Sector-Level Impacts

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3 Part 3
SECTOR-LEVEL IMPACTS

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A. The Myanmar Tourism Context

Myanmar's tourism sector barely developed prior to 2011, first as a result of restrictive visas and limited destination/transport options, and later as a consequence of a tourism boycott called for by opposition groups inside the country and in exile, prompted partly by the military government's declaration that 1996 should be Visit Myanmar Year.

In 2011, after five decades of military rule, the government of Republic of the Union of Myanmar initiated political, social and economic reforms. Daw Aung San Suu Kyi's party the National League for Democracy (NLD) released a statement[211] that the tourism boycott should be lifted and it would "welcome visitors who are keen to promote the welfare of the common people and the conservation of the environment and to acquire an insight into the cultural, political and social life of the country while enjoying a happy and fulfilling holiday in Burma." In 2013, the government announced a much longer list of permitted areas for tourists to visit without, and in some cases with, prior permission.[212]

Foreign Tourist Arrivals

As a result of these changes, the country has recently seen an unprecedented growth in international tourist arrivals. Visitor numbers surpassed the 1 million mark in 2012 and

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[211] NLD Statement Regarding Tourism in Burma, National League for Democracy, N 10/05/11, 10 May 2011.
[212] Permitted Areas, Myanmar Ministry of Hotels and Tourism, *op. cit.*

arrivals reached 3 million in 2014[213]. However it is estimated that up to two-thirds of those 3 million visitors were day-trippers from neighbouring countries, who would not be counted as tourists according to the World Tourism Organization and the Pacific Asia Travel Association (PATA). That said, numbers of genuine tourists have certainly increased. A good indication are the number of tourists visiting sites such as Shwedagon Pagoda and Inle Lake, which suggest arrivals of tourists increased by between 20 and 25 percent in 2014[214]. The total number of foreign tourists visiting between 2013 and 2020 is projected to be at least 20.4 million, and 29.2 million domestic tourists[215]. Visitors from Asian nations represented more than 70 per cent of total arrivals, with Thai, Japanese, South Korean and Chinese visitors leading the list. The average stay is one week.[216]

The tourism industry is becoming one of the fastest growing areas of the economy, with an income rise in 2013 of more than 70% compared with the previous year (USD 926 million in 2013 versus USD 534 million in 2012 and USD 319 million in 2011)[217]. A recent report of the MoHT estimates that the sector will bring in USD 905 million in 2014[218] although the government has also quoted a figure of USD 3 billion including direct, indirect and induced effects of tourism[219].

Figure 1: Myanmar Visitors Forecast 2013-2020[220]
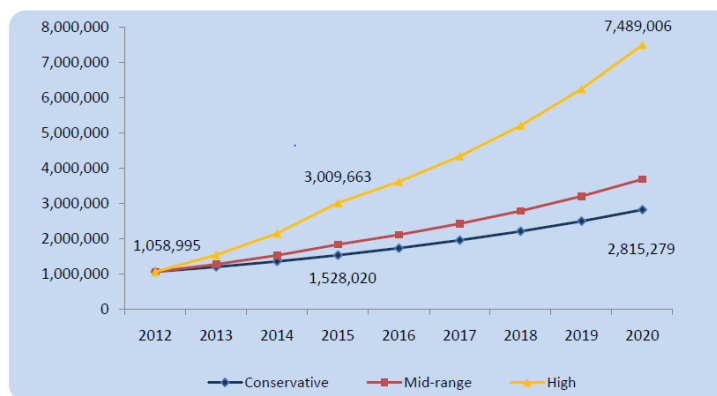
Sources: Asian Development Bank estimates; Ministry of Hotels and Tourism.

The MoHT has predicted three growth scenarios that best describe the development of Myanmar's tourism sector. It is estimated that in 2015 there will be between 1.5 million and 3 million visitors to Myanmar. Figure 1 presents the Asian Development Bank's visitor forecasts for conservative, mid-range and high growth scenarios. The numbers are based on estimates derived from regional experience in the Greater Mekong Sub-region (GMS), an Asian Development Bank development project initiated in 1992 that brought together the six states of the Mekong basin (Cambodia, Laos, Myanmar, Thailand, Vietnam and Yunnan Province, China). Within the GMS, a region with a combined population of about 326

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[213] Record arrivals shine light on tourism weakness, warns MTF official, *Eleven Media*, 15 December 2014 and Tourist numbers hit 3 million in 2014: President, *The Irrawaddy*, 2 January 2015.
[214] Why Myanmar's tourist numbers don't add up, *Myanmar Times*, 19 January 2015.
[215] JICA expects 20.4 million tourists to visit Myanmar by 2020, *Eleven Media*, 17 December 2014.
[216] Myanmar Tourism Statistics 2013
[217] *Ibid.*
[218] Myanmar tourism to earn USUSD900 million in 2014, *Mizzima*, 1 December 2014.
[219] Tourist numbers hit 3 million in 2014: President, *The Irrawaddy*, 2 January 2015.
[220] Myanmar Tourism Master Plan, 2013-2020, p. 19.

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million, tourism development has been strongly promoted. Myanmar's share of international visitor arrivals in ASEAN is only 1.2%.[221] The government has announced that it plans to make 2016 a Visit Myanmar Year.[222]

Table 1: Projected Tourism Arrivals and Spend, 2015-2020

Growth Scenario	Conservative		Mid-range		High	
	2015	**2020**	**2015**	**2020**	**2015**	**2020**
International arrivals	1,528,020	2,815,279	1,829,943	3,680,669	3,009,663	7,489,006
Average daily spending (USD)	150,00	170,00	150,00	170,00	150,00	170,00
Average length of stay (days)	8,00	8,00	8,00	8,00	8,00	8,00
Total Visitor spending (USD billion)	1,83	3,82	2,19	5,00	3,61	10,18

Source: Asian Development Bank estimates and Ministry of Hotels and Tourism (2013) projections

Main Tourist Destinations

Tourism companies operating in Myanmar currently identify six flagship destinations: Yangon, Bagan, Mandalay, Inle Lake, Kyaikhtiyo (Golden Rock) and Ngapali Beach (Rakhine State).[223] There are emerging areas such as the mountains of Putao, Nagaland, Hakha and Natmataung (Mt Victoria) in Chin State, and Loikaw in Kayah State. The Myeik Archipelago in Tanintharyi Division in Southeastern Myanmar has recently become more accessible for tourists[224] previously only being accessible by liveaboard boats, mainly departing from Thailand.

Much of Myanmar used to be closed off to foreigners, but there are now fewer restrictions. The areas open to foreigners are categorized as: Permitted Areas, Permitted only in the Downtown Areas and the Areas that need Prior Permission before they can be visited.[225] Today some areas remain closed because of security and lack of tourism infrastructure. On 1 September 2013, four border crossings on the Myanmar-Thai border were opened, with the aim of boosting the tourism industry and foreign investment.[226]

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[221] For more information on GMS, see Mekong Tourism.
[222] Govt Plans 'Visit Myanmar Year' in 2016, Minister Says, *The Irrawaddy*, 3 October 2014.
[223] Myanmar: Unlocking the Potential, a country diagnostic study, Asian Development Bank, September 2014.
[224] Myanmar Tourism Master Plan, 2013-2020, p. 8.
[225] Permitted Areas, Ministry of Hotels and Tourism.
[226] Opening of Overland Border Gates Could Boost Burma Tourism, Investment, *The Irrawaddy*, 29 August 2013.

B. The Tourism Value Chain in Myanmar

The tourism industry is a complex industry that is composed of various types of businesses. The actual tourism value chain is very broad, as figure 2 demonstrates.

