:

- **(a) Fundamental Requirements for Discussions**
- **(b) Key Natural Resource Issues to be Addressed**
- **(c) Sharing of Project-Related Benefits**

Within these areas, the accuracy and completeness of information, the ability to focus on key issues, sufficient foundational knowledge of natural resources to reach equitable solutions, and legitimacy will significantly contribute to the success of the discussions.

### **(a) Fundamental Requirements for Discussions**

#### **(a-1) Legitimate Representation of Both Parties**

The Arakan Army, as an armed revolutionary organization that has fought against the military council and gained control of Arakan land with the full support of the Arakanese people, is the sole organization with the legitimate right to discuss all matters related to Arakan Land, including a ceasefire with the military council.

### **(a-2) Inclusivity of All Relevant Stakeholders in the Dialogue**

In discussions on Arakan's natural resources and other economic projects, the participation of Arakan People's Government officials, natural resource experts, representatives from civil society organizations, and local representatives will enhance the legitimacy of the process and promote transparency for the people of Arakan.

### **(a-3) Defining the Priority Agenda and Key Focus issues for the Dialogue**

In peace talks aimed at ending internal conflicts, such as those held in Sudan, discussions on natural resource sharing were conducted after the ceasefire agreement. This approach was adopted out of concern that prioritizing natural resource sharing might jeopardize the ceasefire negotiations if disagreements arose.

Conversely, in the case of the Aceh conflict in Indonesia, the primary cause of the conflict was the division of natural resources. Therefore, an agreement on natural resource sharing was reached first, followed by the confirmation of the ceasefire.

Thus, the timing of natural resource discussions – whether they should precede or follow a ceasefire – is a crucial decision. Furthermore, it is essential to clearly define the key objectives of the natural resource discussions and avoid introducing unrelated issues. This will facilitate negotiations towards a fair and balanced outcome.



**In August 2005, Indonesian Justice Minister Hamid Awalud and Free Aceh Movement (GAM) leader Malik Mahmud signed a peace memorandum of understanding, with former Finnish President Martti Ahtisaari as witness.**

#### **(a-4) Validity and Guarantees of the Agreements**

Peace agreements are often violated by one or both parties if they do not include subsequent steps such as drafting and ratifying a constitution, restructuring the country, and holding democratic elections. Therefore, to ensure that peace agreements are upheld as much as possible during these processes, or in the absence thereof, it is necessary to have a third country, or even a broader body, with influence over both parties to lead and mediate the discussions, or to participate as a witness.

#### **(a-5) Monetary Transfers**

After reaching agreements on the division of natural resources, the Arakan People's Government will require legitimate and secure mechanisms for the transfer, storage, and use of its share of the revenue. This includes considerations such as the formation of a Arakan central bank, its recognition and legitimacy, the recognition of its foreign branches, or the ability of the bank to establish legitimate connections with other foreign banks. Securing guarantees for these arrangements during the discussions is essential.

#### **(b) Three key areas of natural resources to be Addressed**

Natural resource conflicts are more likely to occur, especially in authoritarian states with ethnic, regional, religious, and political differences, and where there is excessive centralization of power.

In situations where armed conflict is ongoing or has occurred, it will be necessary to re-establish fundamental agreement frameworks for natural resource allocation in order to end these natural resource disputes or to cease armed conflict.

Therefore, agreements on how to share ownership, management, and revenue matters of natural resources must be negotiated and included in peace agreements. This will then be incorporated into the constitution.

In such discussions, the three main areas of natural resources to be addressed are:

(1) Natural Resource Ownership Rights (2) Natural Resource Control and Management Rights (3) Rights to Collect and Manage Natural Resource Revenues

Before, during, or after the end of the Rakhine wars, political talks must be held. These should include discussions on ceasefire and natural resource sharing issues. Or, discussions on a ceasefire may arise because of natural resource sharing issues. One reason is that Arakan's natural gas projects and other major projects that may arise on Arakan, politically and economically important land and water, are major sources of foreign income for Myanmar.

Therefore, in Arakan's natural resource negotiation, it is important to analyze what should be aimed for, what should be avoided, and what should be done to produce a fair and equitable agreement on the sharing of natural resource ownership and management powers.

