Burma’s FDI more than Doubled: Thailand is the Largest Investor

May 11, 2007 (SGB)

During the 2006-07 fiscal year, Foreign Direct Investment (FDI) in Burma increased more than double from the previous year. The majority of the investment came from its neighboring countries, even though the US and EU have imposed economic sanctions against the ruling regime, citing human rights abuses and the detention of Nobel Peace Laureate Aung San Suu Kyi under house arrest.

Foreign investment in Burma has reached USD 14.4 billion in fiscal year 2006-07, with 408 projects from 29 countries. The majority are from ASEAN, Asia and the EU; leading countries include Thailand, Singapore, the United Kingdom, and Malaysia.

Investing USD 7,345.62 million in 57 projects, Thailand has become Burma’s largest investor. The entire investment from the ASEAN countries has reached USD 9,864.44 million in

“We are not against business, we are not against investment. But we are not in favour of the kind of investment that simply encourages the military regime to increase its oppressiveness. We are not in favour of the kind of investment that makes some people, a very privileged elite, very, very rich while the rest of the country stays as poor as ever.” Aung San Suu Kyi

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Editorial

Foreign Investors have Burmese Blood on their Hands

Foreign direct investment (FDI) in Burma increased to more than double from US$ 6,065 billion in 2005-2006 to US$14.4 billion dollars in fiscal year 2006-2007, according to official statistics. The FDI is mainly accounted for by Burma’s energy sector, while the country’s agriculture sector rounds off the bottom of the list.

Burma’s “hard” FDI mainly comes from its neighbors: Thailand, China, India and Singapore, as well as other Asian and EU countries.

While Burma’s military regime has gained billions of dollars from the FDI, the people of Burma have for decades sunk under the elevated inflation and desperate living conditions. Tragically, the regime has squandered billions of dollars in purchasing arms, developing nuclear technology, and building a new capital. In the meantime, the people suffer.

The capital intensive FDI in the energy sector supplies billions of dollars annually to the regime’s coffer rather than providing jobs for millions of jobless people in the country. Instead, oil, gas and dam projects have effectively destroyed the already precarious livelihoods of local people and the environment.

Clearly, the military regime prolongs its power by the criminal management of the country’s natural resource revenues, ignoring protection of people’s livelihoods, the environment, and sustainable development.

This is unsustainable.

It was publicized recently that over 40 local people in Arakan, western Burma took the law into their own hands. Frustrated with the loss of their traditional oil fields to China’s CNOOC oil exploration, locals destroyed the company’s drilling sites with their own hands.

There is no respect of local people’s rights and no local participation for their resources, and this will not be tolerated.

Instead of the country developing, FDI creates more conflicts in Burma, especially in ethnic areas. Thousands of refugees have settled in neighboring countries due to decades of fighting between the military and ethnic armed groups. Thousands of innocent people have been killed and human rights abuses such as rape, forced relocation, forced labor and land confiscation continue to be widespread around the country’s ethnic areas.

Until the rule of law appears in the country, any kind of FDI will not improve the situation of the people of Burma. It boosts the regime’s killing weapons and the coffers of the high general’s families, while the education, health and economic situation become incredibly worse in the country.

There will be a time to do business in Burma; when the people elect a democratic government and the rule of law is created and respected. Until that time, foreign investors who cooperate with the military in Burma have blood on their hands, the same as the brutal regime.

Hydropower and Oil&Gas Sectors Dominate Burma’s FDI

May 12, (SGB)

Burma’s energy sector dominated the country’s Foreign Direct Investment (FDI) as of the end of January this year, according to the government’s National Investment Commission report.

Of Burma’s entire FDI of USD 14.4 billion, the hydropower sector, with USD 6.133 billion and oil & gas sector, with USD 2.938 billion, clearly dominated.

In the first half (April to September) of the fiscal year 2006-07, Burma brought in USD 33 million in contracted foreign investment from Russia, according to the Central Statistical Organization (CSO) under the Ministry of National Planning and Economic Development.

The Russian investment was referred to as part of the engagement by the JSC Zarubezhneft Itera Oil and Gas Company in oil and gas exploration at block M-8 in Burma’s Mottama offshore area, in partnership with the Sun Group of India and the state-run Myanmar Oil and Gas Enterprise (MOGE).

Arriving in 2000, China, with five multinational oil companies such as CNPC, CNOOC and Sinopec, is leading from among the 23 companies from 14 countries.

In 2006-07 fiscal year companies from China, Russia, India, Australia, S. Korea, Malaysia and Singapore have signed agreements for oil and gas exploration in Burma.