Figure 2: Tourism Value Chain
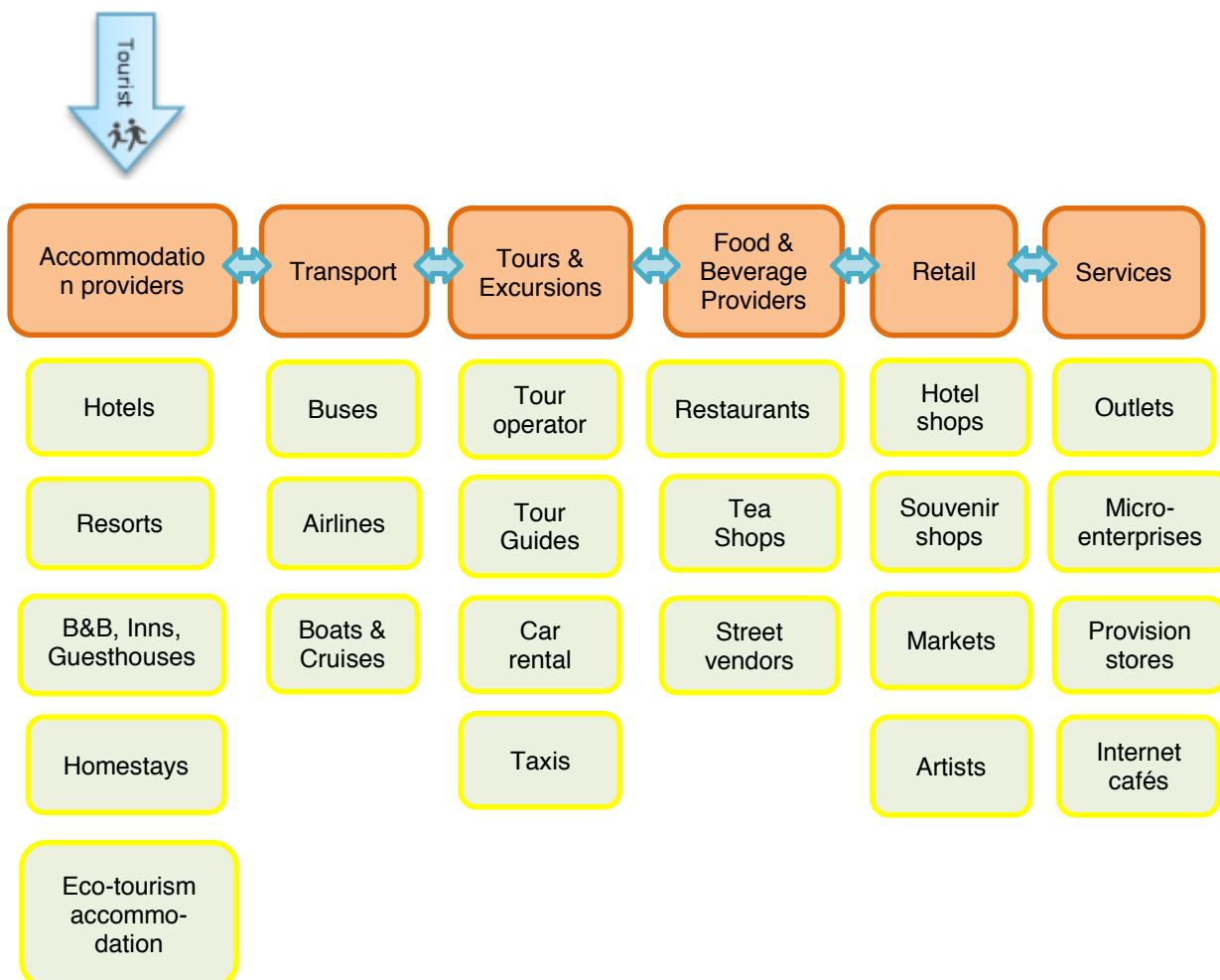
The Tourism SWIA focuses on certain segments of the tourism value chain, based on a mapping of those segments with the highest human rights risks and impacts:

- Hotels, guesthouses, inns
- Airlines
- Tour operators and travel agencies
- Independent tour guides
- Restaurants
- Souvenir shops

Other segments such as booking agencies, railway transport providers, taxi drivers have been omitted.

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The sector faces challenges in ensuring that tourists receive safe, high quality products and services throughout the value chain. Improvement is needed to develop the country's infrastructure. The railway system dates back to colonial times, and roads in rural areas are not developed. Moreover, while improvements are being made, the country's banking structure remains weak and tourists face language barriers. While mobile service and internet penetration are growing rapidly throughout the country, internet connectivity remains low impacting both consumers and the value chain.

Through the Myanmar Tourism Master Plan 2013-2020, the Government of Myanmar, together with a number of private agencies, has committed to delivering high quality tourism services. The government is developing systems to effectively manage and recover from emergency situations that may affect tourists. The MoHT is identified as intending to lead participatory processes to develop a national policy on codes of conduct to promote visitor safety and consumer satisfaction and to integrate tourism services into national laws on consumer protection.[227]

A description of the main elements of the tourism value chain is provided below.

Accommodation

Until recently, the accommodation sector in Myanmar was dominated by individual hotels/guest houses, locally owned chains and a handful of Singaporean investments. However, foreign investment in the hotel industry increased in 2013 and 2014, mostly by Asian investors, with significant new supply in Yangon coming on stream from 2015 onwards, and more focus on the luxury sector[228]. As of October 2014, there were 31 hotels operated by foreign owners in Yangon, Mandalay, Bagan, Kawthoung, Tachilek and Myeik.[229] There has also been an increase in the number of hotels and guest houses run by local business people. According to the Ministry of Hotels and Tourism (MoHT), as of October 2014 there were more than 1,100 hotels in Myanmar of which 267 were in Yangon[230] offering approximately 42,000 rooms.

In spite of this investment, demand outstrips supply at certain times of year, particularly where tourists compete with business visitors. Prices are high and service standards do not always meeting expectations. Value for money for accommodation recorded the highest rate of dissatisfaction (34%) in the visitor survey which was conducted in late 2012 for the Tourism Master Plan.

Transport

Until 2012, Myanmar's aviation sector was not well-developed. Very few airlines offered direct flight connections to and from Myanmar. However, since 2012, passenger numbers have surged and new domestic airlines have been established. Several carriers have opened up routes to, from and within Myanmar, even with small capacity loads[231].

[227] Myanmar Tourism Master Plan 2013-2020, Final draft report, June 2013.
[228] Yangon Hotel Market Continues to Boom, Consult Myanmar, 9 June 2014.
[229] Investment in hospitality sector soars, *Eleven Media*, 27 November 2014.
[230] Govt Plans 'Visit Myanmar Year' in 2016, Minister Says, *The Irrawaddy*, 3 October 2014.
[231] Myanmar Hotel and Tourism Report, Spotlight on Yangon, Jones Lang LaSalle, August 2013.

Myanmar currently has a total of 69 airports, of which 32 are operational for commercial and military flights. There are 3 international airports, in Yangon, Mandalay and Nay Pyi Taw, with 19 international airlines and 4 domestic airlines operating regular flight services between Myanmar and 17 regional destinations.[232] In 2013, Myanmar's top four airports accounted for 65% of the total domestic traffic. A Singapore/Japanese consortium was selected by the Ministry of Transport in October 2014 to construct Hanthawaddy International airport, 50 miles north of Yangon.[233]

However, analysts say that after two years of rapid expansion, the growth of the aviation sector has started to slow. Reason for this include the overburdening of Yangon's airport terminal, air-traffic control and baggage handling. These are discouraging investors from expanding existing airlines or starting up new ones. Some of the country's airlines are too small to make attractive targets; others are owned or backed by businesspeople on the U.S. government sanctions list, discouraging investment in these airlines.[234]

Another challenge is the safety record of Myanmar's aviation sector.[235] In the year 2012 four of the domestic air carriers were involved in serious accidents with one accident causing a fatality at Heho airport, near Inle Lake. The accident was reportedly caused due to a lack of adequate navigation systems.[236] Reliable data on accidents and incidents is lacking but, according to aviation experts, Myanmar has an air accident rate nine times than the world average. The Myanmar government is working with private firms as well as through technical assistance from the Japanese International Cooperation Agency (JICA) to upgrade airports' safety equipment.[237]

Tourists also use ground transport, mainly hired cars and minivans, coaches (public or chartered), and trains. Cleanliness of transport options rated the second most unsatisfactory issue in the Tourism Master Plan survey (25%), and choice of transport options the fourth (21%). Road safety is a major problem throughout the country. Road accidents cause ten deaths a day in Myanmar and fatalities are rising.[238] Accidents involve both international visitors and domestic tourists.

Tour Operators

Since the country has opened up the number of tour operators and travel agents has increased due to a high demand of organized tours[239]. Five different types of tourism are being promoted by tour operators and travel agencies in Myanmar: (1) Cultural and creative

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[232] Map of Myanmar airports
[233] Hanthawaddy International airport: Singapore wins bid, *Myanmar Times*, 3 November 2014.
[234] Foreign Investors Rethink Enthusiasm on Myanmar's Aviation Sector, *The Wall Street Journal*, 22 August 2014.
[235] Foreign Travel Advice Burma, accessed on 13 January 2014.
[236] Insight: Myanmar's aviation industry booms despite grim safety record, Reuters, 21 October 2013.
[237] Myanmar looks to private firms to improve dire air safety record, Reuters, 19 November 2013.
[238] Seeking solutions for Myanmar's traffic accident 'epidemic', *Mizzima,* 31 August 2014 and 'Burma's roads claim over 500 in 2014', 5 January 2015, DVB.
[239] Previously campaigners against tourism claimed that money spent on package tours supported the military government (see for example Burma Tourism Boycott now Targeted at Package Tours, Burma Campaign UK, 4 November 2010). Guidebooks such the Lonely Planet (p. 22, 11th edition, December 2011) encouraged independent travel rather than group tours so that travellers had more control over where their money goes.

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tourism, (2) Nature-based tourism, (3) Adventure and experiential tourism, (4) Cruise and yachting tourism and (5) Meetings, incentive conferences and exhibitions (MICE) Tourism.

Travel agencies, tour operators and other travel related businesses are brought together by the Union of Myanmar Travel Association (UMTA), which was created in 2002. UMTA was created to organise registered travel agencies and tour companies to systematically develop the industry; to represent the tour and travel industry at the national and international level; to promote Myanmar as a premier travel destination; to promote relations and opportunities between national and international travel and tour companies; and to help develop the human resources capacity of the tourism industry. Currently UMTA represents 711 of the 1,366 registered tour and travel companies in the country.[240]

Sustainability and responsible business is increasingly being seen as delivering competitive advantage for tour operators, particularly those targeting Western markets. In June 2014, 80 Myanmar tour operators participated in three 2-day training courses in Yangon to learn how to integrate sustainability and CSR principles in their businesses. The training was organized by UMTA and the Myanmar Hoteliers Association (MHA) in co-operation with Travelife, the Pacific Asian Travel Association (PATA) and the British Travel Association (ABTA), supported by CBI, the Netherlands agency for the Promotion of Imports from Developing countries.[241] Additionally, a number of Myanmar businesses in the tourism sector have committed to the United Nations Global Compact. Out of the 188 participants, 20 belong to the tourism sector, of which 12 are travel and tour operators 6 are hotels and guesthouses.[242]

Tour Guides

Myanmar has insufficient qualified official tour guides. There were 3667 licensed tour guides in 2013[243], of whom about a third are members of the Myanmar Tourist Guide Association, which was established in 2011 with a primary focus on supporting the rights and building the capacity of its members[244].