#### **(1) Natural Resource Ownership Rights**

Ownership of natural resources means having the right to own all natural resources in a territory, including water, air, sunlight, land, above ground, underground, and underwater resources.

Ownership is the most fundamental aspect of natural resources. In federal countries, ownership can vary according to the provisions of the country's constitution, such as federal union, state, regional,

local, community, indigenous, and private ownership. Furthermore, ownership can be divided by distinguishing between above ground and underground, or by designating onshore and offshore areas. For example, in the United States, there are four types of land ownership: citizens and corporations, federal government, state and local governments, indigenous American tribes, and private individuals.

In demarcating federal and state ownership, for example, in the United States, Canada, the UAE, and Australia, the respective states have the right to own, control, manage, and collect and manage taxes on their natural resources.

Ownership provisions for underground resources, such as oil and natural gas, which generate large amounts of revenue, also vary from country to country, even within federal countries.

In federal countries, oil and natural gas are generally owned by the states up to 3 miles from the coast, and by the federal government beyond 3 miles. However, as an exception, in the United States, Texas and the west coast of Florida own up to 9 miles from the coast. In Canada, oil and natural gas are owned by the provinces up to 12 miles from the coast, and by the federal government beyond 12 miles. In Pakistan, oil and natural gas are jointly owned by the provinces and the federal government, but natural gas is owned by the federal government beyond 12 miles offshore. In the United Arab Emirates (UAE), each emirate owns its oil and natural gas.

In unitary and authoritarian states like Myanmar, natural resources are designated as state-owned, and the state owns all oil and natural gas, both onshore and offshore. For example, South Africa, Nigeria, Indonesia, Papua New Guinea, India, and Myanmar, in their constitutions, designate natural resources as important national heritage providing financial support, not local ownership.

However, even in countries without ethnic or religious divisions, demands for local or state ownership of natural resources have emerged due to geographical location. In communities with ethnic, religious, and geographical diversity, natural resources have become a major issue that can be disputed and lead to conflict.

Therefore, especially in countries with diverse communities, it is necessary to clearly define and negotiate natural resources as private ownership, customary ownership by local communities, state ownership, and federal ownership.

Although natural resource ownership rights do not mean control, management, and management of taxes, it is the most fundamental and emotionally charged issue in natural resources, so it is necessary to clearly state ownership in peace agreements or constitutions.

Such clarity on ownership of natural resources leads to political stability and strengthens investor confidence. Otherwise, this could be a major source of domestic political risk and reduce attractiveness to investors.

In fact, the peoples and ethnic groups in a region have been living there since ancient times, even before the region became a country or was part of a country. It is true that they deserve to own the natural resources in their region.

The clearest form of natural resource ownership in the world today is the ownership model of the UAE. In the UAE, each emirate owns all of its natural resources. This is because the UAE is a federation of emirates. This principle is very natural, simple, correct, and fully justified. Before the formation of the UAE, each emirate had owned the water, land, and natural resources in its territory for generations.

In present-day Myanmar, the Arakanese people have owned the water, land, and natural resources of Arakan Land for thousands of years, long before Myanmar existed. Therefore, in any discussions on

Arakan's natural resources, the fundamental principle that the Arakanese people have full ownership of Arakan's natural resources must be upheld.



This is correct, fair, and appropriate, and if this principle is accepted by both sides, other practical management issues can be further discussed.

## **(2) Natural Resource Control and Management Rights**

Control and management rights over natural resources in a territory include the right to decide whether to explore, exploit, mine, extract, sell, or not, and the right to manage the operational aspects of the decisions made, and the right to draft and enact the laws necessary for management.

Broadly speaking, natural resource control and management rights refer to all matters related to the development of the natural resource sector, such as the right to conclude contracts and related procedures, issuing licenses, collecting royalties and taxes, employment opportunities and regulations, safety and environmental standards, transportation networks, labor laws, import and export permits, and tax rates.

Therefore, the question of who has the right to draft and enact laws related to natural resource management and who has the right to manage them is more important and more complex than ownership.

