



The

Shwe Gas

Bulletin

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**Daewoo
International
President Lee
Tae - Yong
may face up
to five years
in prison for
illegal arms
exports to
Than Shwe's
Regime**



Editorial

Beware! Foreign Investors Can Kill

THE indictment in early December of Daewoo International president Lee Tae-Yong and thirteen other senior South Korean corporate executives for illegal weapon sales to the SPDC proves what we had suspected all along: foreign investors can kill.

The unholy alliance between large resource-based investors in Burma like Daewoo, Unocal and Total and the SPDC goes beyond merely providing funds to prop up the regime.

These companies – despite their slick PR spins about concern for local communities – are, in fact, active participants directly responsible for human suffering in Burma.

It's clear that by arming the military, Daewoo is complicit in the acts of violence which the Burma army inflicts on its citizens every day.

In the firm's latest annual report, Lee unashamedly declared Daewoo a "clean and good company" that believes in ethical management and transparency.

But what exactly are the business ethics of corruption and torture? And how does one reconcile transparency with deception?

The Seoul prosecutors' office has evidence to show that Daewoo falsified documents for the export of weapons technology to make them look like the sale of normal industrial machinery.

Breaking the South Korean law that prohibits the export of such goods is serious enough, but it pales in comparison to its impact on the long suffering people of Burma.

By equipping an army with the means to mount its largest operation in a decade against ethnic Karen, the "clean and good company" is now a willing party to what some human rights groups are calling genocide.

As the refugees who are daily streaming across the border into Thailand can testify, the offensive is vicious and unrelenting. Hundreds have already been killed or made homeless in this latest offensive. And Daewoo, as a supplier of arms, has the blood of people of Burma on its hands.

Not only in Karen state but all around the country, the money and equipment supplied by Daewoo are tools of oppression disguised as development.

The tragedy for Burma is that Daewoo is not the exception. Foreign investors, particularly those in large extractive industries like oil and gas, get access to their prized resources only by providing something else in return.

More than anything else, the SPDC needs arms and weapons to stay in power, and these foreign businesses and governments – perhaps reluctantly for some, more willingly for others – have to acquiesce by supplying them.

The example of India is a case in point. As the world's largest democracy, India says it likes to see democratic change in Burma. But it is not walking the talk, by any measure. Ironically, its Burma policy seems designed to keep freedom and democracy away from the people of Burma for as long as possible.

How else to explain India's recent offer to train SPDC troops in special warfare tactics? Or the fact that in November, its air force chief S.P. Tyagi offered a multi-million dollar aid package to the SPDC that included counter-insurgency helicopters, avionics upgrades of Burma's Russian- and Chinese-made fighter jets and naval surveillance aircraft?

Human Rights Watch said Indian-made tanks and artillery are routinely used in conflict areas to destroy villages and exact retribution against ethnic civilians, while it fears the new counter-insurgency helicopters could be deployed to attack insurgents in difficult terrain, out of view of international observers.

India must know what its exported military hardware are used for and yet, it chooses to turn a blind eye. Could it be because these supplies are part and parcel of the deal that gave Indian government-owned GAIL and ONGC Videsh drilling rights at the Shwe Gas field?

While India competes with China for natural resources in Burma, the SPDC will continue to play off these two regional powers as it pursues its agenda for complete control of the country at any cost.

China, as a long-time supplier of military hardware to the Burmese junta, is now coming to realize that this has all been an expensive mistake. The country is suffering from the flow of drugs, HIV/AIDS, vice and crime from across the border; a direct result of its propping up the regime in the mistaken belief that money and sweeteners such as military assistance will help develop Burma and prosper its people.

As long as control rather than development remains the priority of the SPDC, any business with the regime cannot possibly be ethical. And the investors know this only too well: those who choose to do business in Burma do so with their eyes wide open. They aren't ignorant of the human rights abuses, they just choose to ignore them.

Continue to page-3

INDICTED!

