Discovery of Block A-3 Sends Daewoo Stock Soaring, Promts futher Protest

(Jan 13, 2006)

Daewoo International Corporation’s stock soared nearly 15 percent after it announced on January 13 the discovery of a large gas reserve in Block A-3, located in western Burma’s Arakan state.

The gas field covers 6,780 square kilometers, with a 65% gas saturation rate, the company said.

The high stock prices mark the second major success for the company. The company’s stock jumped significantly for the first time in March of last year after the announcement of its discovery of the Shwe Phyu field in Block A-1.

“Since there are other prospective gas reserves in the A-3 mining field, we plan to expand our explorations further in the future,” Daewoo said in an official statement.

The operator of Blocks A-1 and A-3, Daewoo holds a 60% stake in the fields. Daewoo’s consortium partners are the Korean Gas Corporation (Kogas) with a 10% share and two Indian companies, the Oil and Natural Gas Corporation (ONGC) and the Gas Authority of India (GAIL), with 30% and 10% shares respectively.

Daewoo is expected to earn at least USD 100 million in net profit annually from Block A-1 for 20 years beginning in 2010. The corporation’s exploration of Blocks A-1 and A-3 will also provide billions of dollars to the Burmese military regime.

Concerned with the numerous human rights abuses occurring along the proposed gas pipeline route, the Shwe Gas Movement has launched a campaign called “Daewoo out of Burma.”

Shwe gas activists also protest the foreign investment that funds the Burmese junta’s militarization of the country.

Daewoo is a former trading unit of the now-defunct Daewoo Group, which collapsed under massive debt in the wake of the 1997-98 Asian economic crisis.

(SGB)
Deal with China Boon to Brutal Burmese Junta

The Shwe Gas Project, operated by Daewoo International, will not only affect people living in Arakan state, but will also negatively impact the entire country.

According to the agreement between the Burmese military regime and a Chinese company, China will convey the gas from Arakan to Kunming through an inland pipeline that will run through the center of Burma. If the Arakan-Kunming pipeline is built, it will be another nightmare for the oppressed people of the whole of Burma under the Burmese regime, one of the world’s worst abusers of human rights.

During the construction of the Yadana Gas pipeline between Burma and Thailand, many human rights abuses occurred as the Burmese militarized the surrounding area to protect the pipeline. China’s influence will also grow in the central part of the country as result of the gas pipeline project and the sponsorship of a new economic development zone in Arakan state.

The Burmese military regime will also reap billions of dollars from the sale of Arakan gas. However, the regime does not reinvest the income from natural resources for the country’s infrastructure or social development. Instead, it squanders the money on military supplies.

Moreover, the regime has been earning billions of dollars from the country’s oil and gas sale to neighboring countries and particularly from foreign investment in the energy sector. While the regime has been selling the country’s oil and gas to its neighboring countries, most of the areas in Burma remain in darkness.

The recent deal with China for Arakan’s gas will not only provide foreign currency to the regime but will also provide a lot of political protection to Burma, mainly from China and other energy hungry neighbors.

At the moment, the Burmese regime is under pressure at regional and international levels. However, in exchange for getting much-needed gas from Burma through the Arakan-Kunming inland route and thus spurring economic development, China will provide whatever the brutal regime asks. China’s support of the regime and of its militarization could in fact neutralize international and regional pressure on the junta.

Therefore, all Burmese democratic and ethnic organizations must focus on and break down the regime’s major source of income, which is the sale of oil and gas and together with foreign investment in the oil and gas sector.

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Senior General Than Shwe Awarded ‘Third Worst Dictator in the World’

Narinja News
1/24/2006

Burmese military leader, Senior General Than Shwe, has been designated by US based Parade Magazine as the third worst dictator in the world in 2006.

He was placed as third in the list of worst dictators after consultation with Human Rights Watch, Freedom House, Amnesty International and Reporters without Borders, human rights groups that have not hesitated to expose the policies of the dictatorships on both the left and the right, said the report in its preface.