For example, in Canada and the UAE, the respective state governments are responsible for drafting and enacting laws and managing them. In Iraq, Sudan, and Russia, the federal and state governments share these responsibilities. In Indonesia, the Upper House has the sole right to legislate, and the

Indonesian government has the right to manage the entire country. As an exception, in Aceh Province, natural resource management is jointly managed by the Indonesian government and the Aceh provincial government.

In Papua New Guinea, the central government is responsible for legislation and management. The exception is that the Bougainville Autonomous Region is to be transferred natural resource management rights when it becomes necessary and has the capacity to do so. In Nigeria and Venezuela, the federation handles the drafting and enactment of natural resource laws and management rights.

In Myanmar, according to Article 37 (b) of the 2008 Constitution, the central government has acquired management rights. According to Schedule (1) of the Union Legislative List, which refers to Article 96, the Union Parliament has all legislative rights related to valuable natural resources.

In countries with a unitary system of government, the central government has complete control over these powers, establishes ministries, and conducts operational management for the exploration, extraction, production, processing, transportation, storage, and export of natural resources, especially underground resources such as oil, natural gas, gems, and gold, including signing contracts, issuing licenses, collecting taxes, labor affairs, and environmental conservation. In this system, there is no division of powers, and the state and local governments implement the tasks distributed from the center from top to bottom.

Therefore, it is important to include clear divisions, not distribution, of natural resource legislation, control, and management between the federal/central government and state governments in peace agreements or constitutions.

Control and management rights over natural resources are a more practical area than ownership. For example, even if Arakan Land has the right to own Arakan's natural resources, if the central government retains control and management rights, Arakan Land will have no right to interfere with its natural resources. The central government will have the legal right to manipulate Arakan's resources as it pleases.

A model currently used in most federal countries can also be adopted, in which control and management of current or future projects are divided by sector. For example, the Arakan People's government will control the authority to implement or not implement projects and manage exploration and extraction, while the Union government will manage exports.

Alternatively, some aspects of the Iraqi model can be adopted. The current Arakan natural resource projects that are being produced and sold will be jointly controlled and managed by the Arakan People's government and the Union government, and future Arakan natural resource projects will be wholly controlled and managed by the Arakan People's government.

However, since Myanmar has not yet been formed as a federal union, and the military council is not a union government, the simplest and least conflicting way is for the Arakan People's government to control and manage Arakan's resources, as in the UAE model mentioned above.

### **(3) Rights to Collect and Manage Natural Resource Revenues**

This refers to the right to determine, collect, and manage the tax revenues generated from natural resources within a region.

Collecting and managing natural resource revenues includes tax types, tax rates, tax collection methods, registration and publication, and revenue sharing. This sector is the most important, receives the most attention, and is the most controversial. Excessive focus on this can lead to overlooking the fundamental issues of ownership and practical operational management rights.

Which government, federal/central or state, has the right to collect and manage the revenue generated from natural resources is a cause of disagreement and even conflict.

In countries that heavily rely on natural resource revenues, designating natural resources as a matter of national interest for the entire country and having the central government take responsibility for managing them and systematically distributing natural resource revenues for the comprehensive development of the entire country can be said to be a generally good plan as a theoretical project.

However, studies of countries where the central government controls and manages natural resource revenues show that states where natural resources are extracted receive a disproportionately small share of the revenue, insufficient to cover the resources extracted from their region. This is insufficient for sustainable regional development. Allocated revenue shares from the central government are often delayed. The central government does not publish or publishes inaccurate or non-transparent data on resource extraction and tax revenues. The central government has little responsibility for the environmental damage and loss of traditional livelihoods caused by natural resource extraction. These factors can significantly impact the country's political stability.