Currently, oil companies, mainly from Australia, Britain, Canada, China, Indonesia, India, South Korea, Malaysia, Thailand and Russia, are operating 33 onshore and offshore projects in Burma, according to official sources.

For the hydropower sector, millions of investment dollars mainly come from China and Thailand///
NEW DELHI, MAY 28: The government has decided to re-visit its future investment plans in Burma’s energy sector after the country chose to sell gas from its A1 and A3 blocks to China, and not to India Petroleum ministry officials told FE that India’s interest in purchasing gas had been overlooked despite the fact that Indian oil and gas PSUs had equity in the two blocks. PetroChina, which most probably will buy most of the gas, has no stake in these two blocks.

State-owned GAIL (India) Ltd and ONGC Videsh Ltd together hold 30% in the A1 and A3 blocks, the lead operator being South Korea’s Daewoo International with 60% stake. Korean Gas Company holds the balance 10%. GAIL, which individually holds 20% in the A1 and A3 blocks (gas reserves in the two blocks are estimated to be of 4.794 trillion cubic feet), offered to buy the gas at $4.759 per mmbtu at a meeting called by the Burma energy minister earlier this month. But the minister had bluntly informed that the Burma government had already decided to export gas to China and hence, the Indian offer would not be considered.

PetroChina actually offered a lower price of $4.279 per mmbtu (against its offer of $4.98 per mmbtu) against GAIL’s $4.759 per mmbtu.

Moreover, the pipelines for bringing gas from Burma to China (including the offshore portion bringing gas on-land and the on-land pipeline till the Chinese border) were to be built by the consortium partners (including Daewoo, ONGC Videsh and GAIL) at a pre-decided internal rate of return (IRR) of 18%. But Burma is now favourably considering a Chinese proposal to pare the IRR to 12%.

“GAIL is already re-considering its decision on whether to invest in the A7 and other exploration blocks in Burma. Also, a decision on the Indian companies’ participation in laying the pipeline for evacuating gas from the A1 and A3 blocks will be taken only after the external affairs ministry gives its views. Our participation in laying the pipeline is also sensitive from the point of view that it will fund bringing gas to China against India’s wishes,” an official said.

Of the expected production of 600 million standard cubic feet of gas a day from the two blocks, Burma has decided to export 560 mscfd to China. China also operates several other blocks in the country.

Discussions during a recent meeting of the consortium partners with PetroChina and the Burma government revealed that the consortium had virtually no say on the gas sale from the two blocks.

A legal opinion obtained by Daewoo noted that the rights of the consortium were not tilted in its favour with regard to disposal of gas.//

Continued from- Burma’s FDI more than doubled

175 projects, according to the local Weekly Eleven News, citing the government’s National Investment Commission.

In the 2005-06 fiscal year, Burma absorbed total FDI of USD 6.065 billion, which mainly came from Thailand. USD 6.03 billion of that total referred to the 7,110-megawatt Tar- hsan (Tasang) hydropower project on the Thanlwin River near Tachileik in eastern Shan State.

Other investments during the year included USD 30.575 million from India in oil & gas, USD 4.4 million from Thailand also in oil & gas, and USD 700,000 in mining from China, the CSO figures indicate.

Oil and gas accounted for 34 percent, manufacturing 20 percent, real estate 13.7 percent and hotels and tourism 13.3 percent.

Other sectors include mining, livestock and fisheries, transport communication, industrial estate, construction, and agriculture.

Burma enacted the FDI Law in late 1988, when it began to adopt a market-oriented economic policy. The energy sector, comprised of oil & gas and hydropower, is seen as the main contributor to the increase in FDI in Burma in the future.
First as Tragedy, Second as Farce: PTT at a Crossroads

By Matthew Smith

When Karl Marx prophesied 150 years ago that “history repeats itself,” he wasn’t talking about human rights abuses in Asia. But today his words resonate as we face a nearly identical repeat of Southeast Asia’s most unconscionable “development” project, right next door in Burma. And the Petroleum Authority of Thailand (PTT) is again poised to be complicit in human rights abuses.

Fortunately, there is still time to change course.

In the 1990s, the Yadana natural gas pipeline was constructed from the Andaman Sea across Tenasserim Division in southeast Burma, landing on the Thai side in Kanchanaburi Province. It involved multinational oil and gas corporations Total of France and the U.S.-based Unocal Corporation, the state-owned oil and gas enterprise in Burma (MOGE), and the now partially state-owned PTT Exploration and Production Company Ltd. (PTTEP), which at that point was wholly owned by the Thai government. In 1995, PTTEP signed a 30-year sales agreement with Burma to purchase the Yadana gas, setting off construction of the 260 kilometer gas pipeline.