Tourist guide training is controlled by the central government and conducted in Yangon by the Tourism Training School under the Ministry of Hotels and Tourism. The 10-week accreditation training costs USD 1000, not easily affordable. Only those who graduate from the school can work as licensed guides throughout the country; a restricted supply of places therefore presents a risk of rent-seeking. Licensed tour guides tend to work mostly with package tour operators accompanying such groups for the entire duration of their stay. Regional tour guide trainings are conducted at the State or Regional level, producing guides who can provide local services. Many remote destinations have a low number of tour guides. Since communication channels between local tour guides and tour operators from

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[240] Union of Myanmar Travel Association, Case Study, Overseas Development Institute and UMTA, April 2014

[241] Myanmar tour operators ready to move towards sustainability, CBI, Dutch Ministry of Foreign Affairs, 24 June 2014.

[242] United Nations Global Compact Myanmar Participants, last accessed on 9 February 2015.

[243] Myanmar Tourism Statistics 2013, *op. cit.*

[244] Myanmar Tourism Guides Association

Yangon and other major cities are weak, they often do not have enough business and move to Yangon to work there as tour guides.[245]

Regional tour conductor training is conducted in self-administered zones (SAZs) and divisions (ethnic minority regions with formal autonomy). Tour conductors are usually local ethnic minority people who can speak the specific ethnic languages required by a destination or community. Certain locations in SAZs can be visited only with a local guide.

There are also numerous unofficial and unlicensed tour guides of various quality working in the tourism sector. Further, there are cooks/porters who tend to be from local ethnic groups and act as trekking guides. Standards of trekking guides can vary, as well as motivation and professionalism. Some guides do not adequately explain local customs to trekkers, such as how to use open-air washing facilities, squat toilets and how to sit with feet pointing away from Buddha. Other guides have facilitated drinking in monasteries and homestays.[246] In Kalaw, Shan State, a popular trekking destination, the Kalaw Tourist Guides Association is providing basic skills courses, which will be run once or twice a year in cooperation with the MoHT and the Yangon-based Myanmar Tourist Guide Association and will address topics such as navigation and map reading, first aid and basic hygiene.[247]

Food and Beverage Providers

There are, unsurprisingly, no figures for the number of F&B establishments in Myanmar, most of which are unlikely ever to be visited by tourists. The vast majority of restaurants are locally owned but international chains are starting to enter the country.[248] The Myanmar Restaurant Association (MRA) formed in 2011, brings together those at the high end to work together to develop the quality and service of the restaurants in Myanmar and promote the regional food and cuisine to the local and city customers as well as to expatriates, international visitors and foreign tourists.[249]

Foreign tourists generally expect access to edible, safe and hygienic food, underpinned by government regulation and enforcement. The 1997 National Food Law[250] is considered to be weakly enforced[251]. Research has demonstrated that one third of the street food in Yangon contains bacteria that can lead to food poisoning.[252] The MRA has acknowledged that food hygiene is an issue of national concern, and has started a project to educate street vendors about the importance and the process of preparing hygienic food.[253] In 2012 a Consumer Protection Association was founded to root out unhealthy foods and medicines in the local market. The association, which has seven branches across the country, has

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[245] Business Innovation Facility Burma (Myanmar): Tourism Market Analysis and Strategy, October 2014, pp. 24-25. Copy of report provided to MCRB.

[246] Kalaw to Inlay Trekking Value Chain Analysis Report, Mike Hayes, p. 14.

[247] Pushing Professionalism: Veteran trekking guide aims for an industry upgrade, *Mizzima*, 11 May 2014.

[248] Fast Food Chain: KFC To Open In Myanmar Next Year, MITV News, 13 October 2014; Finally: Fast food on the table in Myanmar, Investine, 24 January 2013; Starbucks CEO Intends to Enter Myanmar by 2015, InvestorPlace, 13 May 2013.

[249] Myanmar Restaurant Association

[250] Myanmar National Food Law 1997

[251] Wanted: More Staff at Burma's Food safety regulator', *The Irrawaddy*, 6 January 2014.

[252] One third of street food has dangerous bacteria: study, *Myanmar Times*, 20 January 2014.

[253] Is Food In Yangon Safe and Hygenic?, *Myanmar Insider*, November 2014.

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claimed that certain products such as imported fish sauces, instant coffee mixes and cooking oils contain harmful substances.[254]

C. Potential Sector-Wide Impacts of Tourism

This part of the chapter looks at the potential positive and negative sector-wide impacts of tourism in Myanmar. It considers how the sector can drive positive and negative impacts on human rights, in particular economic, social and cultural rights, in three areas: economic, governance, and environmental/social.

These sector-wide impacts can either result from government action (or inaction) i.e. policies, laws, actions by government institutions that require or at least support responsible business approaches or activities that undermine or even prohibit them. Sector-wide impacts can also result from company action, including where companies act together. Many impacts result from a combination of government action or policy (or the lack thereof) and company actions.

Sector-Wide Economic Impacts

Creation of Economic and Employment Opportunities

More than 100 million workers are employed in the tourism sector worldwide, and tourism revenues account for more currency flows to developing countries than all aid flows from foreign donors.[255] According to the Ministry of Hotels and Tourism, the tourism sector is expected to bring in USD 905 million in the year 2014.[256] Further, the World Tourism and Travel Council estimates that every dollar spent on travel and tourism generates over three dollars of economic output.

The tourism sector has the potential to create large numbers of jobs. The services sector currently accounts for about 38% of the GDP.[257] The tourism sector's expansion requires less in the way of specialized skills and infrastructure than most other service industries, since the key resource is the interest in and attractiveness of the country itself.[258] A report by the World Tourism and Travel Council claims that employment in the travel and tourism sector within Myanmar, including jobs indirectly supported by the industry, has grown by 6.5% reaching 877,500 jobs in 2014.[259] The Tourism Master Plan estimates that direct tourism employment by 2020 will provide between 500,000 and 1,500,000 jobs (See Table 2). There is significant potential for business start-ups related to the tourism sector such as hotel bakery suppliers and bicycle hire shops; GIZ is supporting the industry in Myanmar to make this happen.[260] The Myanmar Tourism Federation also announced in October 2014

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[254] Burma Lacks Food Safety, *The Irrawaddy*, 13 February 2014.
[255] Tourism: Enhancing Economic Growth in Emerging Markets, International Finance Corporation (IFC), May 2014.
[256] Myanmar tourism to earn USD900 million in 2014, *Mizzima*, 1 December 2014
[257] Myanmar: Unlocking the Potential, a country diagnostic study, Asian Development Bank, September 2014, pp. 98-99.
[258] *Ibid.,* pp. 21-22.
[259] Travel & Tourism Economic Impact 2014 Myanmar, World Travel and Tourism Council.
[260] Myanmar: Tourism for Development, GIZ News archive.

that it will set up a privately owned Tourism Bank Public Company Ltd, which will provide financial support to small and medium enterprises operating in the tour and travel industry[261].

Table 2: Estimated Direct Tourism Employment in Myanmar, 2012–2020

Subsector	Conservative			High	
	2012	2015	2020	2015	2020
Accommodation	44,055	63,668	84,485	125,403	224,670
Food and beverage	146,850	212,225	281,528	418,009	748,901
Recreation and entertainment	29,370	42,445	56,306	83,602	149,780
Transportation services	58,740	84,890	112,611	167,204	299,560
Travel services	14,685	21,223	28,153	41,801	74,890
Total	293,700	424,450	563,056	836,018	1,497,801

Source: Myanmar Tourism Master Plan, 2013

Tourism activities could serve as a catalyst for the development of other sectors of the Myanmar economy such as agriculture, fisheries, manufacturing, construction and crafts production, which could then contribute to poverty reduction, and enhance economic benefits for the local community. Further, according to sources almost 60 percent of entry-level positions in the tourism sector are occupied by women.[262] A number of initiatives to support the poor in the tourism related activities have been initiated. In the Greater Inle Lake region, a number of NGOs support community-based and industry-supported endeavors to engage the poor as producers along various tourism value chains as well as for skill training and employment in the hospitality sector.[263]

Lack of Quality Jobs and Secure Employment for Local Communities

Many jobs in the tourism sector are low-paid and may be seasonal positions that offer no job security. Furthermore, while the tourism sector does create quality jobs these may be concentrated in larger cities or require specialized skills that local community members do not possess. Most available tourism and hospitality training is concentrated in Yangon and several other urban areas. The financial and time costs of attendance for individuals in more remote areas is often a major deterrent to attend such training and obtain the

[261] Tourism Bank Public Company to help develop tourism sector, *Mizzima*, 20 October 2014.
[262] Responsible tourism - are development partners doing enough? *Myanmar Times*, 28 July 2014.
[263] BIF Burma (Myanmar): Tourism Market Analysis and Strategy, October 2014, p. 10. Copy of report provided to MCRB.

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certification needed to apply for higher skilled jobs.[264] Therefore accessible hospitality training programmes outside the larger cities are required to develop the skills across the country.