Burma Weapons Factory Daewoo Funded, Say Prosecutors

Daewoo boss among 14 executives facing criminal charges, Shwe Gas Movement wants answer

Dec 12, 2006 (SGB)

Fourteen top executives from seven South Korean firms, including Daewoo International president Lee Tae-Yong and former president of Daewoo Heavy Industries (now known as Doosan Infracore) Yang Jae-Sin, were indicted Dec 6 for illegally selling weapons to the SPDC.

South Korean media reports said they had broken the law prohibiting the export of such strategic equipment and technology. The firms had fabricated documents to make the sale of weapons to the Burmese military regime look like normal industrial machinery.

If found guilty, Lee and the others could face a prison sentence of up to five years, *The Irawaddy* reported Seoul prosecutors as saying. The trial begins on Dec 28.

Some of the materials were destined to be used in the construction of arms factories in Pya, near Rangoon that are reportedly now 90 percent complete. The companies involved are believed to be the financiers for these projects, having already supplied some 90 percent of the investment moneys.

Wong Aung of the Shwe Gas Movement Thailand said such behaviour was clearly irresponsible and repeated his call for Daewoo to cut its links with the regime.

“Dirty Daewoo must get out of Burma because its arms supplies and investment directly support Than Shwe’s military regime that kills its own people,” he said. “Daewoo’s arms support also threatens regional peace and stability” he added.

According to the Seoul Prosecutor’s Office, Daewoo and the others had in May 2002 signed a contract worth US\$133.8 mil to provide technology and materials to the Burmese regime and build an arms plant capable of making tens of thousands of shells per year for a variety of weapons including the 105 mm Howitzer and anti-tank weaponry.

As of October 2005, Daewoo had exported close to 480 pieces of equipment and parts to the SPDC. The company was also found to have been training Burmese military officers in Korea and sending technical experts to Burma for on-site training, it said.

Daewoo headed the project while the other companies under investigation were subcontracted to support the illegal trade with the Burma army, it added.

Last year, a consortium led by Daewoo International also signed a US\$12 mil contract to establish a central information network for the Burmese military regime. Under

Continue to page-7



Activists protested on Dec 11 against Daewoo International in S.Korea.

See Page 6 for story

Continued from Editorial

Unocal and Total paid a small price in compensating villagers who have lost their land or suffered forced labour because of their oil and gas projects in Burma. But was that the only price that was paid? What else did these companies provide to the SPDC in return for the rights to resources? What sort of guilt is driving Total to now show it’s a “responsible firm” by giving away millions of euro to anyone in the Burma movement willing to accept them? Is there another Daewoo among them?

The Singapore government had recently been critical of the SPDC and yet, it still supplies the regime with military hardware. Is it any coincidence that Singapore remains one of the largest investors in Burma?

How about Malaysia’s Petronas, Thailand’s PTT, South Korea’s Kogas and others from Russia, Australia, Japan, Canada and Indonesia? Are they investors in oil and gas, or are they really killers of women and children in Karen state?

What South Korean prosecutors have found in Daewoo could just be the tip of the iceberg. The fact that the CEO is involved suggests complicity at the very top echelons of business and government.

It is time for other governments and companies to come clean on their investments in Burma. Otherwise, we can only assume that they are as dirty and corrupt as Daewoo’s.

Burma and Its Neighbours: The Geopolitics of Gas

By *Shield Kolás & Stein Tønnesson* * (A Special Report from Austral Policy Forum)

Sino-Indian Interests and Rivalry in Burma

(Continued from last month)

Burma exemplifies the difficult balance between competition and cooperation between China and India over oil and gas resources in third countries. India and China's proximity to Burma provides an opportunity for both countries to enhance their energy security by diversifying fuel-supply sources while avoiding the need for expensive LNG (liquid natural gas) transportation. For China, Burma also represents a possible overland supply route for oil and other commodities bypassing the Malacca Strait, a sealane that is vulnerable in the event of an attack or embargo. Access to Burmese ports and overland transportation routes through Burma is seen as a vital security asset for China. This has become increasingly important with the growing Chinese dependence on imported oil, 80% of which is shipped into China via the Malacca Strait. A key Chinese objective is thus to import oil through Burma. According to a recent report, plans for an oil pipeline linking Burma's deep-water port of Sittwe with Kunming in China's Yunnan province were approved by the National Development and Reform Commission (a department of the Chinese State Council) in early April 2006, with construction expected to begin this year.

