



The

Shwe Gas

Bulletin

Volume 2, Issue 4

Oct-Nov 2006

Is Daewoo Arming the SPDC?

S.Korea Activists Demand Probe into Daewoo's Alleged Arms Exports to Burma

(Sep, 2006) SGB

Over 20 Korean civil organizations and trade unions, including Amnesty International South Korea Section and National League for Democracy (NLD) Korea Branch, have issued a joint statement urging the Korean government to conduct a thorough and complete



Activists in Korea portested infront of Daewoo office in Seoul on Sep 11 against Daewoo's Arms Export to Burma and demanded Daewoo to expose the truth.



Daewoo International office in seoul, South Korea.

investigation into allegations that Daewoo International is exporting strategic weapons to Burma.

The groups released a statement on September 18 demanding Daewoo to expose the truth.

According to Korean media, the government searched Daewoo on August 31 on the suspicion that they were exporting to Burma 15 million USD worth of materials that are used to create bomb fuses.

The import and export of such material is under strict control because it is considered war supplies.

Daewoo is being accused of violating the "Act on Foreign Trade and Act on Promotion of Technology in Defense Industry" by exporting

without permission from the Ministry of National Defense the latest munitions technology since 2000 on behalf of a defense industry company located in Gimpo, Gyeonggi Province of South Korea, according to the joint statement.

The media quoted Daewoo as saying that the company is a normal enterprise, not a defense industry enterprise. "We followed necessary procedures for exports at that time. There was no problem in the process."

The joint statement stressed that it had been known that Daewoo had engaged in dubious exports to Burma since 2000. "We strongly condemn the South Korean government for its

failure to monitor the issue for more than five years," said the statement.

Continue to page-7

INSIDE

- Editorial- page-2
- Arakan Oil and Gas and Seaport for China- page-3
- Burma,China,Russia:Arms &Energy page-4-5
- EIA part VI- page-6
- Continued from Page-1&3- page-7
- Burma Hikes Income Taxes/ Burma Repon Six Blocks- page-8

Editorial

It's not too late for Thailand to change its Burma Policy

The September 19 government change in Thailand brings new opportunities to the relationship between Thailand and Burma. Thailand's new government, which has emphasized transparency, accountability and good governance, would do well to seriously review the opaque and often corrupt relationship between the previous government of Thaksin Shinawatra and the SPDC regime and its cronies.

We believe it is in Thailand's interests to support the democratic transition in Burma for that is the only way to ensure a sustainable long term partnership that will benefit people from both countries.

The current Thai investments in Burma that primarily enrich the SPDC leadership unfortunately not only fail to benefit the people of Burma but actually create greater hardships. The money earned by the SPDC go towards oppression against Burmese people and not economic development and poverty eradication. In the longer term, they cause more migrants from Burma into Thailand, and further result in greater resentment against Thailand and its investors.

Rather than a win-win solution, the Thaksin-SPDC has resulted in a lose-lose solution for both Thai and Burmese people. Over the past five years, security along the 2,400-kilometre Thai-Burmese border has been quite lax, allowing drugs and human trafficking to prosper. Things obviously have to change.

Among the investors, Burma's neighbors, Thailand has become a major investing country doubling Burma's FDI by pouring more than US\$ 6 billion into Burma's Tasang hydropower project on the Thanlwin or Salween River, about 480 kilometers northeast of Yangon, in southern Shan State, according to Myanmar Investment Commission's Oct 2006 report. Thailand's investments jumped from US\$ 158.3 million to US\$ 6.07 billion during the 2004-2006 financial years which have sharply raised Burma's FDI from 7.78 billion dollars to 13.84 billion dollars in the financial year 2005-2006.

Burma's first natural gas importing country, Thailand, has also been operating in Burma's five oil and gas projects with 4.4 million dollars and has recently increased its volume of gas purchases from 525 million cubic feet per day to 565 million cubic feet from the Yadana and Yatagun gas fields. The country has also already submitted proposals in August 2006 for concessions on another four petroleum blocks in Burma.