The report described Senior General Than Shwe, who freed only 40 political prisoners among more than 1000, even though 9000 prisoners in total were released from the jails last year.

Furthermore, Than Shwe extended the house arrest of Nobel Peace Prize winner Aung San Suu Kyi. The arrest of opposition members has resumed and freedom of expression in not allowed; unlicensed possession of a fax machine or modem is punishable by 15 years in prison.

Concerning ethnic minorities under dictator Than Shwe’s rule, the report also stated that the army has destroyed 3000 villages and driven 1.2 million Burmese nationals from their homes. In a landmark case, Unocal Corp. of California agreed to pay damages to Burmese villagers who claimed the military used torture, rape and murder to force them to work on the company’s pipeline.

David Wallechinsky, who prepared the list, told the BBC Burmese section on the morning program of 24 January that Gen. Than Shwe was following the legacy of suppression established by the former dictator Gen. Ne Win.

He cited the widespread use of forced labor in the impoverished country and the use of public resources for the benefit of the army as contributing factors that led to the Burmese leader being place in third on the list.

Burma Military Junta leader Senior General Than Shwe is placed as the third worst leader after the dictator from Sudan President Omar al-Bashir, 61, and North Korean President Kim Jong II, 62.

http://www.narinja.com

Published by Arakan Gas Research Team, Thailand
The recent signing of a landmark deal between the SPDC and a Chinese state-owned company to supply natural gas from Arakan state to China reveals new depths of desperation for the Burmese military regime.

The junta – traditionally suspicious of the intentions of its giant northern neighbour – had been left with little choice but give in to the demands of China when it found its coffers empty after spending countless millions on the construction of its new capital city near Pyinmana.

The sale of Arakan natural gas to India was supposed boost the junta’s much needed income stream but haggling and disagreements over a proposed pipeline that would cut across Bangladesh threatens to delay the project: hence the new hastily-signed MOU with China.

If implemented, the new agreement would pave the way for the construction of a massive pipeline stretching from Arakan state across central Burma through mountainous Shan state and into China’s Yunnan province, ending in its capital Kunming. For the SPDC, this pipeline means cash-flow that could sustain its stranglehold on power for many more years to come. It is estimated that the regime will earn in the region of over US$1 billion from the gas sale to China, and approximately US$500 million from the building of an economic development zone in Sittwe, capital of Arakan state.

But like all other similar projects in Burma, local communities directly affected by the project can only expect more hardship in the form of land confiscation, forced labour and displacement, greater poverty and environmental degradation. The fact that the pipeline would pass through politically unstable and topographically challenging areas only adds to the risk of an environmental disaster.

All these factors are unlikely to concern the Burmese junta that views the pipeline as nothing more than a money-making venture. But they should concern China, a country that’s desperately hoping to gain acceptance as a responsible regional superpower.

“How will it look to the world if an increasingly rich China is seen to benefit directly from the suffering and human rights abuses perpetrated against the people of its neighbour?” asked a Bangkok-based human rights activist.

“The Chinese are now more concerned than ever about their public image and it is an opportune time for Burma democratic groups to remind them that being associated...
with the SPDC in this way makes them look really awful,” he said.

There is little doubt as to why China is so interested. The Arakan-Kunming pipeline will be crucial for the next phase of China’s economic development that’s focused on inland provinces. The route will not only supply Arakan gas but a parallel oil pipeline, if laid, would provide the much needed short cut to supply energy hungry China with oil imports from the Middle East. Tankers from the Arabian gulf to China could avoid the long route through the Straits of Malacca and South China Sea – saving several thousand kilometers and a couple of days’ worth of sailing time – by docking and discharging their tanks at a port in Arakan state.

Analysts said the decision by the junta to open this militarily and environmentally sensitive route through Burma to China presented both an opportunity and a threat to the democracy movement.

If the pipeline goes ahead, the SPDC would be provided with a funding lifeline that could prolong its hold on power for a very long time, they said. However, the fact that the deal was signed with China also suggested that the junta was left with few options left to earn foreign currency.