Assistance from the People's Republic of China to Burma dates back to the 1950s. A significant part of China's trade with developing countries has been financed through credits, grants and other forms of assistance. During the early 1950s, Chinese aid went mainly to North Korea and North Vietnam; however, from the mid-1950s until the late 1970s, large amounts - mainly grants and long-term, interest-free loans - were promised also to non-Communist developing countries. The principal efforts were made in Asia, and Burma was one of the recipients of this support, along with Indonesia, Pakistan and Sri Lanka. In 1986 China withdrew its support for the long-running insurgency of the Communist Party of Burma, and began supplying the Burmese regime with arms. The influx of Chinese weapons was a great help to the Burmese military in its fight against ethnic insurgencies. Chinese arms deliveries started in 1990, and over the next five years China supplied US\$1.0-1.2 billion worth of weapons and other military equipment, including J-6 and J-7 fighters, A-5M ground attack aircraft, radar and radio equipment, surface-to-air missiles, tanks, armoured personnel carriers, artillery anti-aircraft guns, multiple rocket-launcher systems, trucks and naval ships, including frigates and fast attack craft (FAC). Moreover, technicians from the Chinese People's Liberation Army

(PLA) vastly expanded the Meiktila airbase south of Mandalay, and upgraded a smaller airbase at Lashio, in the northeast, as a forward facility for aircraft refueling and resupply. Chinese assistance was also provided to upgrade the road and railway system from Yunnan to several ports along the Burmese coast of the Bay of Bengal. In 1992, China and Burma agreed that China would modernize Burmese naval facilities, in return for permitting the Chinese navy to use the Small and Great Coco Island (about 300 km south of the Burmese mainland, north of India's Andaman Islands). Since then, Chinese experts have built an electronic intelligence station on Great Coco Island, vastly improved and militarized the Burmese port facilities in the Bay of Bengal at Akyab (Sittwe), Kyaukpyu and Mergui, and constructed a major naval base on Hainggyi Island near the Irrawaddy river delta. The Chinese base on Great Coco Island includes an airstrip, signal-intelligence nodes and an 85-metre jetty. The base monitors Indian naval and missile launch facilities in the Andaman and Nicobar Islands, movements of the Indian navy and other navies throughout the eastern Indian Ocean, as well the overall western approaches to the Strait of Malacca.

China is currently building a deep-sea port in Kyaukpyu, in Rakhine state. The port has a water depth of 20 metres and is capable of accommodating 4,000 TEU (20-foot equivalent units) container vessels. Kyaukpyu is located on the route connecting southwestern China's Kunming city with Burma's Sittwe. According to the Burmese Ministry of Construction, a feasibility study for the seaport and road construction, outlined as Kunming-Mandalay-Kyaukpyu-Sittwe, was made in 2005. Once the 1,943 km Kunming-Kyaukpyu road is completed, it is expected to facilitate transit trade and provide job opportunities for Burmese workers and others in the region.

One of China's strategic interests in Burma is to gain direct access by land to the Southeast Asian nations and, more notably, access to the Andaman Sea. Burma is not only a potential supply route bypassing the Malacca Strait, but can also offer a strategic staging point for monitoring the Malacca Strait's western approaches. Yossef Bodansky claims that 'controlling' the Strait of Malacca is a key strategic objective for China, to the point that it is prepared to risk armed conflict with the regional states and even the USA over this issue. Bodansky maintains that the massive Chinese military buildup in Burma since the early 1990s



reflects Burma's growing strategic significance, stressing that 'the extent of the expansion of the transportation infrastructure, all in harsh jungle and mountainous terrain, exceeds by far the needs of even the most optimistic outlook for Sino-Burmese commercial relations'. In the mid-1990s, the Burmese regime granted access for Chinese intelligence services to Zedetkyi Kyun Island, located off the coast of Burma's southernmost tip, Kawthaung or Victoria Point, which is close to the northern entrance to the Strait of Malacca. Bodansky claims that a military base there would enable China to threaten the approaches to the strait. China has currently set up listening posts in Sittwe and Zedetkyi Kyun, enabling it to monitor traffic in the Strait of Malacca and Phillips Channel.