All these projects have not benefited the local population but brought increased military presence and human rights violations from the junta.

Thailand along with China and India operating in Burma's dam and energy projects is now being blamed for the adverse impact on local people's livelihood and the environment.

In addition, those billion of dollars from the FDI don't provide Burma with development due to the weakness of Burma's economic policies. Instead they are likely to increase inflation and poverty with millions of people living under 1US dollars earning per day.

Than Shwe's military expansions, on the other side, have been increasing parallel to the FDI which has led to brutal and bloody violations in ethnic areas. The more than 120,000 Karen residing in poor refugee camps along the Thai-Burma border is a testament to the failure of investors to see the big picture: FDI in the SPDC-run Burma will not yield benefits to its impoverished citizens; it will hurt them.

It is in Thailand's interest to consider the human and environmental impacts on Burmese people from its investment in the country. And millions of us will be eternally thankful.

Arakan Oil and Gas and Sea Port for China's Energy Resource



The Chinese consortium's oil exploration is affecting the livelihood of residents, environment and causing an increase in human rights violations in Kyauk Phyu Twonship, Arakan.

SGM

By Herman (Oct, 2006) (SGB)

China plans to construct an Arakan-Kunming oil and gas pipeline and a Kyauk Phyu sea port in Arakan State of Western Burma in order to meet China's energy demands and to gain access to the Indian Ocean. Meanwhile, China's investment and capital aid in Burma provides millions of dollars to one of the world's worst violators of human rights, the Burma military junta.

Rather than benefiting from the oil and gas projects, local people in the Chinese consortium oil and gas exploration areas as well as the people located along the proposed Arakan-Kunman pipeline route have been suffering human rights abuses because of the increased military presence in Arakan State. There are currently over 60 battalions operating in Arakan State, compared to 50 battalions in 2003.

The Chinese consortium has operated with no environmental and public health controls in onshore block M, a 3,007 square mile area in Kyauk Phyu where thousands of local families have been engaged in oil drilling by hand since before the British took control of Arakan State in 1824.

The Chinese consortium's oil and gas exploration is affecting the livelihood of residents and causing an increase in human rights violations such as forced labor, forced relocation, rape of local women, and environmental degradation such as oil spilling into the rice fields and plantation, pollution and heavy noise from the company oil drilling.

According to local sources, the local authority has confiscated hundreds of acres of farmland in the M-block area for the Chinese consortium's oil exploration without any compensation.

Several local traditional oil drillers' oil fields are included in the confiscated acres. Many traditional oil driller families and local people have been facing difficulties for their survival due to the loss of their property. Thousands of women and men have been forced to seek jobs in neighboring countries, especially in Thailand.

The local source said that local people are also forced to work daily on the pipeline construction for very low wages.

The consortium started construction on the pipeline in August this year. The pipeline begins at the companies oil wells located in the Kyauk Phyu provinces and goes to the city of Kyauk Phyu where a processing factory was recently established by the consortium.

The consortium which includes China National Offshore Oil Company Myanmar Ltd. and China Huanqiu Contracting and Engineering Corporation, and Golden Aaron Ltd. of Singapore were awarded exploration and extraction rights for oil in 2004 in the block M and offshore block A-4 in Arakan. A-4 is located adjacent to A-3 block. Test drilling has already begun.

As part of the contract, China will build an oil pipeline to transport the oil for 20 years from Kyauk Phyu to China's Kunming.

Continue to page-7

Burma, China, Russia: Arms and Energy

(Oct, 2006)(SGB)

Burma, ruled by a succession of military juntas for almost five decades in September has drawn international condemnation for its gross human rights violations that include imprisoning hundreds of political opponents, including Nobel peace laureate Aung San Suu Kyi, use of child soldiers, rape, forced labor and production of illegal drugs.

The US led proposal was supported by the US, UK, France, Argentina, Denmark, Greece, Japan, Ghana, Peru, and Slovakia.

But two permanent members of the UN Security Council, China and Russia along with Qatar and Congo opposed the motion saying it amounted to unwarranted interference and the situation in Burma does not pose a threat to international security.