“Arakan gas sale to China is proving that as the Burma regime is now in a desperate situation, it prefers to be closer to China rather than India because China’s pocket is deeper than India’s, and also because China’s influence in the region is bigger,” said Kyaw Htin, a Burma political analyst.

Another analyst said that as money was currently the junta’s great weakness, Burma’s democracy forces needed to seize the opportunity to talk to China. “If we can convince China that their economic interests in Burma are better served in the longer term by a civilian government that would build a more prosperous society in the country, the SPDC are just as good as collapsed,” he said.

For now, China is probably the only rich friend the junta can count on. In terms of international relations, the military government has not been in such a precarious state before. Not only is the regime facing pressure from the US and EU, its traditional allies in Asean did an unprecedented about-face last year when they publicly vented their frustrations on the regime in Burma. In a speech to the Asean Inter-parliamentary Myanmar Caucus in Kuala Lumpur, a Malaysian government minister even likened Than Shwe’s regime to that of Hitler’s and Stalin’s!

Some Burma watchers see the China deal as a pay-off by the SPDC for future support.

“Arakan gas is a kind of bribe for China to help counter international and regional pressures,” said Toe Zaw Latt.

He added that with Burma lobbyists pushing hard at the UN Security Council, as well as the inevitable pressure from Asean, whose envoy has still not been allowed to visit Burma, the SPDC needs all the support it can get from China.

China has been helping the Burmese military since Ne Win’s day by providing military supplies, money and consumer goods, and it is tempting for the Burmese junta to think that China will continue to be their godfather.

However, the world has changed and so has China, which is now a major and highly visible player on the world stage, and whose geo-political interests are largely driven by development and trade with the developed West and the growing economies of Asia.

China cannot afford to be seen to be supporting such an obviously brutal regime in Burma – especially when even its neighbours in Southeast Asia do not tolerate it. It is surely not in China’s long term interests to do so. There’s never been a timelier reminder to China that if it truly believes in being Burma’s friend, it is the people – and not the military junta – of Burma they should be backing.

China Replaces India in Deal for Shwe Gas

(jan 12, 2006)

Burma signed an agreement with the Chinese National Corporation (CNPC) and its Hong Kong-based PetroChina on December 7 for the sale of natural gas from Blocks A-1 - including Shwe gas - and A-3, located in the Bay of Bengal off the coast of Arakan state.

CNPC has a 60 % share of the deal while PetroChina has 40 % share. India’s Financial Express has reported that the details of this move had been passed on to Indian authorities by an Oil and Natural Gas Corp. Videsh Limited consultant in Rangoon.

According to the contract, Burma will sell 6.5 trillion cubic feet of gas to CNPC from the two blocks at USD 4.85 per thousand cubic feet of gas. The gas will be conveyed to Kunming, in China’s Yunan province, from Arakan state by inland pipeline for 30 years. Commercial production is expected to commence from 2009, according to Independent Bangladesh News.

As per the contract, CNPC will provide USD 85 million to Burma for the development of the gas wells. According to Bangladesh reports, Burma will also be provided with USD 500 million by China for building a specialized economic zone in Sittwe, the capital of Arakan state.

Last year India had proposed to build a USD 1 billion, 290 km truck line from the Arakan to West Bengal via Bangladesh to import gas from the A-1 and A-3 blocks. India’s proposed price was USD 3.5 for every thousand cubic feet of gas. India is still in negotiation with Bangladesh to allow the corridor for the tri-nation pipeline.

Burma is prepared to supply gas to India from other sources if an agreement is reached over the tri-nation pipeline and if India expresses willingness to buy gas at a higher price. South Korea, Thailand and Japan are also eager to buy Arakan gas from Shwe fields.