Benefit Sharing

Where the benefits of the tourism sector are shared equitably with local populations, the sector has the potential to benefit the poor. However, studies elsewhere demonstrate that a majority of tourist revenue is lost through payments of goods and services purchased outside of the host country. Local communities benefit from only a very small portion of tourist expenditure after imported goods and services are paid for (the so-called leakage effect). The majority of tourist expenditure goes to airlines, hotels and other international companies. At the destination level a large percentage of tourist spending leaks as well; in Thailand and India it is estimated that between 40 and 70 percent of all money spent by tourists goes directly to large tourism businesses.[265] Since leakage is common in the tourism sector in neighboring countries, this is likely to happen in Myanmar as well, unless active benefit sharing strategies are adopted.

> **Box 12: Case Study – Benefit Sharing of Tourism Revenues in Mount Emei, China**
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> In 2014, thousands of villagers blocked the route for several days to Mount Emei, the sacred Buddhist Mountain in Sichuan Province. The protesters requested that they would receive a share of tourism revenues. The municipal government agreed to give 3.5 percent of the annual revenues from Mount Emei admission tickets to villagers who live there, with 500 yuan (USD 81) monthly pension insurance provided to each male villager over the age of 60 or woman over 55. It also agreed to give hiring priority to villagers whenever the mountain's administrative committee enrolls workers.
>
> The Mount Emei incident is just one example of the increasing number of disputes between tourist destinations and local villagers. In the summer of 2011, three scenic spots in Jiangxi province's Wuyuan county had to be closed because villagers were unsatisfied with the distribution of ticket revenues and blocked the entrances. Under an agreement reached with a company in charge of tourism development in the villages, villagers were to receive 19 percent of the revenue from the admission tickets annually. The prices of the tickets rose six times in a decade, and villagers demanded a higher proportion.[266]

Dependency on the Tourism Sector

The tourism sector is Myanmar is seasonal and vulnerable to external and internal impacts. Political unrest, global economic downturns, natural disasters, epidemics and terrorism can negatively affect those who are dependent on jobs in the sector if tourists stay away, either leading to loss of employment or sudden income reductions.[267] Myanmar is vulnerable to

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[264] The Union of Myanmar Travel Association, Case Study, Overseas Development Institute, April 2014, p. 9.

[265] Myanmar: Unlocking the Potential, ADB, country diagnostic study, *op. cit.*, pp. 101-102.

[266] Locals demand share of tourism revenues, *China Daily*, 3 July 2014.

[267] A closer look at rural tourism, in *Who Really Benefits from Tourism: Working Paper Series 2007-08*, Equations India, p. 89.

external impacts; in 2008 the country experienced one of the deadliest cyclones ever and infectious diseases such as malaria, tuberculosis and HIV are prevalent, but only a very small percentage of the GDP is spent on healthcare.[268] Occasional security incidents continue to occur in Myanmar, which can negatively affect tourism numbers. A recent bomb blast in Myawaddy has led to a decline in tourist numbers in this border town[269] and communal violence in Rakhine state has deterred tourists to the ancient city of Mrauk-U.[270]

The poor, who have fewer assets and less diversified sources of income, are more vulnerable to such disasters and economic shocks. This is particularly critical in the context of the tourism sector, where such vulnerabilities are an inherent part of the nature of tourism itself.[271] In addition, as the informal sector in tourism in Myanmar is very large, there is a risk that vulnerable groups in society who are dependent on the sector will be hit hardest if tourists stay away.

Infrastructure Development

The development of logistics and infrastructure for the tourism sector such as roads, transport, electricity supply and information and communication technology (ICT) can benefit the Myanmar economy and the local population, if it takes into consideration their needs as well as those of tourists and is carried out in a sustainable manner.

Electricity

Nationwide power shortages due to insufficient electricity have been a long standing issue in Myanmar. Shortages of electricity are common in small towns as well as big cities like Yangon. Due to frequent power cuts, hotels and other industry players use expensive diesel-driven generators as alternative supply in many areas. In villages, solar power is used to provide electricity to local communities. The shortage of electricity has caused delays in investment in new hotels in less well known destinations. In order to address this issue, the Myanmar Tourism Master Plan includes as a key action the provision of a reliable electricity supply in all main tourist destinations.[272] Despite the Myanmar government's promises as regards improving access to electricity, about 70 percent of the population still has no access to grid electricity. While Yangon and other major cities continue to experience power outages that halt economic activity, rural access to electricity is a huge concern and is as low as 10 percent in some areas, which affects tourism development.[273]

Information and Communication Technology (ICT)

Myanmar's telecommunications sector is significantly underserved but the situation is rapidly changing. In the past the telecom sector was monopolized by the state-owned Myanmar Posts and Telecommunications (MPT), but telecommunication licenses have recently been issued to international operators Ooredoo and Telenor, with the aim to

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[268] Available at: http://www.travel-conference.co.uk/commentries.php?paper=166
[269] Myawaddy's tourism business declines sharply after deadly blast, *The Nation*, 17 October 2014
[270] Communal violence deters travel to Mrauk U, *Mizzima*, 7 January 2014.
[271] Not in my backyard: How. Governments and industry have washed their hands off responsibility in tourism: Exploring Indian realities, p. 13, in *Who Really Benefits from Tourism: Working Paper Series 2007-08.*
[272] Myanmar Tourism Master Plan, 5.3.5 Improve the coverage and reliability of electricity supply at key destinations, p. 62.
[273] Myanmar: Unlocking the Potential, Asian Development Bank, August 2014, *op. cit.*, p. 98-99.

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increase mobile phone penetration by offering more affordable rates than in the past. As of June 2014 (prior to the launch of Ooredoo and Telenor and a fall in the price of SIM cards), there were thought to be 9.36 million users (18% of the population).[274] There were thought to be 2.6 million people using the internet (5%) of the population as of May 2014[275] (the majority via their GSM phones), up from 60,000 users in 2012.

Poor internet connections limit online air ticket and hotel bookings, and the ready availability of information for tourists. The banking infrastructure is also limited. While ATM machines are now operational in major cities, credit card payments are still not widely accepted, especially at the destination level (partly a legacy of US sanctions). This can impact the spending capacity of tourists, particularly on souvenirs and additional services, which are most likely to generate local economic benefit.

The Tourism Master Plan identifies the government's intention to ensure that local businesses and tourists have access to efficient and reliable Internet services in all tourist destinations, which in turn will also benefit communities. Additionally, the government is planning to provide technical support and incentives to increase the number of tourism businesses using the internet for business services, marketing, and knowledge sharing.[276]

Road and Rail Connectivity

Myanmar shares borders with Bangladesh, China, India, Lao PDR and Thailand, and is strategically located at the crossroads of China, South Asia and Southeast Asia. The country's proximity to Asia's largest and fastest growing markets offers great opportunity for Myanmar to become the land link between China, India and the ASEAN countries. Myanmar's road system is currently underdeveloped, but new road transport projects are being undertaken which will enhance Myanmar's connectivity to neighboring countries supporting tourism development[277].

The railway sector in Myanmar is currently a monopoly operated by state-owned Myanmar Railways. The rail network has expanded considerably over the last twenty years, expanding by almost 78% between 1988 and 2010, although the focus had been on providing transport services and connectivity to remote areas of the country and the network is mostly not being used for tourism purposes.[278]

Sector-Wide Governance Impacts

This section addresses the ways in which tourism and its revenues can be a driver to improve or undermine governance in Myanmar. Transparency is a major factor in determining these outcomes. In 2012, President Thein Sein committed to join the Open Government Partnership, an international standard that seeks commitments from

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[274] Mobile uptake climbs steadily, says government, *Myanmar Times*, 14 July 2014.
[275] Myanmar Economic and Politics Weekly Newsletter, *Thura Swiss News Views*, 22 May 2014.
[276] Myanmar Tourism Master Plan, 5.3.3. Improve the coverage and reliability of Internet services in tourist destinations, p. 61.
[277] Infrastructure in Myanmar, p. 6, KPMG.
[278] *Ibid.*, p. 9, KPMG.

governments to promote transparency, fight corruption, increase civic participation, and harness new technologies to make governments more open, effective, and accountable. In order to be eligible for the OGP, the Government will need to meet a number of minimum standards.[279]

Foreign Exchange and Tax Revenues

Through levying of income taxes on tourism businesses, licensing fees, and user fees on tourists, the tourism industry contribute to the tax base needed to support reforms and finance investments in sectors such as health, education and infrastructure.[280]

Tax evasion is a widespread problem in all sectors of the Myanmar economy, although the government has embarked on various activities to address this. The Commercial Tax rate on hotel, lodging and restaurant services is 10%. With a high number of unreceipted cash transactions for services, the tourism and hospitality industry is prone to tax evasion, as it is in many countries, and business owners are reluctant to reveal accurate customer figures as a result. SWIA researchers were told that there have been discrepancies between the actual number of tourist nights spent in Inle Lake region and the numbers reported by hotels to the government, in order to avoid paying taxes.

The Myanmar Internal Revenue Department has recently begun to publish lists of the highest paying foreign and Myanmar companies for commercial and income tax.[281] Some of these companies are in the tourism sector. This is a welcome step towards ensuring greater transparency around tourism revenues. It comes at a time when the government is undertaking reforms to improve budgetary transparency and increase the percentage of the budget spent on social services[282].