The two largest supporters of Burma, China and Russia are major arms suppliers of the Burma regime and have energy interests in the country.

Burma's largest trading partner, China, has been the major arms supplier of Burma since 1990s while Russia has started providing weapons in 2000.

China's Arm Supplies

Throughout 1990, China sold Burma 100 medium-sized tanks, 100 light tanks, 24 dozen fighter planes, 250 armored personnel-carriers, multiple-launch rocket systems, howitzers, anti-aircraft guns, and several military equipments. (Genser, Jared. Testimony to U.S.-China Economic and Security Review Commission. Aug 3, 2006)

In 1994, Burma signed another phase of arm deals with value of \$400 million in which Burma received naval vessels and armored vehicles including helicopters, small arms, and artillery.

In 2002, China sent Burma 200 military trucks and 5 new warships. From 2002 to 2004, China trained navy officers and conducted joint naval exercises along Burma's southern coast.

In 2005, China sold 400 military trucks to Burma, bringing the total sales of 1,500 military trucks.

Sources: (Asia Time Feb. 11, 2005. Burma Issue. 2005. Irrawaddy. May 26, 2005. Genser, Jared. Testimony to U.S.-China Economic and Security Review Commission. Aug.3, 2006).

China's Energy Interests

Two Chinese companies, The China National Offshore Oil Company (CNOOC) Myanmar Ltd. and China Huanqiu Contracting and Engineering Corporation and Goldern Aaron Pvt.Ltd of Singapore signed a PSC with MOGE for gas and oil exploration rights in the onshore Block M (3,007 square mile) in Kyauk-Phru Township and offshore Block A-4, Arakan State. (Oct 2004, The New Light of Myanmar)

Chinese National Corporation (CNPC) and its Hong Kong-based PetroChina signed MoU with the Burmese military regime on December 7, 2005 to build an inland gas pipeline from Arakan A-1 and A-3 block to Yunnan Province. According to the contract, the Arakan gas will be conveyed to Kunming, Yunnan Province for 30 years.

(Independent Bangladesh News)

China Oilfield Services Limited (COSL) announced, on November 24 2005, that it has signed a drilling contract with Daewoo International Corp. to provide offshore drilling services for Daewoo's Burma gas exploration. (November 24, 2005/ The Shwe Gas Bulletin)

China Oilfield Services Limited has secured three new oilfield service contracts for pre-drilling, drilling fluid and cementing operations in M (Onshore) block with CNOOC Myanmar Limited. The total amount of the 3 contracts reached RMB40 million (approximately USD 4.95 million). Under these contracts, COSL will provide the captioned well services to 1 to 2 exploration wells in M block to CML in Myanmar. These contracts could be extended for 1 year upon expiration subject to client's request. (January 16, 2006/ The Shwe Gas Bulletin)

The Myanmar Oil and Gas Enterprise of the Ministry of Energy and CNOOC Myanmar Limited of the People's Republic of China signed a production sharing contract on exploration of oil and natural gas at Block No C-1 (Indaw-Yenan Region), and Block No C-2 (Shwebo-Monywa Region) in the inland areas and Block M-2 in Mottama Offshore region in Rangoon. (Jan, 26, 2005/ The New Light of Myanmar)



China's Sinohydro signed an agreement with Burma's military regime and the Electricity Generating Authority of Thailand to build a US\$1 billion dam at Hat Gyi in Karen State. (China Digital Time, September 13, 2006)

As of March 2006, there are eleven major on-going hydro-power projects, with a total generating capacity of 1734 MW. Contracts were signed for seven projects and all of them were with Chinese enterprises. (The Institute of Developing Economies, JETRO)

Russia Arm Supplies

In late 2002, the SPDC purchased eight MiG-29B-12 air superiority combat aircraft and two dual-seat MiG-29UB trainers from Russia, at a reported cost of about US \$130 million. (DVB)

