



Kyoto Protocol Could be Key to Myanmar's Economic Development

29 September 2008

Rainforest conservation could become a crucial part in Myanmar's economic recovery after Cyclone Nargis devastated the country a few months ago. Myanmar stands to earn up to \$1.6 billion if it agrees to a proposed carbon trading initiative.

Myanmar is the poorest country in Asia with its nominal GDP per capita ranking 174th out of 180 countries in the world. Stagnation, mismanagement, and isolation have all plagued the nation in the past quarter century. Myanmar has an average growth rate of only 2.9%.

To make matters worse, Cyclone Nargis ripped through Myanmar on May 2, 2008, killing at least 146,000 people. The cyclone caused the worst natural disaster recorded in the country's history. The Myanmar government's official death toll is severely underreported because it has stopped counting fatalities. Lubutta Township and Bogale reported to have death tolls of 80,000 and 10,000 respectively. Over 56,000 people are still missing, many of which have probably been swept out to sea. The final death toll may exceed half a million people. Furthermore, about one million survivors have been left homeless. The country has suffered an estimated \$10 billion in damage.

Because the country's officials and military rulers initially resisted international aid, relief efforts were slow at the time when the country needed it the most. A Myanmar government representation in New York did not officially ask the United Nations for help until four days after the cyclone struck. Even then, the government only accepted aid that it could distribute itself. Myanmar officials refused French and U.S. offers of personnel. Another factor detracting from relief efforts was the Sichuan Earthquake which hit China just ten days after Cyclone Nargis.

Myanmar faces long-term food shortages due to the massive damage done by the cyclone. The five states that suffered the most destruction produce 65% of Myanmar's rice, 80% of its agriculture, 50% of its poultry, and 40% of its pork. Rice mills, water pumps, and fuel resources were also destroyed. Experts estimate severe food shortages for the next year and a half.

Slowly but surely, the recovery process in Myanmar has begun. Though initially rejected, international aid has found its way to many of the homeless survivors. The government is now considering partaking in major projects that will invigorate the country's economy. One such project is a forest conservation plan that would not only preserve Myanmar's rainforests but also earn the country a significant amount of funds. Under a carbon trading initiative proposed at the United Nations Climate Change Conference in Nairobi, Kenya, industrialized nations would be able to pay rainforest nations to protect their forest and offset greenhouse gas emissions limits set by the Kyoto Protocol.

Under the Kyoto Protocol, 36 developed countries are required to reduce greenhouse gas emissions to certain level. These countries must reduce their emissions to below the emissions cap or participate in emissions trading to compensate for going over the cap. If a country exceeds the cap, they must buy credits from countries that are under their cap. Under the carbon trading initiative, industrialized nations over the cap would be able to pay nations like Myanmar to protect their rainforest. Preserving rainforests will allow the photosynthetic plants and trees to absorb carbon dioxide, a key greenhouse gas. About 20% of annual emissions of greenhouse gases are due to deforestation.

Myanmar currently harvests more than 450,000 hectares of forest each year, emitting somewhere between 32 and 93 megatons of carbon dioxide. Under the carbon trading initiative, industrialized nations would pay rainforest countries between \$8 to \$32 for every ton of carbon dioxide prevented from entering the atmosphere. Myanmar is currently home of over 34 million hectares of forest area. If government halts deforestation on half of the forests, the country can earn up to \$800 million. Saving all of its rainforests could earn it up to \$1.6 billion. According to the Forest Resource Environmental Development and conservation Association, Myanmar could potentially increase its per capita income by up to 25%.

The only potential setback to agreeing to the carbon trading initiative would be the financial damage to businesses relating to forest products. Businesses that manufacture paper, lumber, and furniture could potentially face shortages of wood supplies. The government may then have to enact programs to plant additional trees for the purpose of harvesting.

Myanmar's agreement to the carbon trading initiative is a good deal all around. Myanmar, a developing nation, has recently faced devastating economic losses due to Cyclone Nargis. A boost in funds is exactly what the country needs. Industrialized nations must find a way to stay under the emissions cap set by the Kyoto Protocol, and Myanmar can offer them a way of doing so.

Source: www.AsiaEcon.org