Business Integrity and Corruption

Corruption remains a major risk for companies investing in Myanmar.[283] In Transparency International's annual Corruption Perception Index, Myanmar's rank of 156 out of 174 was effectively unchanged as compared with 2013.[284] In August 2014 President Thein Sein acknowledged that corruption and bribery are still 'chronic' and must be addressed by a change in attitude among government officials.[285]

Several aspects of the tourism value chain offer the potential for corruption, particularly those concerning the acquisition of land for hotels, including in 'hotel zones', resorts, golf courses etc and associated permitting, as well as the award of transport or other concessions. Lack of transparency in tender regulations over leasing state-owned hotels to private investors has been reported; those with close ties to authorities receive preferential treatment in tenders.[286] Transparent tendering and award processes are

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[279] The Open Government Partnership set to move forward in Burma, British Embassy Rangoon, 21 October 2014.
[280] Responsible tourism - are development partners doing enough?, *Myanmar Times*, 28 July 2014.
[281] Internal Revenue Department, Ministry of Finance, The Republic of the Union of Myanmar.
[282] Finance Ministry to work towards a transparent budget, *Myanmar Business Today*, 14 July 2014.
[283] See for example: Responsible Investment in Myanmar, The Coca Cola Company, December 2013.
[284] No improvement in Myanmar's levels of corruption says report, *Mizzima*, 3 December 2014.
[285] Thein Sein Admits Corruption, Bribery Are 'Chronic' in Burma, *The Irrawaddy*, 22 August 2014.
[286] Ministry Revamps State Hotel Privatization Process, *Myanmar Business Today*, 12 November 2014.

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essential for government owned or allocated land or services. To date, such processes are mostly lacking, although some steps have been taken to improve tendering of heritage buildings [287]. Government regulatory requirements for tourist businesses may drive demands for 'tea-money' imposing a burden on SMEs (see Part 4.2 Community Impacts).

Increasing investment by Western companies subject to home state anti-corruption laws may create some pressure for transparency, including by their local partners, particularly where the acquisition of new sites are involved. Several Myanmar companies have started to implement anti-corruption programmes, in some cases as a result of foreign partnerships[288].

A separate – and sensitive – transparency issue, related to domestic tourism, arises in relation to donations to religious sites, which in some cases can amount to hundreds of thousands of dollars each year. In Kyaikhtiyo, the SWIA team heard concerns from locals that the management of these funds was not transparent, and that there were business links between pagoda trustees and the owner of a number of the business concessions. However, the SWIA team was told that it was unwise to ask too many questions.

Elite Capture

Several players in the tourism sector, mostly the owners of some construction companies and hotel chains, are considered by many to be 'cronies'[289]. Some of these have been on EU or US sanctions lists, and in some cases remain as Specially Designated Nationals by the USA. Others may not have been formally sanctioned but are believed to have acquired land, hotel or other business opportunities through family or business links to powerful military figures at local or national level, or have used such links to evade regulation, for example by receiving construction permits in the cultural zone in Bagan.[290] If opportunities – for example in new hotel zones – continue to be granted without transparency to a small group of companies, this will undermine good governance. It can also encourage conflict. This is an issue of particular concern in ethnic minority areas which are emerging as tourism destinations, and where locals are concerned that opportunities will go to well-connected outsiders (See Part 3.1).

Sector-Wide Environmental and Social Impacts

Most environmental and social impacts, including human rights impacts, of tourism operations happen at the cumulative or project-level (see Part 4). This section addresses the main impacts at a national/sector level and considers how they can be addressed.

Responsible and sustainable tourism development can significantly contribute to raising the standard of living of entire communities by increasing the availability of, and the access to,

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[287] Downtown heritage building tender winners revealed, Myanmar Real Estate and Construction Monitor, 3 December 2014.
[288] Pwint Thit Sa project, Myanmar Centre for Responsible Business.
[289] http://www.tourism-watch.de/en/content/run-myanmar and Military leases seized Ngapali beach land to hotel developers, *The Irrawaddy*, 17 December 2013.
[290] Ministry bans building within Bagan, other heritage sites, *Democratic Voice of Burma*, 28 November 2013.

health services, infrastructure and education. However, the tourism sector as a whole can also have negative impacts on society, such as the lack of environmental and social standards, the impacts of the sector on climate change, reduced access to water, loss of cultural traditions and land related impacts.

Lack of Environmental and Social Regulations

Relevant government policies, including the Myanmar Tourism Master Plan, the Responsible Tourism Policy and the Policy on Community Involvement in Tourism commit to environmental and social protection. But there is a risk that in practice there is a lack of national level laws and capacity in these areas to regulate adverse impacts, particularly as Myanmar currently has a weak framework for the protection of the environment and society.

The 2012 Environmental Conservation Law is only a framework law and must be complemented by more detailed laws and regulations. While the law provides for general environmental protection obligations, it does not stipulate whether and how infringements of the law are punishable and it does not specify any sector-specific obligations and regulations. It is unclear if the law provides for claims for compensation for damages only from the government or also from individuals harmed by environmental pollution,[291] although claims for damages from local communities are making their way to court under other laws.[292] Further, Myanmar has weak regulatory guidelines for natural resource management and pollution prevention; for example, there are no air quality monitoring standards. Finally, there is no agency in place that is responsible for and regulates discharges, pollution and waste disposal by industries.[293]

On the social side, the labour law framework is more developed but is undergoing an extensive overhaul. There are significant gaps in laws covering many non-labour social issues relevant to the tourism sector, such as land acquisition and resettlement procedures, community health, safety and security, as well as other emerging issues such as indigenous peoples' rights. Given the absence of laws and vague or outdated provisions, it will be very difficult for the Government to hold companies accountable to operate to the "high social and environmental standards" as promised in the FESR.

For further information on these issues, see Part 4.

Environmental Protection, Conservation and Awareness Raising

The tourism sector can also be an enabler for environmental protection mechanisms and has the potential to raise awareness about the environment. The sustainable management of tourism facilities such as hotels can increase the benefits of tourism to protected areas. However, this requires careful planning and controlled development and should be based on a sound environmental impact assessment.

Increased tourism in Myanmar also has potential to increase public appreciation of the environment and to spread awareness of the country's environmental problems. This may

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[291] Environmental Conservation Law (2012), Article 33.
[292] Case profile: Myanmar Pongpipat Lawsuit, Business and Human Rights Resource Centre.
[293] Myanmar: Unlocking the Potential, country diagnostic study, pp. 167-168.

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heighten awareness of the value of nature and lead to conscious activities to preserve the environment. For example, the Greater Inle Lake region is suffering from environmental decline due in particular to the use of pesticides by farmers and increased tourism.[294] Myanmar tourism can contribute to the establishment of environmental protection mechanisms, conservation and restoration of biological diversity and a more sustainable use of natural resources. Revenue from park entrance fees, collected from tourists and tour operators, can be allocated to pay for the protection and management of environmentally sensitive areas.

Zoning, Land Use and the Impact of Hotel Zones

In 2012 the government announced plans for 'hotel zones'[295] with associated infrastructure in many areas, including Yangon (Htaukkyan, Hlegu, Mingaladon and in 2013 Dagon Myothit East), Mandalay, Bagan, Taunggyi, Chaungtha, Inle Lake, Rakhine, Mawlamyine, the Golden Triangle, Bago, Ngwesaung and Nay Pyi Taw. The current number of existing and planned hotel zones is not available from government sources[296] but according to media reports there are now five in Bagan alone[297] and three in Nay Pyi Taw[298]. The Chairman of the Myanmar Tourism Federation has referred to there being 15 hotel zones as of 1 January 2015, "one each in all 14 states and regions, and two in Ayeyarwady Region – Ngwe Saung and Chaung Tha", as well as to plans to establish four more in 2015[299]. The Myanmar Tourism Federation (MTF), which shares a building with the Myanmar Construction Entrepreneurs Association (MCEA) and which has leadership and membership overlap, has established the Myanmar Tourism Development Company to accelerate development of designated zones in Yangon, Mandalay and Bagan[300].

The motivation and market interest for pursuing tourism development through 'hotel zones' is unclear and there is no published policy to explain it. The Tada Oo hotel zone, which was originally planned to encompass 2,218 hectares on the Ayeyarwady River 14 km north of Mandalay international airport (and about 30 km distant from Mandalay city), is intended to include 100 foreign owned hotels and 192 locally owned hotels[301], although more recent reports mention that only 808 hectares will be developed with the same number of hotels, totalling 10,000 rooms[302]. It is described in the Tourism Master Plan as *'aiming to develop infrastructure and services needed to meet the high demand for international standard accommodation, shopping and residential housing in Mandalay. The project will contribute*

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[294] Fears for a floating world, *The Irrawaddy*, July 2010.

[295] Hotel zones, in which areas of land are expropriated by government and allocated to investors through processes which may lack transparency, and where hotel investment may in future only be permitted in those areas should not to be confused with more usual practices of establishing 'zoning' plans which allow hotels and other business establishments to be built in some areas but not others, on the basis of a willing buyer-willing seller arrangement.

[296] Myanmar plans new hotel zone in Yangon to cope with growing visitors, *Xinhua*, 8 January 2013.

[297] Booming tourism in Bagan nets fifth hotel zone, *Eleven Media*, 19 March 2014.

[298] With new hotels, Naypyidaw could see a glut of rooms, *The Irrawaddy*, 9 May 2014

[299] Myanmar is changing and people will continue to come, *Mizzima Weekly*, 1 January 2015. The four new zones are mentioned as Myitkyina (Kachin State), Lashio (Shan State), Monywa (Sagaing Region) and Magwe. However it is likely that Myitkyina, Monywa and Magwe are actually included in the 15 referred to as one in each State and Region, since there are no reported zones to date in those areas.