Some MIG-29 fighter planes bought from Russia have arrived at Shante Air Base, Meikhtila in central Burma. (DVB, January 2003)

Two MIG-29 fighter jets were purchased from Russia arrived at Mergui Air Force Base in Tenasserim Division. (DVB, March 2003)

The Ministry of Defense and the Ministry of Science and Technology have been sending more than 1,500 technicians for training in Russia since 2001. (DVB)

Burma signed an agreement with Russia in 2002 for assistance in building a research nuclear reactor despite reported safety concerns. (BBC World Service)

212 Burmese soldiers secretly went to Russia on 11 September 2003 to study military science and returned to Mandalay international airport on 6 July 2004 after 10 months of study. (DVB)

Russia's Energy Interests

Moscow, Apr 04: Russia and Myanmar in April 2004 agreed to step up cooperation, including in the oil sector, during the highest-ranking visit. (From Bureau Report)

Russia and Myanmar signed agreements on cooperation in the oil sector, the fight against drug trafficking and the protection of secret information. (From MOSCOW April 3, 2006)

JSC Zarubezhneft-Itera Oil and Gas Company of Russia and Sun Group of India signed production sharing contract with Burma's state company on Sep 15, 2006 to explore, drill and extract oil and gas found in the Mottama Offshore Block M-8. At the same day, China, Congo, Qatar and Russia didn't agree to place Burma on the UN Security Council and Tanzania abstained from the vote. (The new light of Myanmar and SGB)

The Shwe Gas Project Require an EIA Now

Part VI: The Construction of Pipelines to India and China Will Cause Further Environmental Degradation and Human Rights Abuses

By *Lars Thompson*

Any pipeline to India will traverse through very sensitive ecoregions in Arakan and Chin states in Burma, including the Naga-Manupru-Chin Hills which have many ecologically sensitive sub-regions. The Naga-Manupru-Chin Hills are included as a Global 200 Ecoregion because of their extremely high rate of biological diversity. This region is particularly famous for the number of bird species. In addition, this region provides the habitat for dozens of other highly endangered species including the hoolock, gibbons, gaurs, bear macaques, Fea's muntjak, tigers, elephants and rhinoceroses.

The mangrove forests along the west coast of Arakan State are already threatened and will be further threatened by the Shwe Gas Project. Other endangered species that will be further endangered are the Arakan forest turtles and river dolphins. Most people in western Burma have no electricity or cooking gas, it being unlikely that any of the Shwe gas reserves will be made available to the people of Arakan or Chin states where the need is arguably the greatest.

Already human rights abuses have begun along the proposed Shwe Gas Project pipeline route. The Arakan Youth Network Group (AYNG) reported that an estimated 500 residents along the proposed Shwe Gas Project pipeline route to India from three townships in Arakan State were forcibly relocated to the India-Burma and Burma-Bangladesh borders by the Tatmadaw. The residents reportedly also had their land confiscated by the Tatmadaw, who required the residents to provide uncompensated forced labor on road construction.

Villagers on the India-Burma border further reported that Tatmadaw personnel had confiscated private land, paddy fields and plantations in three other villages on the Sittwe-Kyauk Taw road along the proposed Shwe Gas Project's pipeline route to India. The paddies were allegedly to be used for Tatmadaw basic rations. There were further reports that a thousand villagers, which included older people, women and children, were forced to buy plants at their own expense and without compensation plant them along the Sittwe-Kyauk Taw road at the beginning of 2005.

The pipeline to China will pass through the mountainous region of Arakan State, Burma's central "dry zone" where 25% of the Burmese reside, the mountainous region of Shan State, and through Yunan Province to Kunming. Clearing



TAB

the area for the pipeline and accompanying roads will result in extensive logging and deforestation, consistent with what occurred on the Yadana-Yetagun pipeline project, posing further risks of habitat loss. Logging destroys watersheds and causes flood/drought cycles. It has been estimated that eastern Shan State has lost 50% of its forests since 1988 to deforestation through logging.