Then the pipeline abuses began.

In Burma, the pipeline area was heavily militarized. Forced labor was used on project infrastructure, there was rape, extrajudicial killings, land confiscation, displacement, and other actions that violated the basic human rights of thousands of people. Thousands of villagers fled into Thailand as refugees. The corporations involved in this project were aware the abuses were happening in connection with their investments and did nothing to stop them, making them complicit.

With no access to justice in Burma, villagers sued Unocal and Total in US and French courts, respectively. The corporations paid out large financial settlements. A pipeline from that area is also likely.

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A particularly tragic element was that Thailand didn’t actually need the energy produced by the Yadana gas. The National Economic and Social Advisory Council (NESAC) found that the Electricity Governing Authority of Thailand (EGAT) overestimated ten of eleven yearly forecasts of Thailand’s electricity demand, in some cases by as much as 40 percent.

This tragedy was recognized by Thai officials. In 1997, using phrases like “[our] greed for natural resources,” former Deputy Foreign Minister Sukhumbhand Paribatra stated “I regret very strongly that a company, the Petroleum Authority of Thailand…was part of a deal which bought gas from Burma…I think that – for better or worse – we have blood on our hands.”

Fast forwarding to today, PTT is actively pursuing at least two large natural gas deposits in Burma, as both a purchaser and developer. In 2004, Daewoo International of South Korea discovered part of what is now considered Southeast Asia’s largest natural gas deposit in Burma’s Bay of Bengal. This gas project is dubbed Shwe – meaning gold in Burmese - and is being developed by Korean and Indian companies in partnership with the military regime in Burma. Potential buyers of the gas are lining up in a fierce bidding war, including India, China, Korea, Japan, and of course, Thailand. This gas will most likely be sold to China, but that hasn’t stopped PTT’s efforts.

Like Yadana, PTT has put in a bid to buy the gas and pipe it across Burma for consumption in Thailand. Meanwhile, PTT has also been busy exploring for commercially viable natural gas deposits in Burma’s Gulf of Martaban, which last month resulted in the discovery of a “high amount of natural gas,” according to a company spokesman. A pipeline from that area is also likely.

Yet Thailand’s energy needs are again thought to be overestimated, this time in the 2007 Power Development Plan (PDP) recently released by the Ministry of Energy (MOE), which is a 15 year forecast. The report is not widely available but has already come under fire. Analysts point to inaccurate estimations of energy demand, a lack of Thai public participation in the process, and a concerning lack of attention to global warming and the serious need to plan for alternative energy sources.

By EGAT’s own admission, Thailand’s energy reserve margin in 2006 was at least 7 percent higher than the international standard, which in economic terms is enormous.

While this scenario is costing the Thai and Burmese people and the environment hugely, certain stakeholders benefit just fine. EGAT, for one, has a vested interest in maintaining the status quo in terms of energy sources (i.e. fossil fuels), and in terms of keeping a “high demand.”

Currently, Thailand’s energy producers are the same people estimating energy demand. This is a blatant conflict of interest. Thailand relies heavily on natural gas for energy production; too heavily. A recent study by the consulting
fear the last year fled the violent attacks of the Burma army in by the Burma army. Over 30,000 Karen villagers have in of ethnic women have been selective victims of brutal rape of nationalities comprising 40% of the population. Thousands Further, the military’s policies openly target the ethnic political prisoners under unspeakable prison conditions. of the state’s larger plan to keep its diverse 54 million people Burma? Kingdon afford to be complicit in human rights abuses in and allegations of human rights abuses at home. Can the regarding the military coup, increasing violence in the South, abuses. Likewise, a PTT pipeline from the Gulf of Martaban correspondingly gross number of attendant human rights of the previous Yadana pipeline, with the potential for a correspondingly gross number of attendant human rights abuses. Likewise, a PTT pipeline from the Gulf of Martaban would mirror Yadana in the most uncomfortable of ways. Already there is international attention on Thailand regarding the military coup, increasing violence in the South, and allegations of human rights abuses at home. Can the Kingdom afford to be complicit in human rights abuses in Burma? With or without Thailand, the abuses in Burma are widespread and systematic, meaning that they are part of the state’s larger plan to keep its diverse 54 million people in check. The military regime in Burma is holding over 1,200 political prisoners under unspeakable prison conditions. Further, the military’s policies openly target the ethnic nationalities comprising 40% of the population. Thousands of ethnic women have been selective victims of brutal rape by the Burma army. Over 30,000 Karen villagers have in the last year fled the violent attacks of the Burma army in the eastern part of the country (and continue to do so), landing in Thailand. These numbers are rising steadily. There is no independent judiciary in Burma, no free press, not one elected official; forced labor, child soldiers, and landmines abound; international laws and standards are flouted.