[300] *Ibid.*

[301] Foreign investors get 100 hotels in Mandalay's new hotel zone, *Eleven Media*, 28 January 2013.

[302] Mandalay gets boost from hotel zone project, *TTG Asia*, 26 January 2015

to local socio-economic development by improving public infrastructure and creating jobs for local residents.'

Hotel zones, including that in Tada Oo, do not appear to be subject to any form of strategic assessment or management of impacts. Nor do they appear to be provided with efficient provision of infrastructure or services such as water and sewage disposal, which could be a possible benefit of a 'hotel zone' approach. Hotel zones also risk reducing rather than enhancing the scope of community involvement in tourism by creating hotel 'ghettos' where all tourists are required to stay, and reducing scope for guesthouses, B&B and local restaurant services.

Negative impacts relating to some hotel zones have been reported in the media, and were raised in the SWIA research in Inle, Mandalay and Chaungtha/Ngwesaung (see Part 4.1 and 4.3). The approach has led to large areas of land being compulsorily acquired and taken out of agricultural or other uses. This has resulted in land speculation and negative impacts on livelihoods. In some cases, particularly at Inle Lake, the creation of a hotel zone on the hillside overlooking the lake has also caused damage to natural heritage as well as conflict with the community. Tourists have also expressed concerns about the impacts of the zones on the environment, community and the tourist experience (see Annex B).

Recognising the issues with early 'hotel zones' Activity 3.3.1 of the Tourism Master Plan on 'Improving Zoning in Tourism Destinations' proposes a

> *'Review [in 2014-215] of the status of hotel zone development (e.g. Mandalay, Bagan and Inle); review progress and issues with hotel zone development within the context of Myanmar's responsible tourism policy; develop a planning framework that harmonises hotel zone planning with national objectives to protect natural and cultural heritage and promote the well-being of local residents'.*

The Master Plan's identified outcome is a *'Zonal planning approach developed and applied at all destinations experiencing high visitor growth'.*

However to date no action appears to have been taken by the government at national or regional level to refine the approach. Despite concerns from tour companies, tourists, and from local communities, more hotel zones continue to be announced. Four new hotel zones were announced in Ngapali following the visit by the President in October 2013 following communal disturbances in Thandwe, apparently at the behest of the MoHT [303]. A news report in January 2014 referred to MoHT allowing the establishment of 11 more hotel zones in Yangon, Mandalay and Tanintharyi.[304] A hotel zone is apparently planned for Kantpetlet in Chin State at Natmataung/Mt Victoria[305]. Although not a designated zone, at destinations in Mon State, the development of beach resorts is raising concerns that 'vacant' land will be taken from community use by the government to give to hotel developers.[306]

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[303] Ministry plans hotel zone expansion in Ngapali Beach, *Eleven Media*, 15 October 2013.
[304] Myanmar allows establishment of more hotel zones, ASEAN-China Free Trade Area, 12 January 2014.
[305] Hotel Zone Slated for Chin State, *The Irrawaddy*, 25 September 2014.
[306] Tourism raises fears of land grabs, *Burma News International*, 18 October 2013.

Other tourism operations such as the development or expansion of airports, ports, road development for tourism purposes, golf courses etc. also necessitate large pieces of land, but not all of them e.g. golf courses justify compulsory acquisition of land. It is important that the tourism sector should be considered in the National Land Use Policy which is currently being drafted. Additionally, land acquisition and resettlement should form an integral part of all regional destination management plans. More information about cumulative- and project-level impacts relating to land can be found in Part 4.3.

Culture

Strong national identities and years of isolation, both self-imposed and externally imposed have resulted in Myanmar being far less exposed to foreign cultural influence than neighbouring countries in South East Asia, which represents one of its selling points as a tourist destination. However, with greater international travel by Myanmar citizens and exposure to foreign media, as well as increasing numbers of foreign visitors and investors, this is starting to change, particularly in cities. Exposure to foreign cultures is creating generational tensions, and a fear among more conservative older generations that 'Myanmar culture' and 'Myanmar values' may be overwhelmed.

The growth of the tourism industry and the influx of tourists – including Myanmar tourists travelling within the country – can have positive cultural impacts on a country and its population, including through the promotion and preservation of tangible and intangible cultural heritage and traditions, development of new forms of cultural expression and promotion of exchanges with other languages and cultures. Intangible cultural heritage includes oral traditions and expressions, including language as a vehicle of the intangible cultural heritage; performing arts; social practices, rituals and festive events; knowledge and practices concerning nature and the universe; and traditional craftsmanship. Tourism can increase demand for traditional handicrafts such as Myanmar art and paintings, lacquerware, silverware, woodcarving and weaving.

The behavior of tourists can also have negative social and cultural impacts. These may include the lack of respect for local traditions, customs and religion, including respect for religious buildings[307], the consumption of alcohol and drugs, and gambling practices[308]. Tourism may also contribute to or reinforce economic inequality, which can fuel conflicts or an increase in crime. The SWIA team heard concerns that increased tourism by Myanmar nationals, coupled with income inequality, was believed to be contributing to prostitution in locations such as Yangon, Mandalay and Mawlamyine in a country where prostitution is illegal and culturally frowned upon.

Education

Under the military dictatorship, the role of higher education diminished. Today in Yangon, universities still have low budgets and are spread across a wide area resulting in management difficulties and slowing development.[309] Tourism is seen as an important

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[307] Tourists dining on Bagan Pagoda compounds, *Myanmar Tourist Watch*, 15 October 2012 and Tourists asked to respect rules when visiting heritage sites, *Eleven Media*, 28 November 2013.
[308] Chinese Tourists Flock to a 'Pleasant Village' of Gambling Dens in Burma, *The Irrawaddy*, 5 September 2014.
[309] Myanmar's education system geared for growth, Oxford Business Group, 29 April 2014.

sector that can drive the economy and therefore it has been recognized that there is a need for better quality and higher level education in this sector. Language education and in particular English language education, is being promoted in private schools and vocational training centers have been established. However, some stakeholders in the tourism sector have expressed concerns that due to the ease of earning money in the tourism sector, children could decide to not attend school at all or that the education system will too heavily focus on tourism education and not on other important sectors of the economy.[310]

Currently, Yangon is the only urban area in the country offering formal tourism courses and only a limited number of students gain admission each year. The number of private sector schools is also limited, and therefore new employees must often develop their skills on the job.[311] In addition to the state-run Hotel and Tourism Training Centre in Yangon, there are a number of private training institutions offering hospitality training. A new 4-year Bachelor's Degree BA (Tourism) is being offered by the Ministry of Hotel and Tourism and the Ministry of Education as well as a nine-month post-graduate diploma in tourism studies by the Ministry of Education.[312]

Box 13: Case Study – Vocational training and education in the tourism sector

Some associations and NGOs, such as Myanmar Hospitality Association (MHPA), Myanmar Hospitality Training Schools association (MHTA) and the Centre for Vocational Training, are providing capacity building training for the development of human resources in the Hotels and Tourism sectors.[313] The Daw Khin Kyi Foundation, founded by Daw Aung San Suu Kyi, runs a project called Hospitality and Catering Training Academy (HCTA). HCTA is a non-profit training centre empowering youth with education and vocational training.[314]

A Norwegian social enterprise has started teaching an English course to Burmese tourism and hospitality workers. The program, sponsored by the Partnership for Change, provides a six week intensive English course for people in the Inle area working in hospitality and tourism.[315]

The tourism private sector has also started vocational training initiatives, such as the Inle Hospitality Vocational Training School, founded by the managing director of the Inle Princess Resort with the support of Partnership for Change. The vocational training centre provides education and job opportunities for youth from local communities around Inle Lake, including provision of scholarships to local youth who cannot afford paying tuition fees.[316]

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[310] These concerns were expressed during the Tourism SWIA consultations held by MCRB in August 2014, bringing together tourism stakeholders from business, government, donors, civil society and international organizations.

[311] Hotels and Tourism Working Group Position Paper, August 2014. Copy of paper provided to MCRB.

[312] Business Innovation Facility Burma (Myanmar): Tourism Market Analysis and Strategy, October 2014, p. 32. Copy of report provided to MCRB.

[313] *Ibid.,* p. 32.

[314] Hospitality and Catering Training Academy, Daw Khin Kyi Foundation.

[315] 'Education to build tourism future for Myanmar', ETB Travel News, 12 March 2014.

[316] Inle Hospitality Vocational Training School, Partnership for Change.

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Data on the number of students enrolled in tourism-related training is unavailable. However, with the increase of available jobs in the sector, it is suggested that significant additional capacity is required.[317] Accordingly, while efforts are being made to build the hospitality skills of Myanmar society, it is important that more official educational institutes and training centers are established outside the larger cities, and in more remote areas, including ethnic areas. This will allow a larger portion of the population to receive official training to obtain jobs in the sector and will enable the sector to offer quality services to tourists.