As a result of increased Chinese influence in Burma, as well as arms-trafficking occurring along the Indo-Burmese border, India has sought in recent years to strengthen its ties with Burma. India's interest in and involvement with Southeast Asia has been growing steadily over the past decade. In 2004, an agreement was signed in Yangon by the foreign ministers of India, Burma and Thailand to develop transport linkages between the three countries. This included a 1,400 km highway connecting northeastern India with Mandalay and Yangon, and on to Bangkok, which would contribute to opening up trade between the countries and give India access to Burmese ports. A planned deep-sea port in Dawei, together with a new highway connecting it to Kanchanaburi in Thailand, would no doubt contribute further to commercial links. Dawei, the capital of Tanintharyi division, is on the long, narrow coastal plain of southern Burma.

Building Dawei port also has a direct security angle for the Indian navy, which is now in the process of sorting out

the technical and financial details of its ambitious Far Eastern Naval Command (FENC) project at Port Blair, the capital of the Andaman Islands. FENC is intended to extend the Indian navy's nuclear/strategic combat capability. Dawei is located across the Andaman Sea on the Burmese coast, almost facing FENC. Indian analysts worry that the Chinese base on Great Coco Island poses a threat to the Indian tri-services command in Port Blair, which is only about 190 nautical miles (300 km) away. The Coco Island base lies only 22 nautical miles from Landfall Island, the northernmost of the Andamans. The Coco Island facility is also seen as a significant ELINT (electronic intelligence) and SIGINT (signal intelligence) threat to India's missile-testing range, Chandipur-on-Sea and the Sriharikota Island Launching Range, which are designed to assemble, test and launch Indian multi-stage rockets. According to Indian security analysts, the Chinese presence on Coco Island should be seen in connection with the Sino-Pakistani defence project and cooperation on the Gwadar Port facilities, which give China access and basing facilities on the other side of the Indian subcontinent, near the Strait of Hormuz. What is especially worrisome from the Indian perspective is the 'maritime encirclement of India', with the Chinese based at Gwadar to the west of India and on Coco Island to the east. In addition, Burma's experiments with a nuclear research reactor are worrisome from an Indian perspective, especially since China, Pakistan and Russia have all been involved. Indian analysts fear that China's naval presence in Burma may allow it to interdict regional sea lanes of communication. On this account, Burma is emerging as the 'single largest threat to Indian strategic interests in South East Asia'. In an effort to check this state of affairs, India has started its own campaign to woo the Burmese regime by providing military training and selling it arms and military hardware. In addition, Indian President Abdul Kalam recently visited Burma with a new \$40 million aid package, along with a proposed natural gas agreement.

Even though India and China seem to regard each other with considerable suspicion, the two countries, which have considerably improved their own bilateral relations, are also faced with some common 'non-traditional' security risks emanating from Burma, including illegal drugs-trafficking (opium and methamphetamines), human trafficking and refugees, the spread of HIV/AIDS and, more recently, avian influenza. Burma has become known as the world's second-largest producer of illicit opium, after Afghanistan. It is also the single largest producer of methamphetamines in Southeast Asia. The government lacks both the will and the ability to take on the major narcotics-trafficking groups, and is not seriously committed to suppressing the money-laundering activities that are so essential to the drugs trade. Burma also has a lot of human trafficking; there is a steady flow of refugees into Thailand, China, Bangladesh and India; and the HIV virus is thought to be spreading. More than 1% of the Burmese population is estimated to have been

infected with HIV. Burma thus has one of the most serious AIDS epidemics in the region, and is reportedly also an epicenter of new strains of drug-resistant HIV/AIDS. While the Chinese border town of Ruili has developed into a flourishing trading centre, it has also become a focus of Chinese efforts to prevent the spread of HIV from Burma to China.