The Nobel Peace Prize Laureate Daw Aung San Suu Kyi, whose National League for Democracy won a landslide victory in 1990 elections that the military refused to recognize, remains in house arrest, despite a recent call for her release signed by 59 world leaders.

What is Thailand’s answer to all of this? Investment. Thailand’s gas imports from Burma exceed US$1.5 billion per annum, providing the military regime in Burma with approximately 30% of its hard currency. But that currency is not spent improving lives in Burma. As just one example, in 2006, Burma ranked last in the world in public health expenditures, according to the 2006 UN Human Development Report, and the country consistently ranks among the world’s least developed. Rather than use gas revenues to change that, the regime’s elite are busy growing increasingly wealthy and stockpiling expensive military hardware from India and China while millions of Burmese languish and, in tragic irony, flee into Thailand and India.

Marx’s quote from 1852 actually suggests that history repeats itself “the first time as tragedy, the second time as farce.” The Yadana gas pipeline was a tragedy. Thailand’s involvement was a tragedy. The human rights abuses were a tragedy. PTT is at a crossroads, and if it continues investing in Burma’s oil and gas industry, it will do so in spite of the many victims of human rights abuses and in spite of Thailand’s own development. It will be a mockery, a foolish show, a ridiculous sham. In other words, a farce.

The good news for Thailand is that it doesn’t have to be this way. The government and PTT can actually act to help change things for the better, influencing the regime in Burma to end its brutal “war” rather than lining its pockets with hard currency. Despite the problems with Thailand’s own energy sector, will it take the noble course and officially condemn human rights abuses in Burma? Or will PTT simply sign more contracts to facilitate unnecessary imports, moving Thailand closer to a bubble economy while enriching a brutal regime?

Matthew Smith is a Project Coordinator of the Burma Project with EarthRights International (ERI), an NGO based in Washington D.C. ERI represented plaintiffs in Doe v. Unocal Corporation.
Thailand’s PTT Exploration discovers natural gas off Burma coast

May 26, 2007, AP

A Thai company has discovered natural gas off the coast of Burma, in the latest boost to the impoverished country’s thriving energy sector, state media reported Saturday.

PTT Exploration & Production discovered a large deposit of natural gas in the Gulf of Martaban about 300 kilometers (188 miles) south of Yangon, the New Light of Myanmar reported.

An appraisal well is expected to produce maximum 31.5 million cubic feet (890,000 cubic meters) of natural gas per day, the newspaper reported, which along with two earlier discoveries made the site commercially viable.

PTT is also exploring for gas in a number of other areas or blocks in the Gulf of Martaban.

Since Burma liberalized its investment code in late 1988, the military-ruled nation has attracted its largest foreign investments in the energy sector.

Along with PTT Exploration, it has signed oil and gas exploration contracts with France’s Total SA, Unocal Corp. of the United States, Malaysia’s Petronas, Thailand’s PTT Exploration & Production PCL, Daewoo of South Korea and companies from Russia, India and Australia.

New contracts continue to be signed despite the condemnation of the military regime by Western nations for its poor human rights record and its failure to hand over power to a democratically elected government.

The United States and the European Union have imposed economic sanctions on Burma in recent years as a result. Burma’s current junta took power in 1988 after crushing the pro-democracy movement led by Aung San Suu Kyi. In 1990, it refused to hand over power when Suu Kyi’s party won a landslide election victory.

Daewoo Sends Legal Experts to Burma

May 3, 2007 (SGB)

Daewoo International Corporation has sent a team of legal experts and senior company executives to explain to the Burma military regime the legal challenges to following the regime’s alleged decision to sell natural gas from the A-1 and A-3 blocks in the Arakan offshore area to China.

It is unclear what type of legal action is being considered, and in what jurisdiction it would take place.

South Korean and Indian firms, including Daewoo International, face heavy losses if natural gas from blocks A-1 and A-3 is sold to China. The proposed sale will be at a rate marginally over the $4 per million British thermal units (mBtu), agreed in a MoU signed between Burma and China on March 14, 2007. The gas should fetch at least $4.41 per mBtu, says Amitav Ranjan of the Indian Express newspaper.

Daewoo’s stock dropped more than 3 percent after news emerged that China was picked for the gas.

Daewoo wants the consortium to be engaged with downstream projects of A-1 and A-3 blocks, including payment of a tariff from the proposed Chinese pipeline, the report says.