A review of international natural resource revenue management practices reveals:

- In Indonesia, the central government collects oil and natural gas revenues and, by law, allocates 15% of oil revenue and 30% of natural gas revenue to the producing provinces. However, after conflicts arose, 70% of the oil and natural gas produced in Aceh Province had to be allocated to Aceh Province.
- In Venezuela, the federal government must allocate 15-20% of the government budget to the states. However, there are special allocations for states that produce oil, natural gas, and minerals.
- In Sudan, 2% of total net oil revenue is allocated to the oil-producing states according to their production volume, and the remaining net oil revenue is shared equally between the Sudanese government and the South Sudanese government.
- In Nigeria, the National Assembly approves a formula for sharing oil revenue with the states every five years. The formula is based on population, equality of states, domestic revenue generation, and land mass, as per the constitution. However, oil-producing states must be allocated at least 13% of the oil revenue.
- Iraq's current combined model: The federal and state governments jointly manage the existing oil and natural gas fields, and the federal government collects taxes. The resulting revenues are distributed to the states according to population distribution. Theoretically, the states can levy taxes on oil and natural gas, but this is not yet specified in the constitution. In the future, states are likely to handle the management and tax collection of newly discovered and exploited oil and natural gas fields.
- In the United States, depending on the type of tax levied on natural resources, federal, state, local, and municipal governments collect their respective taxes. Canadian provinces have the right to collect royalties and taxes on natural resources produced in their provinces, and the

federal government has the right to collect corporate income tax. In Russia, natural resource tax policies are jointly determined by the Russian Federation and the regions, and the regions collect the taxes. In the UAE, the emirates collect resource taxes and contribute a negotiated percentage to the federation.

Governments need to focus on discussing how to divide the right to collect and manage these revenues, rather than primarily focusing on how to increase natural resource revenues. This is to balance the notion that everyone equally owns the country's resource wealth with the feeling that the local state should own the region's resources. This is a key factor for the country's political stability and conflict resolution.

For the collection and sharing of natural resource revenues, consider the following three practical approaches:

**Method (1): State governments collect natural resource revenues and contribute a negotiated percentage to the Union.**

State governments collect all types of natural resource revenues and contribute a negotiated percentage to the Union.

The advantages of this method are: no conflict with the resource-producing states, avoidance of political instability, state governments can systematically fulfill their own needs, improve the management capacity of state governments, and ensure that public services are uniformly available nationwide through Union expenditures.

The disadvantage of this method is that in countries that heavily rely on natural resource revenues, this can undermine the construction of national-level infrastructure and affect the uniform development of all states, leading to discord between states.

However, centralizing control over natural resource revenues can lead to a breakdown of trust between these states and the central government, leading to conflict and further destabilizing the country.

**Method (2): Dividing the right to collect by type of natural resource revenue.**

Different types of natural resource revenues are collected separately by the federal/central government and the state governments. For example, state governments collect royalties, contract license fees, and excise taxes, while the federal/central government collects income tax, import and export duties, and sales tax.

The advantage of this method is that it can build trust between the federal/central government and the state governments, and state governments can effectively manage the development of their states.

However, the disadvantage of this method is that it reduces the income of the federal/central government, which can make national economic management difficult. It can also widen the income gap and public service disparities between resource-rich and resource-poor states. As a result, while political stability can be built between the federal/central government and resource-producing states, resentment may arise between the federal government and resource-poor states.

**Method (3): The central government collects natural resource revenues and distributes them to the states proportionally.**

The central government is responsible for collecting all types of natural resource revenues and distributing them to the states according to a mutually agreed upon proportion.

In determining the proportion to be distributed to the states, factors such as population, land area, state revenue, ensuring a uniform standard of public services among states, differentiating between currently exploited resources and future available resources, government expenditures of the federal/central government and states, percentages allocated to resource-producing regions, and compensation for states, districts, and indigenous peoples for the extraction and use of resources from their territories and the resulting environmental damage are often considered.

The advantages of this method are that it can systematically distribute natural resource revenues, ensuring the uniform development of public services, promoting comprehensive national development, and effectively building national-level sectors.

The disadvantage of this method is that the distribution of natural resource revenues from the federal/central government to the states can be delayed, lack transparency, and be less than the due proportion. Resource-producing states may also be dissatisfied because, despite the extraction of resources from their regions, it does not contribute to the development of their regions, which can lead to conflict.

#### **Method (4): Combined model.**

This system combines the advantages and disadvantages of the above systems, taking into account the specific conditions of the region.

For example, in Iraq, the revenue from currently producing oil fields is collected by the federal government and distributed to the states based on population, while future oil fields to be produced will be controlled and managed by the respective states.