The issues of drugs, HIV and crime are serious enough, but the debates they engender also reflect a more overarching concern among Burma's neighbours about the country's political stability. Although the regime has been provided with substantial income from Thai natural gas purchases over the past few years, and is continuously receiving generous provisions of military and infrastructure aid from China, India and other countries, there are indications that the SPDC may be leading Burma into an ever-deepening crisis.

Policy Implications

Offshore natural gas has become the major source of income for the Burmese military regime, and will become increasingly important in the years to come. The effects of economic sanctions imposed by the EU and USA are difficult to assess, but they are certainly not impressive. With the growing importance of natural gas, any assessment of the economic effects of sanctions should take the role of gas into account. If the regime could be deprived of substantial revenues from gas exports, economic sanctions would represent a real challenge to the regime, and this might convince the SPDC to accept political reforms. If not, the effectiveness of sanctions is highly questionable. Innovative ways to engage the regime might prove more feasible, especially if this engagement involves stakeholders in Burmese gas exploitation. Thailand's heavy investment in the Burmese gas sector as well as the escalating Sino-Indian rivalry over Burmese gas have no doubt made it easier for Burma's military leaders to withstand pressure for political reforms. From China's perspective, its relations with India, Japan and the USA have a strong bearing on its geopolitical interests in Burma. As long as the underlying tensions that characterize these relations (in particular the Sino-Japanese relationship) are not fundamentally altered, China will see it as essential to maintain its influence in Burma. Chances are then that future unrest in Burma, whether related to internal strife or opposition to Chinese dominance, will be met with further assertion of Chinese control. This represents a major challenge to any democracy-building effort in Burma. Given that Burma is likely to remain under strong Chinese influence for the foreseeable future, the most promising scenario for Burma's political development would probably come about as a result of positive developments within China itself. A stable, prosperous, democratizing China might be able to engage constructively with the Burmese regime, and this might also provide the best chance of resolving the current crisis in Burma. China may well

hold the key to Burma's future. While countries in the neighbouring regions - particularly India and Thailand, but also Australia and Japan - may have important roles to play, China wields far more leverage. For those who wish to influence Burma in a positive direction, it is therefore essential to consider ways that change could be stimulated with the active participation of China, whether through sanctions, constructive engagement and/or any form of dialogue. Ideally, such cooperation should involve the energy sector, including gas production and pipeline construction./

“The report is drawn from an April 2006 study on ‘Energy Security in Asia’ by PRIO Director Stein Tønnesson and Senior Researcher Ashild Kolås, funded by the Section for East Asia and Oceania, Regional Department, Royal Norwegian Ministry of Foreign Affairs. The views expressed in this report are those of the authors and do not represent Norwegian government policy.”

A longer version of the report is available at:

<http://nautilus.rmit.edu.au/forum-reports/0630a-kolas-tonnesson.html>.

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Six More Contracts Increased Burma's Oil and Gas Sector in 2006

Dec 18, 2006 (SGB)

Six more contracts from Russian, Indian, Australian, Thai, Malaysian and Singaporean companies increased Burma's oil and gas sector in a single year of 2006.

The oil and gas sector is the largest source of the Burmese military regime. Available statistics reveal that such investment in Burma's oil and gas sector had reached 2.635 billion dollars in March, the end of the fiscal year 2005-06, since the country opened to foreign investment in

 to page-7

Activists in S.Korea Denounce Daewoo for Arms Supplies to Burma

Dec 12, 2006 (SGB) from page 2, Activists protest

Over twenty civil society organizations including Amnesty International and other prominent South Korean NGOs held a demonstration at Daewoo International's head office in Seoul to protest the firm's arms exports to Burma.