Climate Change

The relationship between the tourism industry and climate change has been recognized. Climate change impacts tourism development in sensitive ecosystems and the tourism industry contributes to climate change.[318] This debate is relevant to Myanmar which is vulnerable to climate change as a result of its long coastline and extensive delta, its heavy reliance on agriculture, much of which is in an area already referred to as the "dry zone", and its reliance on natural resources.[319]

Myanmar ranked 167 out of 176 countries surveyed by The Global Adaptation Institute, reflecting the country's exposure to climate change as well as its low capacity to manage climate risks.[320] Potential climate change impacts on Myanmar include incremental sea-level rise, saltwater intrusion, loss of mangroves, higher incidence of droughts, loss of biodiversity and ecosystems such as wetlands, and loss of land resources. Myanmar is already experiencing some effects of climate change. Temperatures are rising, monsoons are becoming shorter and there is a greater frequency of intense rainfall and severe cyclones along Myanmar's coastline. [321]   Research has indicated that Myanmar will experience the cascading effects of climate change on its forests and coastlines.[322] These effects of climate change can have an impact on the country's natural heritage as well as its weather patterns, which are a key resource for tourism. The government should therefore ensure that climate change is taken into consideration in future tourism development and planning.

The tourism sector in Myanmar can also contribute to climate change through generation of greenhouse gas emissions through road and air transport, as well as energy consumption by air conditioning, heating and lighting in tourism establishments. Deforestation due to land acquisition for hotel zones and tourism development in coastal areas is also a concern.

Access to Water

Research has indicated that there is a strong link between tourism growth and water scarcity[323] (see Box 14). Tourism is often a major user of freshwater in areas where water is scarce or where renewal rates of aquifers are limited. Hotels in the tropics with irrigated gardens, swimming pools and golf courses consume large amounts of water. Such

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[317] *Ibid.,* p. 38.

[318] Call for Action Climate Change, Biodiversity and Tourism: EQUATIONS Statement on International Biodiversity Day, p. 95, in Who Really Benefits from Tourism: Working Paper Series *2007-08*, Equations India.

[319] Myanmar's National Adaptation Programme of Action (NAPA) to Climate Change, 2012.

[320] Myanmar Wakes Up to Climate Change, InterPress Service, 6 May 2014.

[321] Interim Country Partnership Strategy: Myanmar, 2012-2014, *Environmental Analysis*, ADB Greater Mekong Subregion.

[322] Myanmar faces new conservation challenges as it opens up to the world, *Mongabay,* 3 October 2013.

[323] Tourism and water: Interrelationships and management, Global Water Forum, 16 July 2013.

considerations are especially relevant in relation to Myanmar's central dry zones[324], including Bagan, and beach areas, but all major destinations face seasonal water shortages.[325]

Box 14: Case Study – Tourism and Water Scarcity in Bali, Indonesia

A study conducted by the University of West England on the causes and the consequences of water scarcity in Bali and the relation between tourism and water concluded that Bali is struggling to cope with diminishing water resources that have been overexploited to meet the increasing demand for clean water for tourist-related facilities. Bali is an important case study because 80 percent of its economy depends on tourism and tourism depends on a healthy water supply. Tourism in Bali provides 481,000 direct jobs, directly employing 25 percent of the workforce and supporting more than 50 percent of its GDP.

Water has been recognized as one of the most critical and scarce resources for tourism, an industry renowned for its overuse of water. In Bali tourism absorbs approximately 65 percent of the island's total water supply. The impact of overuse of ground water by tourism is being felt all over Bali; a falling water table, salt water intrusion, land subsidence and deteriorating water quality.

The competition for water is felt the greatest in agriculture and has caused conflicts between those who use water for agricultural purposes such as farmers, and those who allow tourism development or sell water to the bottled water refill operators. Another significant impact is its effect on the poorest and most marginalized members of society, whose hand-dug wells have run dry, but who could not afford to be connected to the city tap-water supply.

According to the Bali Hotel Association four- and five-star hotels operating on the island require at least 50,000 liters of clean water each day, not to mention the usage of water by one to three-starred hotels, villas and apartments. Additional pressure comes from the increasingly diverse requirements for water to service tourist facilities such as high-end spas and villas that offer their own pools and jacuzzis.

The latest data show that 1.7 million out of Bali's 3.9 million large population have inadequate access to a supply of clean water, indicating that a water crisis may be around the corner.[326]

Further challenges facing Myanmar include water pollution from chemicals and pesticides used by industries and agricultural users.[327] The drafting of a National Water Policy has commenced under President Thein Sein's reform agenda which also includes

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[324] Central Burma Faces Water Shortage, *The Irrawaddy*, 7 May 2013:
[325] Government to spend USD39.5 million to ease water shortages, says official, *Mizzima*, 6 May 2014.
[326] Tourism industry responsible for water crisis in Bali: *Expert*, *Jakarta Post*, 5 September 2012.
[327] Netherlands Burma Water Management Cooperation to Address Challenges, Boost Trade, *The Irrawaddy*, 23 June 2014.

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environmentally sustainable development and sound water management. A National Water Resources Committee was set up in 2013 with a senior water expert group mandated to formulate a Water Policy and study water projects.

The Government needs to undertake careful analysis of water resources in regional planning and water management, and to require tourism businesses to reduce water consumption so that local communities are not negatively impacted by tourism development. Also, international tourism businesses, given their experience, could play a role in supporting waste water management system at township level.

3

Sector-Level Impacts

Tourism in Ethnic Minority Areas

Part 3.1

Tourism in Ethnic Minority Areas

In this section:

- A. National Context
- B. Focus on Kayin (Karen) State, Kayah State, Mon State and Tanintharyi Region
- C. Relevant guidance on conflict sensitivity

A. National Context

Non-international armed conflict between ethnic minority armed opposition groups in the border areas and the central Bamar-dominated Government broke out shortly after independence in 1948. [328] In its decades-long counter-insurgency campaigns against various ethnic minority armed opposition groups, the Myanmar army has committed a wide range of human rights violations and violations of international humanitarian law. As troops entered ethnic minority villages, they seized foodstuffs, destroyed villages, used civilians for forced labour, particularly portering, killed and tortured civilians, and forcibly displaced them. Armed ethnic minority opposition groups have also committed abuses, although to a lesser degree. [329]

Ethnic grievances have centred on these abuses as well as the lack of self-governance and resource sharing with the central Government; discrimination and marginalisation; freedom of religion; and lack of education in ethnic minority languages. Many ethnic minority leaders believe that the Burman-dominated central government instituted a policy of "Burmanisation", which has resulted in suppression of ethnic minority cultures, languages and religions, and ethnic people being treated as "second-class citizens". [330]

Conflict and isolation has greatly inhibited economic development in the ethnic border areas, and poverty rates in these areas are high. For example 73% of the population in Chin State lives below the poverty line, 44% in Rakhine State (though the World Bank's reinterpretation of the data suggests a rate of 77.9%) and 33% in Shan State; the national

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[328] At the same time, armed conflict broke out between the government and the Burman-led Burma Communist Party.

[329] For a full discussion of the human rights situation in the counter-insurgency context, see reports from Amnesty International from 1988 – 2008, and Human Rights Watch and the reports of the Special Rapporteur on the situation of human rights in Myanmar, OHCHR, available at:
http://www.ohchr.org/en/countries/asiaregion/pages/mmindex.aspx

[330] For a further discussion of these issues, please see *Transnational Institute/Burma Centrum Netherlands Reports* from 2011 to 2013.

poverty rate is 26% (the World Bank's reinterpretation of the data reveals a 37.5% rate).[331] At the same time ethnic minority states are rich in natural resources, including minerals and gems, hardwoods, hydropower as well as land and water resources for agriculture.

A nationwide peace process is currently ongoing, with involvement of the Government and 16 ethnic armed groups. A nationwide ceasefire accord is under negotiation, although deadlines have not been met, and talks continue.[332] Ceasefires have made land more available to commercial interests, some of which are linked to the central Government and the military. Ethnic minority armed groups also have business interests in their territories. These areas are highly militarised, including by Myanmar army troops and allied militias,[333] ethnic minority armed groups, and armed criminal elements. This has resulted in very poor land governance, with a heightened risk of land grabs, instability and a climate of fear.[334] Future demining operations that make land more accessible and commercially viable will likely exacerbate these risks.

Many ethnic minority areas have considerable tourist potential. There are areas of historical and cultural significance (war cemeteries; the Burma Railway; pagodas and ethnic heritage buildings, such as those at Loikaw; and many culturally interesting ethnic minority groups), great scenic beauty (the Thandaung hill station in Karen/Kayin State, for example, and many other mountain areas), and ecological significance such as Natmataung in Chin State[335]. However, in some areas there is ongoing insecurity as well as landmine contamination which will need to be addressed; poor infrastructure will hamper tourism; and tourism development and division of revenues could potentially impact conflict dynamics, positively or negatively. Where companies are looking to invest or run tours to such regions, they should consult with all relevant stakeholders, including ethnic leaders, non-state armed groups and conflict-sensitivity experts to ensure that tourism is desired and the timing is right. In particular, whilst engagement with civil society and community-based organizations will be important, such engagement should not be substituted for community consultation.

Although Rakhine State has been little affected by armed conflict in recent decades, over the years, there have been serious inter-communal tensions and violence, particularly since 2012[336]. Rakhine State has one tourist site in addition to Ngapali beach[337], the ancient capital of Mrauk-U, which has the richest collection of Buddhist archeological sites in Myanmar after those at Bagan. According to a Rakhine tour operator, visitor numbers declined significantly since 2012[338] particularly as many governments warned their citizens against visiting the area. This has impacted those dependent on the tourism sector in what is already a very poor area.

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[331] Interim Country Partnership Strategy: Myanmar 2012 – 2014, Poverty Analysis (Summary), ADB, 2012, and Data tweaks change face of poverty, *Myanmar Times*, 19 May 2014.