### **(c) Analysis of Arakan Natural Resource and Other Projects Allocation**

After discussing and reaching agreement on the basic principles of the main aspects of Arakan's natural resources, detailed negotiations must be conducted regarding projects that are being implemented, have been agreed upon for implementation, and are planned for the future in Arakan Land.

In this paper, the possibilities, appropriateness, and potential of these projects' allocation are analyzed based on the interests of the Arakanese people and with the aim of the future federal union, with the following recommendations.

#### **(c-1) Shwe Natural Gas Project**

The Shwe Natural Gas Project is currently operating in Arakan Land, generating over US\$1 billion annually for the Myanmar government. Since 2013, Shwe natural gas has been exported to China, and by 2025, it will have been 12 years, and the Myanmar government will have earned over US\$12 billion. These funds are controlled by the central government, leaving the Arakanese people in deep poverty, with no significant revenue sharing for Arakan Land. There has also been no division of authority regarding ownership, control, and management rights.

In the peace talks between the Arakan Army and the military council, the Shwe Natural Gas Project should be renegotiated regarding ownership, control, and revenue collection and management rights for accountability, responsibility, and liability. The following are recommendations for them:

## **(1) Ownership**

Based on the thousands of years of history of the Arakanese people and the standards of federal countries, the original owner of Arakan's natural resource, Shwe natural gas, should be the Arakanese people.

## **(2) Control and Management Rights**

- Example (1): Since Shwe natural gas is owned by the Arakanese people, the Arakan People's government should be responsible for the control and management of the Shwe Natural Gas Project.
- Example (2): Since the Shwe Natural Gas Project is an existing project, it should be jointly managed by the Arakan People's government and the current Myanmar government.

## **(3) PSC and Other Contracts**

The contracts signed by the Myanmar government for the Shwe Natural Gas Project were signed when Arakan Land was under the control and administration of the unitary Myanmar system. Now that Arakan Land is under the administration of the Arakan people's government, these contracts should be reviewed and renegotiated or amended.

- Example (1): In the current Shwe Natural Gas Project, MOGE, as a shareholder of the Myanmar government, holds 15%. This share should be replaced by the Arakan people's government's, for example, the Arakan Oil and Gas Department (AOGD). A negotiated proportion of the revenue generated from this share can be allocated to the Myanmar government.
- Example (2): Just as MOGE, as a shareholder of the Myanmar government, holds 15% in the current Shwe Natural Gas Project, the Arakan people's government should be granted a shareholding percentage no less than this, which should be renegotiated and determined. Or, the shareholding percentage should be revised and allocated to both the Arakan people's government and the Myanmar government.

## **(4) Right to Collect and Receive Revenue**

- Example (1): The Arakan people's government collects all types of taxes and allocates a negotiated percentage of the revenue to the Myanmar government.
- Example (2): The Arakan people's government and the Myanmar government should collect different types of taxes separately. For example, the Arakan people's government has the right to collect royalties, contract license fees, and excise taxes, while the Myanmar government collects income tax, import and export duties, and sales tax.
- Example (3): The Arakan people's government and the Myanmar government separately receive tax revenues according to a negotiated proportion.

## **(5) Allocation of Domestically Used Natural Gas Volume**

The Myanmar government receives 778 million cubic meters of natural gas annually from the Shwe Natural Gas Project for domestic use. A proportion of this amount, or a separate additional proportion, should be allocated for domestic use in Arakan Land.



## **(c-2) Shwe Natural Gas Pipeline and Oil Pipeline Project**

### **(1) Pipeline Project Contracts**

Pipeline contracts should be renegotiated, amended, or re-signed for pipeline crossing fees, port fees, matters related to the environmental impact of the project, matters related to the traditional occupations of local people, supplementary points to be added, taxes that should be additionally levied, and points to be amended regarding tax allocation.

### **(2) Responsibilities and Accountability**

The Arakan people's government and the Myanmar government must each be responsible and accountable for all pipeline-related matters within their respective controlled territories, and joint action should be taken if necessary.

### **(3) Right to Collect and Receive Revenue**

The Arakan people's government and the Myanmar government should collect various taxes such as port fees, environmental protection tax, municipal tax, and pipeline crossing fees, either separately according to their respective controlled territories or by proportionally allocating from the total tax revenue collected.