In a joint statement, the group said the Korean government was equally liable for the "unjust and immoral acts" of corporations like Daewoo.

Tens of millions of public funds were used to save the once-bankrupt Daewoo, while up to 60% of the US\$70 mil invested to-date for its Shwe gas project in Burma had been supplied by the government.

"We cannot accept that the tax our citizens provide is used to support such a dirty corporate activity," the group said.

It asked Daewoo to be accountable for its actions starting with an apology to the Burmese people for providing the weapons that would be used by the SPDC against them.

The Korean government should also quickly provide the legal apparatus to control such illegal activities, it added.

Korea House for International Solidarity (KHIS) was the lead-organizer of the event.//



Lee Tae-Yong established close personal relationships with the military regime during his many trips to Burma.

Continued from page- 3

the terms of the contract, Daewoo and database management systems supplier KCOMS, a Korean firm, will connect thirty-eight military agencies to broadband and computerize the junta's personnel management system.

Daewoo is the biggest Korean investor in Burma and has business interests in oil and gas extraction, a copper mine, automotive components, chemicals, electronics, steel and textiles. It also engages in construction.

By far its biggest coup in Burma was the discovery in early 2004 of gigantic gas deposits off the coast of Arakan state. When fully operational, Daewoo expects to earn over US\$100 mil annually from sale of natural gas from the Shwe field, believed to be the largest new gas field in the region.

The Shwe Gas Movement opposes the Shwe Gas project in which Daewoo International is an operator and key partner with KOGAS and India's GAIL and ONGC Videsh.//

 from page-6

late 1988, dominating the country's foreign investment sector.

In the latest development, The GAIL of India and the Silver Wave Energy of Singapore in December signed a production sharing contract with Burma this month to explore oil and natural gas at Block A-7 in offshore area of Burma's western Arakan state.

Foreign oil companies engaged in the oil and gas sector mainly include those from Australia, the United State, Britain, Canada, China, Indonesia, India, South Korea, Malaysia, Russia and Thailand.//

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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.

Construction of Sittwe Port to Start in January

India's grand Kaladan project that includes a major water way and pipeline to its North Eastern states is moving swiftly ahead. But at what price?

Along the Kaladan River in Arakan State, land confiscations and forced labor have already arrived ahead of the development. Activists fear more will follow.

Dec 21, 2006 (SGB)

THE construction of the US\$103mil Sittwe Port financed by the Indian Government's Rail India Technical and Economic Services Ltd. (RITES) will commence in January 2007.

Indian Minister of State for Commerce Jairam Ramesh said the new seaport in Burma's Arakan state, slated to be completed by end-2009, will provide an alternative transport route between the seven landlocked states in Northeastern India and the rest of country.

The new Sittwe port located at the mouth of the Kaladan river some 160 km from India's Mizoram state is intended to act as a service and transshipment centre for cargo vessels heading down from India's landlocked northeast along the Kaladan en-route to the Bay of Bengal, he said.

The river, one of the longest in the sub-region, flows south from Mizoram through Burma's Chin and Arakan

states before emptying into the Bay of Bengal at Sittwe.

"The northeast region [of India] is rich in resources, but due to lack of access their potential has always been



Rice farms along the Kaladan River was confiscated from local farmers by the army without any compensation.

under-utilised," Dipankar Chatterjee, chairman of the Confederation of Indian Industry's Northeastern Council, was quoted recently as saying by an international news agency. "A gateway through [Burma] will allow resource-led growth in the northeast."

The port development is also part of India's ambitious plan to build a gas pipeline along the Kaladan River to transfer gas from the Shwe Gas field in Arakan to Kolkata.

However, increased navy and military presence in the region, particularly along the proposed pipeline route has already resulted in land confiscations, forced labor and wide-spread human rights abuses.

The Shwe Gas Movement in Bangladesh has recently documented cases of the Burmese army confiscating thousands of acres of farm land in Ponnagywan and KyaukTaw Township located along the Kaladan River.//

**"DIRTY
DAEWOO"**
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