[332] Where Next in Burma's Peace Process, *The Irrawaddy*, 8 December 2014.

[333] There are dozens of militias formed by the government; some of them known as "people's militias". These groups are armed and operate in ethnic minority states.

[334] Access Denied: Land Rights and Ethnic Conflict in Burma, Transnational Institute/Burma Centrum Netherland, May 2013; see other reports by Transnational Institute from 2011 to 2013, and also reports by the International Crisis Group, the Karen Human Rights Group, the Shan Human Rights Foundation, and the Human Rights Forum of Monland.

[335] As Foreigners Trickle into Chin State, Tourism Industry Faces Hurdles, *The Irrawaddy*, 28 May 2013.

[336] See Part 6.1, Oil and Gas SWIA for more background.

[337] Government plans Ngapali expansion, TTR News, 21 October 2013.

[338] Communal violence deters travel to Mrauk U, *Mizzima*, 7 January 2014.

B. Focus on Kayin (Karen) State, Kayah State, Mon State and Tanintharyi Region

Kayin, Mon and Kayah States and Tanintharyi Region have all been affected by conflict for decades, but all now have ceasefires in place. They have a high potential for tourism, due to their natural landscape with mountains, long coastline and islands, rich cultural heritage and their proximity to Thailand. As a result they have been increasingly the focus of programmes intending to support tourism development in ethnic minority areas and ecotourism.

The two largest ethnic armed groups in the area are the Karen National Union (KNU) and the New Mon State Party (NMSP), both of which have ceasefires with the Government, although the Mon ceasefire is more stable, and there are fewer factions than amongst the Karen. There are also a number of smaller armed groups, some with ceasefires, and also some armed criminal gangs.[339] The New Mon State Party controls a number of ceasefire zones in Mon areas. There is significant insecurity in eastern areas of Mon State due to the presence of armed Mon bandits, and incidence of piracy in the Myeik archipelago. [340] Since August 2013, four border checkpoints with Thailand including at Mae Sot-Myawadi have been open to tourists for travel to Yangon which could open up the area significantly both to Thai and foreign tourists coming from Thailand[341]. However infrastructure including transport links and hotels remains very limited and security remains problematic in some areas.

Businesses, non-state armed groups (NSAGs) such as the KNU and NMSP, and civil society organizations in Kayin (Karen) and Mon States have mixed views about the appropriate timing of opening up the region to tourism, with some Kayin NSAGs in particular, being opposed to development until a nationwide ceasefire and political dialogue are in place. While tourism is generally viewed as having less potential for negative impacts than extractive or agricultural concessions, Kayin NSAGs also fear that the Tatmadaw will use the excuse of providing security for tourists to extend their military presence.

In Kayin areas, generally more negative views are held as to who has and will benefit from tourist concessions, with a widespread view that this will mainly be crony businesses with local military connections, rather than local Karen. Another concern relates to the lack of consultations with civil society organizations and communities with regard to tourism projects. A recent hotel project built on a football ground in Hpa-an was halted in 2013 due to protests about lack of consultation.[342] The KNU has offered support to Karen entrepreneurs to set up local businesses, including by providing advice on financial resources, with a view to helping the Karen people to become more prosperous.[343]

The current ceasefire, although still a long way from peace, presents opportunities to develop tourism and commence future planning. Further, through its promotion of dialogue, the value of local culture, the breaking down of cultural barriers and increased economic

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[339] MCRB Oil and Gas SWIA, p. 183.

[340] *Ibid.*

[341] Opening of Overland Border Gates Could Boost Burma Tourism, Investment, *The Irrawaddy*, 29 August 2013.

[342] Hpa-an Monks and Residents Battle to Win Back Town's Football Ground, *Karen News*, 30 September 2013.

[343] KNU support Karen businesses, *Karen News*, 12 September 2013.

security, tourism can also make a positive contribution to creating a "culture of peace".[344] However, it is important to note that development does not incentivise peace, but rather that development and peace are complementary and mutually reinforcing processes. The Head of the Karen National Union's Economic Development Committee, Saw Tah Doh Moo, has observed that the current peace process consists of a series of small steps, including steps towards economic development, and that stronger private sector cooperation, increased transparency and support for human resource development will be important.[345]

In February 2014, representatives of the Ministry of Hotels and Tourism, the Kayin State Government, KNU, local civil society and the private sector came together to discuss how responsible and inclusive economic development of the tourism sector in post-conflict areas could strengthen the peace process in Kayin State.[346] During this forum meaningful stakeholder consultation was mentioned as a prerequisite for local communities' support for future tourism development.

Restrictions that prevent foreigners obtaining travel permits were identified as some of the most significant immediate barriers to tourism development in northern Kayin State[347] by stakeholders at a meeting in Toungoo in May 2014. Nearby former hill station, Thandaung, is a potential ecotourism site, with waterfalls, caves and wildlife. Local communities have received community-based tourism training. Their priority is to obtain permission for guesthouses in areas such as Thandaunggyi to receive licenses allowing foreign visitors to stay overnight.[348] A further barrier to tourism development is lack of access to clear and relevant information.[349] Currently, there is little guidance available to foreigners seeking permission to travel, and anecdotal evidence suggests that authorities provide conflicting information. In addition to addressing barriers such as travel restrictions, the establishment of a community tourism steering committee may provide valuable support for tourism development.[350]

Leaders of other ethnic communities, including the Mon, appear more positive about early development of tourism than some Karen, and may face fewer challenges in relation to permissions. Some have already established local businesses and eco-tourism projects, and see tourism as a way to give recognition to and preserve heritage sites. However, in Mon State, as elsewhere, there are concerns that the tourism sector is currently dominated by businesses associated with the government.[351]

The four primary areas identified for tourism development in Mon State are Setse and Ye townships, Mawlamyine (Mon State's capital city) and Kyaikhto. There are also plans to commence excavation of ancient archaeological sites in Mon State to promote cultural

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[344] Travel permission greatest barrier to tourism development in Northern Kayin State: Stakeholders, Hanns Seidel Foundation.
[345] Tourism Stakeholder Dialogue Meeting – HSF Conducts Workshop in Hpa An, Hanns Seidel Foundation.
[346] Pilot Workshop in Kayin State on Community Involvement in Tourism and the Peace Process, Hpa-an, 24/25 February 2014.
[347] Travel permission greatest barrier to tourism development in Northern Kayin State: Stakeholders, Hanns Seidel Foundation.
[348] Ibid.
[349] Ibid.
[350] Ibid.
[351] Tourism in Mon State still underdeveloped; local populations concerned about land grabs, Phophtaw News Association, 17 October 2013.

tourism.[352] At a workshop in May 2013, Dr Min Nwe Soe, the Mon State Minister of Planning and Economics, outlined the development of hotels and tourism projects which include the provision of community-based tourism training for residents in the Thaton District and the upgrade of Moulmein Airport[353].

Kayah State has natural and cultural attractions, but landmines currently prevent access to much of the state.[354] To boost the tourism industry in Kayah State, a project has been launched in September 2014.[355] The USD1.9 million three-year project, which involves the Netherlands Centre for the Promotion of Imports from developing countries (CBI) and the Geneva-based International Trade Centre (ITC) and is funded by the Dutch government, will encourage visitors to the region.

> **Box 15: Case Study – Conflict-Assessment in Angola by Swiss Tour Operator**
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> Angola, a country with a history of decades of civil war, conflict diamonds and anti-personnel mines, was not a much frequented destination for travels. However, Angola is a country with great tourism potential with its natural beauty. In 2013 Swiss tour operator The Globetrotter Group launched its new travel destination, Angola. To offer safe and socially responsible tours, the company worked with tourism experts as well as with Swiss Peace Foundation to develop a route, taking into account the conflict environment. Swiss Peace Foundation, a Swiss-based peace research institute increasingly collaborates with companies with operations in conflict-sensitive regions. Good knowledge of the conflict situation is essential for tour companies to be socially responsible and to be able to operate at the same time. Based on the experience in Angola, Globetrotter now plans to apply this Responsible Tourism strategy in other politically unstable countries across the company.[356]

C. Relevant Guidance on Conflict Sensitivity

[352] Mon State to Promote Ancient Cities to Boost Tourism, *Eleven Media*, 23 April 2014.
[353] Workshop held to develop tourism in Mon state, *Mon News*, 29 May 2013.
[354] Landmines blocking tourists from Kayah State, *Eleven Media*, 15 August 2014.
[355] New project to help develop Kayah tourism, *Myanmar Times*, 1 September 2014.
[356] Globetrotter Group investiert in sicheren und verantwortlichen Tourismus, Swiss Peace Foundation, 30 October 2010.

Box 16: Relevant International Standards and Guidance on Conflict Sensitivity

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- UN World Tourism Organization's (UNWTO) *Global Code of Ethics for Tourism (GCET)* Article 1 (Tourism's contribution to mutual understanding and respect between peoples and societies, Article 2 (Tourism as a vehicle for individual and collective fulfilment) and Article 4 (Tourism, a user of the cultural heritage of mankind and a contributor to its enhancement)

- *Guidance on Responsible Business in Conflict-Affected and High -Risk Areas: A Resource for Companies and Investors*, UN Global Compact *Practice note 3: Foreign Direct Investment in Conflict-affected Contexts*, International Alert, 2010

- *Conflict Sensitive Business Practice: Engineering Contractors and their Clients*, International Alert and Engineers Against Poverty, September 2006