Block A1 is being developed by a consortium headed by South Korea’s Daewoo International Corp., which holds a 60 % share in the project. India’s state-run Oil & Natural Gas Corp. has a 20 % share in the block and the Gas Authority of India and Korea Gas Corp. each hold 10 %.
As Myanmar’s military junta has become more and more secretive over the past few years, economic ties with Thailand have gone from strength to strength.

Total trade between the two neighbors reached a record 90.4 billion baht through the first 11 months of this year, an increase of more than 17 percent on bilateral trade in the whole of 2004.

Since most of that is natural gas piped from Myanmar’s Gulf of Martaban into the country through Kanchanaburi province, Thailand has recorded a US$1.57 billion trade deficit with the rogue state so far this year – a sharp contrast to the $321.7 million trade surplus Bangkok enjoyed back in 2000.

Gas imports from Myanmar have increased steadily since state-run PTT’s pipeline became operational about five years ago and have jumped more than 22 percent through the first nine months of this year compared to the same period in 2004.

“About one-third of our gas comes from Myanmar, making it quite important to our gas portfolio,” Surong Balakul, PTT’s senior vice president for international supply, said in an interview yesterday. “After the middle of next year when the third pipeline becomes operational, the proportion of gas coming from Myanmar will be slightly lower because domestic production will increase. But Myanmar is still essential to our future gas supply.”

About 70 percent of the country’s electricity is generated using natural gas, so any disruption in supply could leave some provinces in the dark. Thailand’s dependency on its wayward neighbor for natural gas has heightened ASEAN leaders’ concerns over the military junta’s abrupt relocation of its capital – and made Thaksin Shinawatra particularly uncomfortable.

“Thailand’s foreign policy toward Burma before Thaksin came to power was focused more on human rights concerns,” said Somchai Pakapatwiwat, a political scientist at Thammasat University. “But now with Thaksin, foreign policy is more geared toward business.”

Besides natural gas, Thailand also imports about $49 million worth of fish, $90 million worth of timber and $76.4 million worth of copper from Myanmar, according to Customs Department statistics. Thailand exported nearly 25.5 billion baht in goods to Myanmar through the first 11 months of this year, mostly consisting of vehicles, steel, electronics and palm oil.

In addition to trade, Thai investors have not been reluctant to put their money into the country formerly known as Burma. Thailand has been Myanmar’s third largest investor in the past two decades, and just last week, state-run electricity firm EGAT signed a deal with Myanmar to build a hydropower plant on the Salween River that will become operational in five to six years.

Last year, Thaksin came under fire from opposition lawmakers when the government-run Export-Import Bank of Thailand extended Myanmar a four-billion-baht credit line.

About 600 million baht of the loan was used to finance the installation of a broadband satellite system by Shin Satellite, a subsidiary of Shin Corporation, which is controlled by Thaksin’s family.

So long as Myanmar’s military junta gives the appearance of following international norms, Thai businesses can expand their presence in the country while flying under the radar screen of the western world, Somchai said. But as Myanmar drifts further into isolation, international pressure mounts on Thaksin to publicly urge the army generals to relax their iron grip on dissent.

“Thaksin’s government wants to keep the status quo,” said Somchai. “They want to keep the good business relationships, but publicly they don’t want to show their skin so clearly.”

Thaksin announced last weekend that he had invited Myanmar’s generals to take part in the second round of the so-called Bangkok Process, where representatives from Myanmar meet with foreign diplomats here to explain how far they’ve traveled on the proverbial road to democracy. After the last Bangkok Process in 2003, many diplomats said the junta appeared to shift into reverse.

ASEAN countries didn’t appear to be particularly concerned until Myanmar, without warning, moved its government seat from Rangoon to Pyinmana, and then denied a special UN envoy access to the country.

But though diplomatic feathers have been ruffled in the past few weeks, Thailand’s main business interests in Myanmar appear to be running smoothly.

“We have no problems on an operational level,” PTT’s Surong said. “Though we may have some difficulty traveling to the new capital.” //
YANGON, Jan. 10 (Xinhuanet) — Myanmar absorbed 113.21 million U.S. dollars of contracted foreign investment in 2005, bringing the total to 7.76 billion dollars as of the end of the year since the country opened to such investment in late 1988, according to the latest official statistics.