### **(c-3) Future Oil and Natural Gas Projects**

While Myanmar has not yet drafted a federal constitution and established a federal union, and the military council is not a federal union government, the Arakan people's government should be responsible for all matters related to the exploration, production, export, and sale of natural gas from the newly discovered A6 and AD7 blocks in Arakan region's oil and gas fields.

If Myanmar is implementing the process of establishing a federal union and Arakan Land decides to join the Union, the allocation of natural resource ownership, control, and revenue collection in the federal constitution must be discussed, negotiated, and enacted.



### **(c-4) Kyaukphyu Special Economic Zone Project**

This project is a large-scale project, and unlike, for example, extracting Shwe natural gas in our region, it can be more related to politics and even military affairs. Therefore, it is necessary to pay close attention to the signing of contracts and conduct thorough study, analysis, and calculations. It is also necessary to consider how the NLD government, during its term, tried to avoid China's debt trap and prepare to implement the project step by step, in contrast to the contracts signed by the previous U Thein Sein government. In particular, Chinese projects in Africa that have fallen into China's debt trap will be valuable lessons to learn.

#### **(1) Ownership**

The ownership of the land used in the project should belong to the Arakan People's government on behalf of the Arakanese people. No domestic or foreign companies should be allowed to own this land.

## (2) Signing Project Contracts

Since Arakan Land is no longer under the control of the military council and will be controlled and administered by the Arakan People's government, project contracts should only be signed with the Arakan People's government for accountability, responsibility, and legitimacy.

When renegotiating, amending, or re-signing contracts, it will be necessary to carefully consider matters related to the land to be used in the project, environmental issues, employment opportunities and regulations, investment and profit issues, management and responsibilities, and accountability issues.

When Arakan Land was under the control and administration of the unitary Myanmar system, CITIC-led Chinese side would contribute 70% of the investment in the project, while the Myanmar government would contribute 15% for the land, and the local business community would contribute 15%. According to the Ministry of Commerce of Myanmar, the CITIC Group would own 51% of the industrial zone, and the Myanmar government would own 49%.

However, since Arakan Land is no longer under the control and administration of the unitary Myanmar system, and Myanmar has not yet drafted a federal constitution and established a federal union, there is no reason to give the military council investment shares in the project. The 15% investment share that the unitary Myanmar government received was for the land, which is owned by the Arakanese people. Therefore, the military council should not be entitled to this investment share.

However, it can be analyzed that the military council will still be involved in the Kyaukphyu Deep Sea Port and Special Economic Zone Project, as the project includes, for example, the Kyaukphyu-Kunming railway and roads, which will pass through Myanmar proper, and because Arakan has not yet stood as a separate country. China itself may also desire this. Therefore, while these issues may be debated, they will need to be handled with political skill.