Increased militarization along the proposed pipeline routes, which occurred during the construction of the Yadana-Yetagun pipelines, will bring with it more environmental degradation and ongoing human rights violations. Between 1996 and 2001, 426,000 people were forcibly displaced in Shan State. The local military in February 2006 ordered the forced relocation of at least 10 villages in eastern Shan State.

Burma's military junta continues to allow the Tatmadaw troops to systematically and with impunity commit rape and other forms of sexual violation of women in order to terrorize and subjugate the ethnic people of Shan State and elsewhere in Burma. This will likely substantially increase with the construction of the Shwe Gas Project through Shan State. Rape and other forms of sexual violence are condoned by Burma's military junta as a "weapon of war" against the civilian population of Shan State, as well as elsewhere in Burma, rape being accompanied by beatings, mutilation and suffocation.//

This is the sixth and final article in this six part series.

The Author is a freelance environmental journalist in Minneapolis, Minnesota, USA.

-Continued from-page 3

Arakan Oil and gas and sea port for China's energy resource

China has also approved a plan to build a Kyauk Phyu sea port which is one of the largest sea ports in Burma.

Kyauk Phyu has a water depth of 20 meters and is capable of accommodating 4,000 TEU (20-foot equivalent units) container vessels. The Kyauk Phyu port would facilitate transit trade through the country to the Andaman Sea and beyond.

Importantly, Kyauk Phyu also stands at a point on the land route connecting southwestern China's Kunming city to Arakan's capital, Sittwe.

Moreover, according to a Memorandum of Understanding (MoU) signed last November with the junta, China will convey 6.5 trillion cubic feet of Arakan gas from the block A-1 (known as the Shwe fields) and A-3 for 30 years by the Sittwe-Kunming pipeline. A Sittwe-Kyauk Phyu-Mandalay-Shan State-Kunming pipeline route feasibility study was recently completed, according to official reports.

The Arakan-Kunming pipeline would provide an alternative route to China's crude imports from the Middle

East and Africa, saving over 1,800 nautical miles from the current route through the Malacca straits. Currently, some 80% of China's imported crude oil is transported via the straits.

India and Thailand have also made proposals to lay pipelines to their respective countries to transport gas from the A-1 and A-3 blocks, while South Korea and Japan have proposed to liquefy and transport the gas in liquid form.

The Burma military disclosed a few months back that the highest bidder would receive rights to the Arakan gas. According to a Hindu State Times report, India would outbid China because the length

necessary of a pipeline to India is shorter. To transport gas to the Indian border, a pipeline of just 250-km length is necessary while to do the same China would require a 1,000-km line and Thailand would require 1,100-km pipeline.

However, the September 15 decision of the UN Security Council led by the United States and Britain to add Burma to the Security Council

agenda might impact the junta's decision. China is a major defender of Burma within the Security Council.

The military regime may sell all of the Arakan gas reserves to China, India, and others. The Arakan A-1 and A-3 blocks has proven reserves of 5.7 to 10.0 trillion cubic feet (Tcf) with up to 8.6 Tcf believed to be recoverable.

Arakanese are not only losing their oil and gas but also suffering human rights abuses directly and indirectly linked to the companies' oil and gas extractions.//

Continued from Page-1

If the allegations of Daewoo's exporting activities are true, they will be responsible for aiding the survival of the military dictatorship and thus aggravating human rights abuses against the Burmese people.

Burmese watchers point out that it is not possible to do business in Burma without giving bribes to military leaders. Many companies have to form close relationships with the junta to do business in Burma.

Since the removal of General Khin Nyunt from the position of Prime Minister, many companies have found it difficult to work with the new military personnel in control of Burma. However Daewoo remains one of the biggest investors in Burma, investing particularly in the Arakan's Shwe Gas projects in Western Burma.

Burmese activists have launched campaigns against Daewoo due to Daewoo's investment in Burma, which provides support to the junta's militarization and the proliferation of human rights violations in the country.