Of the 26 countries and regions investing in Myanmar, Singapore led with 1.572 billion dollars, followed by Britain (1.431 billion), Thailand (1.341 billion) and Malaysia (660.75 million), and the sectors, in which most foreign investment was injected, lined up as oil and natural gas, manufacturing, livestock and fishery, real estate, and hotels and tourism, according to the local Weekly Eleven News which quoted official sources.

From the regional point of view, the foreign investment was dominated by Southeast Asian countries with a total of 3.964 billion, in which Singapore stood first, followed by Thailand and Malaysia.

The second largest investor in terms of country group went to the West bloc countries with a total of 2.668 billion dollars, in which Britain stood atop, followed by France (470.37 million dollars), the United States (243.56 million) and the Netherlands (238 million).

The third largest investor group belongs to Asian countries and regions with 1.127 billion dollars in total, in which China’s Hong Kong took 504.22 million dollars, followed by Chinese mainland (203.52 million), Japan (215.28 million) and South Korea (191.31 million).

Researchers noticed that there are at least three characteristics with Myanmar’s foreign investment, the first being the fact that most of these foreign investments poured in the 1990s, the decade not long after the country opened to the outside world.

The second is that Myanmar is rich in land resources but foreign investment in agriculture, on which 60 percent of Myanmar’s population depend, amounted to merely 34.35 million dollars, and the third is that Myanmar is endowed with natural gas resources and the oil and gas sector has always been dominating the country’s foreign investment.

With the possession of 19 onshore oil fields, Myanmar has a total of 87 trillion cubic feet (TCF) or 2.46 trillion cubic meters (TCM) of gas reserve and 3.2 billion barrels of recoverable crude oil reserve.

In the fiscal year of 2004-05 which ended in March, Myanmar produced 7.48 million barrels of crude oil and 10.69 billion cubic meters (BCM) of gas. Gas export from the two offshore gas fields of Yadana and Yetagun during the year went to 9.5 BCM, earning in total 1 billion US dollars mainly through the export of gas to Thailand under production sharing basis with foreign companies from Thailand, France, the United States, Britain, Malaysia and Japan.

South Korea’s Daewoo, Thailand’s PTTEP, Malaysia’s Petronas, France’s TOTAL, the U.S. UNOCAL, Britain’s Premier and Japan’s Nippon stood as major investors in Myanmar’s oil and gas sector. Others are from Australia, Canada, China, Indonesia and India.

Observers here viewed that Myanmar still needs more foreign investment for the development of its economy and the modernization of the country. //
News Diary

1. Malaysian Foreign Minister Syed Hamid Albar told U.S. Assistant Secretary of State Christopher Hill on Monday that the Association of Southeast Asian Nations will work in ways which are “acceptable” to Burma on the issues of human rights and democratic reforms. (Jan. 16, Kyodo)

2. China and the United States were criticized by Razali Ismail, former U.N. special envoy to Burma, for not pressuring Burma’s military government enough for democratic reforms. Razali feels the two countries should treat the junta as they do North Korea. (Jan. 20, AP)

3. A trade zone is to open by February in Muse, Burma, in an effort to increase bilateral trade with China to USD 1.5 billion. In the first 11 months of 2005, USD 255 million worth of goods were imported from Burma to China. (Jan. 16, Xinhua)

4. The Asian Human Rights Commission has released a report documenting the human rights situation in military controlled Burma. The report states that the country is deteriorating due to its refusal to protect its citizens through law, and actions of forced labor, torture, arrests, murder and rape carried out by the ruling government. (Jan 17, Parker)

5. Thailand’s PTT Exploration & Production PCL (PTTEP.TH) said in a statement Thursday that it has found a new potential source of natural gas in Burma, although it has yet to assess the size of its discovery. PTTEP is the sole owner of five gas blocks - M3, M4, M7, M9 and M11 - in Burma. (Jan. 12, Dow Jones)