### **(3) Management Rights**

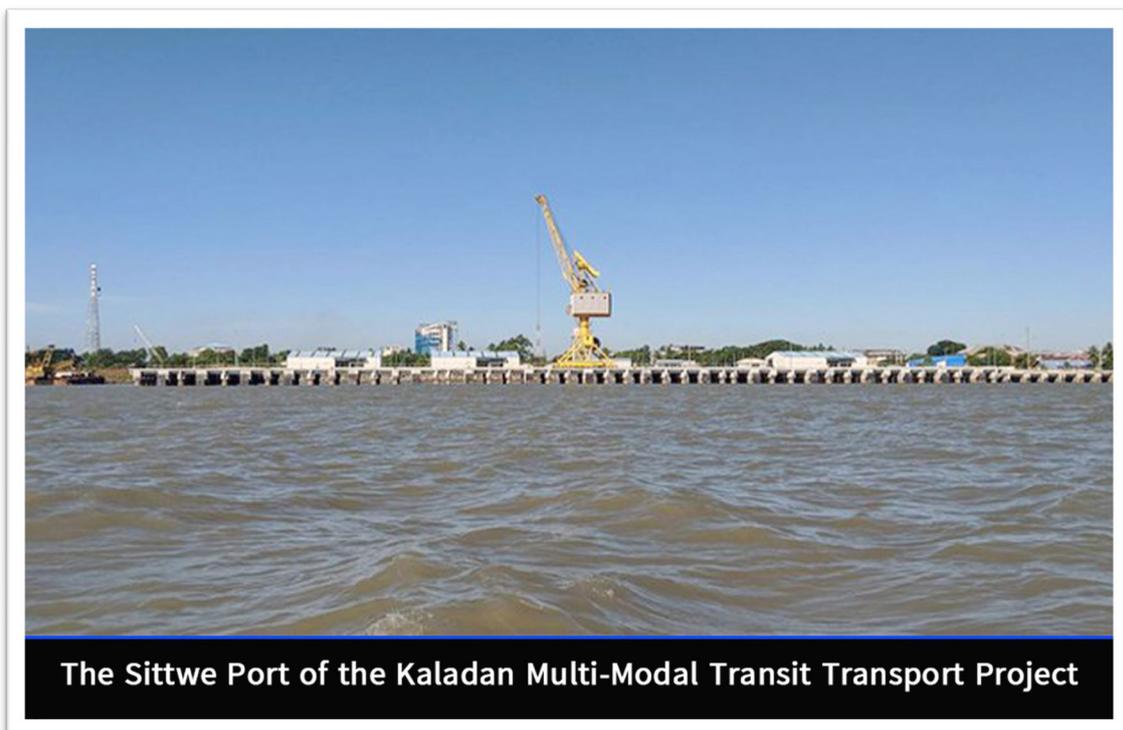
For example, it may be appropriate to form a management steering committee for the project, which includes representatives from the Arakan People's government, the Myanmar government, and the company, and under its guidance and supervision, the Arakan People's government will be responsible for all operational matters within Arakan Land, and the Myanmar government will be responsible for matters in the Myanmar proper section.

### **(4) Right to Collect and Manage Revenue**

As specified in the project contracts, the Arakan People's government and the Myanmar government should each receive a proportionate share of the project's profits separately.

### **(c-5) Kaladan Multi-Modal Transit Transport Project**

The India's Kaladan project in Arakan Land has two parts: one from Sittwe Port to Kolkata, and the other from Sittwe Port through the Kaladan River to Mizoram State. Currently, the Arakan Army has captured the area along the Kaladan River and controls one part of India's Kaladan project. The Arakan Army has surrounded Sittwe City, where Sittwe Port, the main hub of both parts of the Kaladan project, is located. If the Arakan Army can capture Sittwe, it can be said that they will have full control of the Kaladan project.



However, it is not possible to use Sittwe Port until a ceasefire with the military council is reached, and it is not easy to restart the project along the Kaladan River. India's hesitant and slow policy, emphasis on G-to-G relations, and close ties with the military council suggest that India will not hastily establish a public relationship with the Arakan Army to quickly re-implement their Kaladan project, which has come under the control of the Arakan Army.

If the Arakan Army can capture all of Arakan Land and China is already officially working with the Arakan Army on its projects in Arakan Land, India may become more active in its policy to avoid falling too far behind China.

In fact, the area where the Kaladan project is being implemented is within the territory of Arakan land, and the Arakan People's government, on behalf of the Arakanese people, should have the right to be responsible, accountable, and benefit from the project. Therefore, it will be necessary to re-sign the project contracts.

However, since the military council can pose threats from the air and sea, it may claim a share of the profits to guarantee this.

## **5. Conclusion**

Recently, there have been reports that the Arakan Army, TNLA, and the military council will hold ceasefire or peace talks, and the Arakan Army and TNLA have also announced that they are ready for political discussions.

However, the discussions with the Arakan Army will be more different and complex than those with the MNDAA and TNLA. The issues of Kyaukphyu, Sittwe, and the natural resources projects will make the discussions difficult. The discussions may have many stages and may even face disagreements, delays, and breakdowns.

The discussions need to be successful, and the results of the discussions need to be worthy of the sacrifices made by the Arakanese people. In particular, I believe that the Arakan Army will be able to regain the losses suffered regarding Arakan's resources and end the Arakan resource curse.

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February 7, 2025

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