Shwe Gas Bulletin Team

Jockai (Editor)
K.Murn Aung
Matthew (ERI) (Volunteer)
Lars Thompson (Volunteer)
Claudia (Volunteer)

Layout & Designed by
Herman

Thanks to BRC for Their Support

Contributions of pictures, articles, news, or research papers are welcome. Any suggestions or advice to improve the quality of news and information sharing from you are most valuable to us.

Myanmar Hikes Income Taxes on Fuel Firms

Yangon, September 19, 2006(AFP)

Myanmar has significantly raised taxes on domestic and foreign energy firms in a bid to fill the state's coffers, local media said.

The Weekly Eleven News, a semi-official journal, said on Monday that since June the military-run government had increased the income tax rate on domestic and foreign oil and gas companies to between 40-50 per cent of their profits.

Earlier, domestic firms had to pay out 35 per cent of their profits in income tax, with foreign energy firms being taxed at 40 per cent.

The US and Europe have slapped severe economic sanctions on Myanmar, one of the world's poorest nations, as punishment for rights abuses and the continued detention of democracy leader Aung San Suu Kyi, who has spent most of the last 17 years under house arrest.

But the impact of the sanctions has been weakened by the eagerness of neighbouring China, India and Thailand to tap Myanmar's vast natural wealth to fuel their own growing economies.

Natural gas from Myanmar currently makes up about 20 per cent of Thailand's supply, and existing untapped gas reserves offshore in Arakan State have sparked a fierce bidding war between India, China and Thailand.//

Myanmar Will Reopen Six Blocks to Foreign Firms

Reuters Oct 26, 2006

Yangon: Myanmar's military junta is planning to reopen six onshore blocks to foreign oil companies due to the high cost and complexity of exploration, the Myanmar Times reported.

"Because of the difficulties posed by dense jungle and muddy plains, it will cost a lot of money to explore in these regions and the Myanmar Oil and Gas Enterprise (MOGE) cannot afford it," an energy ministry official told the semi-official weekly.

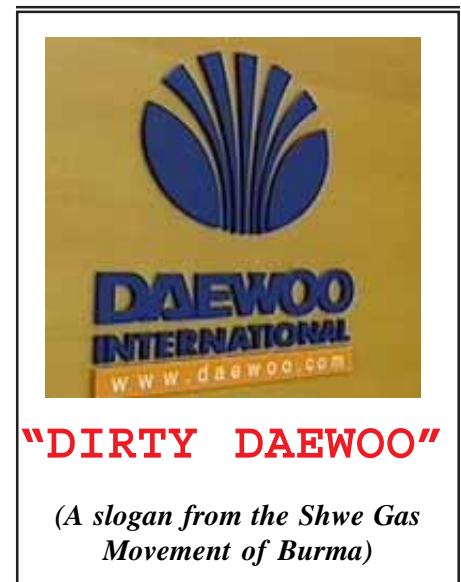
The onshore blocks to be reopened were A1, B1, B2, O, P, and Q, the paper said. A-1 is on the upper Chindwin River region in northern Kachin State, B1 and B2 are in the Hukaung Valley of Kachin State and blocks O, P and Q are in the Irrawaddy delta region.

In March 2005, the junta stopped issuing licences to foreign firms for onshore oil exploration, saying MOGE would operate in these areas. However, seven foreign companies already granted onshore licences were allowed to continue their projects. The seven companies are India's Essar Oil, Focus Energy, MPRL Exploration and Production Private, Goldpetrol, China

's CNOOC and Sinopec and Chinerry Assets.

The weekly quoted the official as saying three new foreign companies had shown an interest in the onshore blocks, which would be granted to whoever could discover oil in the shortest time.

US oil company Amoco, now part of London-headquartered BP Amoco, had explored Blocks B1 and B2 in 1993, but gave up saying the deposits were not commercially viable, the newspaper reported.//



The Arakan Oil Watch

PO.Box 184, Mae Paing Post Office, Chiang Mai 50301 Thailand

E-mail: Arakan_ow@yahoo.com/Shwenews@yahoo.com:

Phone: 66 4 046 5813

Monthly Bulletin

To:
.....
.....
.....