6. About 4,000 motor vehicles in Rangoon, which were traditionally run on petrol and diesel, have been converted to run on compressed natural gas (CNG) under a plan to modify all vehicles in the country in terms of fuel operation. (Jan. 2, Angola Press)

7. The Indian Petroleum and Natural Gas Ministry is considering the option of importing natural gas from Burma through northeast India and bypassing Bangladesh. GAIL (India) Ltd. is seeking a detailed feasibility report as they contemplate importing the gas through a pipeline from western Burma. (Jan. 4, Financial Express)

8. Norway’s Ministry of Finance yesterday announced its decision not to withdraw its investment in the French oil company Total, despite coming to the conclusion it was “likely” Total was aware of human rights violations during the construction of the Yadana gas pipeline in Burma. (Jan. 6, Irrawaddy)

9. Korea’s Daewoo International Corp., one of the nation’s leading trading companies, announced yesterday it secured a large-sized gas reserve in Burma. The company’s stock price has more than tripled over this year and it plans to increase its investments in military-controlled Burma. (Dec. 28, The Korea Herald)

10. After the departure of The Global Fund to Fight AIDS and the French contingent of Medecin Sans Frontieres from Burma, UN officials warn that if new major donors don’t come forward to help Burma thousands of people could die of disease and malnutrition. (Dec. 28, Chicago Tribune)

11. India is completing plans to supply a large inventory of arms and aircrafts to the Burmese military junta. India has been strengthening its ties with Burma’s military in order to offset the strong relationship between the Burmese military and China. (Dec. 16, Newindpress)

12. Amnesty International has released the report, “Myanmar: Travesties of Justice – Continued Misuse of the legal system”, detailing human rights abuses carried out by Burma’s ruling military junta, the State Peace and Development Council, and urging ASEAN to use their influence to inflict change in the country. (Dec. 14, DVB)
Shwe Gas Consortium Continues Appraisals of Extensive Shwe Gas Block

(Dec 29, 2005)

The Daewoo consortium announced on December 28 that the offshore Shwe gas field in Block A-1, located in western Burma’s Arakan state, has been assessed at between 2.88 and 3.56 trillion cubic feet of gas by Ryder Scott Company, a consulting firm based in Houston.

Daewoo International Corporation is the operator of the block and holds a 60% stake in the field. The other consortium partners in the block are India’s Oil and Natural Gas Corporation (ONGC) with a 20% stake, the Gas Authority of India (GAIL) with a 10% stake, and the Korea Gas Corporation (Kogas), also with a 10% stake.

The consortium began its 2005-06 drilling campaign in the Shwe Nilar-1 well, near the Shwe field, in mid-December of last year.

The Shwe Phyu field, another discovery in Block A-1, will be assessed by three appraisal wells during the current drilling campaign. According to the consortium, it will also start an exploration drilling program in Block A-3 by drilling the first exploratory well, Mya-1, in the beginning of 2006.

“During the 2005-06 drilling campaign, the consortium will drill six to seven wells in Blocks A-1 and A-3, comprising three appraisal wells at the Shwe Phyu field, two or three more exploratory wells to test the Shwe Nilar and Ngwe North prospects in Block A-1, and more exploratory wells to test the Mya Prospect in Block A-3,” an ONGC statement said. “Between November 2004 and June 2005, this consortium planned to drill eight wells to appraise the Shwe prospect and explore the other prospects. So far the consortium has drilled six wells and further drilling is in progress.”

The exploration phase was planned to last for 5 years and began in October 2000. The consortium also has plans to continue exploration and appraisal drilling in this block. According to Mr. Subir Raaha, Chairman of the ONGC Group of Companies, “work on feasibility studies for development of the fields has already started and efforts are being made to bring the gas to India.”

On December 7 Burma signed a Memorandum of Understanding with PetroChina for the sale of gas in the Shwe fields, canceling its former plans to sell it to India.

(SGB)