The report claims Daewoo also has plans to offer an economic package to counter the latest Chinese offer of buying gas from these blocks.

This is Daewoo’s biggest energy project, and development costs of the gas fields are estimated between US$2.3 billion.

Burma’s A-1 and A-3 blocks contain up to 10 trillion cubic feet of gas, which are planned to start production in 2009, despite that potential end users and modes of transport are officially undecided, to date.

South Korea and Japan hoped to lift 2.7 million tones of liquefied gas a year from these wells to reduce reliance on Middle East energy, while parties from India and Thailand have been wooing Burma to pipe the gas to them.

Analysts observed that the Burmese regime offered its gas to China due to its permanent position and veto power on the United Nations Security Council, where the United States has often been critical of Burma’s human rights track record, while China has effectively defended the regime.

Daewoo is the operator of the A-1 and A-3 blocks located offshore of Arakan state, with a 60 percent stake, while Korea’s KOGAS has 10 percent interest. The remaining is held by India’s ONGC, which has 20 percent, and the Gas Authority of India (GAIL), which has a 10 percent stake.
Russia to Build Nuclear Centre in Sanctions-Hit Burma

By Conor Humphries (May 16, 2007-AFP)

Russia said Tuesday it had agreed to help build a nuclear research centre in Burma, the Asian state run by a military junta that is under European and US economic sanctions.

“The agreement foresees cooperation in the design and equipping of a centre for nuclear research in Myanmar (Burma),” including a small light-water nuclear reactor, Russia’s atomic energy agency Rosatom said in a statement.

Rosatom head Sergei Kiriyenko and Burma’s Science and Technology Minister U Thaung signed the deal for construction of the centre on Tuesday in Moscow, the statement said.

The deal is the latest example of Russia doing business with a country shunned by the West as authoritarian and is likely to further dent rapidly deteriorating relations with Washington and the European Union.

Burma is under US and European economic sanctions imposed in response to rights abuses by the country’s military dictatorship and the house arrest of 61-year-old democracy icon and Nobel peace laureate Aung San Suu Kyi.

Washington has accused the Burma regime of torturing, raping and executing its own people as well as waging war on minorities and looking the other way while drug and human trafficking grows.

The impact of the sanctions has been weakened by countries such as China, India, Russia and Thailand, which are spending billions of dollars to gain a share of Burma’s vast energy resources.

Russian companies recently signed oil and gas contracts with Burma. In one deal, Russia offered arms to the regime in exchange for access to energy reserves, Russian newspaper Kommersant reported last year.

Russia has also supported Burma diplomatically. It joined China in January in vetoing a draft UN Security Council resolution urging Burma’s rulers to free all political detainees and end sexual violence by the military.

In recent years, Russia has consistently dealt with regimes considered unfriendly by the United States, such as Iran, North Korea and Venezuela, raising the ire of Washington.

Russia has also angered Washington by providing Iran with civilian nuclear technology amid international fears that Tehran is developing nuclear weapons.

The nuclear centre in the current deal with Burma will be under the control of the UN’s International Atomic Energy Agency, Tuesday’s statement said.

It will be operated by Atomstroiexport, a Rosatom subsidiary, the statement said, without giving a date for when the project would be built.

The centre is to include a laboratory for the production of medical isotopes and a complex of buildings and equipment for the reprocessing and burial of nuclear waste, Rosatom said.//

IDPs in hiding place, Toungoo District, Karen State, Burma. (FBR)
Villagers Attack Chinese Company in Arakan

5/1/2007- Narinjara news

Some 40 Arakanese people attacked an oil-drilling site run by Chinese company CNOOC in Kyauk Pru Township, Arakan State, on 28 April, according to local reports.

“The villagers destroyed the Ranan Daung (Oil Mountain) oil-drilling site with sticks and swords after intruding on the compound during the night, when guards of the site were absent,” the report stated.

An anonymous source said during the attack, villagers hacked all the connecting wire cables, and punched holes in all the chemical liquid tanks and gas cylinders with thick knives.

The villagers did not assault any workers, including Chinese workers and local officials, during the attack at the site.

Villagers say at least five people, who are reportedly suspected of connection with the incident, have been arrested by police from Min Byin police station, which is situated near the oil-drilling site.

A police officer from Kyauk Pru police station confirmed the incident and the arrest of five people but he declined to disclose any details or facts about the attack.

It has also been learned that many of the villagers who had traditionally owned the land being drilled attacked the Chinese and Asia World Companies out of dissatisfaction with the confiscation of their land by the Burmese military authority without any compensation.//