



*The*

# Shwe Gas

*Bulletin*

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## Gas Sales to Thailand Account for 43% of Burmese Exports

*May 11, 2007 (SGB)*

The Burmese military government earned \$US 2.16 billion from gas exports to Thailand during the 2006-2007 fiscal year, accounting for 43 percent of Burma's exports, according to a Myanmar Times report citing statistics released by the Burmese government's Customs Department.

Gas sales to Thailand doubled from \$US 1.08 billion reported during the 2005-2006 fiscal year. Energy Ministry officials attributed the increase to higher gas prices, and not to the total amount of natural gas exported, which they claimed has remained virtually unchanged from the 9.13 billion cubic meters exported to Thailand from July 2005 through June 2006.

Thailand is Burma's largest foreign investor and its largest consumer of natural gas. The majority of Thailand's investments are concentrated in Burma's energy sector, where it holds substantial interests in oil and natural gas projects and hydropower plants.

Burma's total exports this year reached a record \$US 7.93 billion despite economic sanctions from the United States and the European Union.

Military-owned Myanmar Oil and Gas Enterprise (MOGE) controls most of the country's oil and natural gas industry and is the country's largest exporter.



*Construction of a natural gas pipeline to Thailand, depicted above, contributed to Burma's \$US 2.16 billion in gas exports to Thailand last year. These projects sent hard currency to the regime and resulted in widely documented forced labor and human rights abuses.*

*Continue to page- 2*

# Editorial

## Save Our Natural Resources

Before the military came into power in 1962 and sent the economy into a tailspin, Burma's plentiful natural resources helped to make it one of the richest countries in Asia. Today Burma is one of the poorest countries in the region despite an abundance of natural resources such as oil and natural gas, gems, and teak that attract billions of dollars in foreign investment every year.

While the vast majority of Burma's 52 million people live in conditions of abject poverty, families within a small circle of military elite have become enormously wealthy, in part by exploiting these resources.

This year the regime has earned over \$US 9 billion in foreign direct investment (FDI) from oil, gas, and hydropower projects, \$US 2.16 billion of which came from Burma's gas exports. The regime made an additional \$US 800 million in timber and gems exports.

The dominance of natural resources over all other sources of foreign investment demonstrates the crucial role that they have played in the survival of the regime.

The regime has refused to invest its natural resource revenues to develop sectors such as education and healthcare that could stimulate development or improve the well-being of Burmese citizens. Instead, it uses these revenues to finance an expansion of the military, including the construction of a new capital in Naypyidaw and a nuclear reactor project with Russia.

The unsustainable trajectory of Burma's resource development is a cause for further concern. Resources such as oil and gas, gems, and teak are in danger of disappearing quickly if the military's careless, rapid development is not replaced with a more sustainable approach.

Human rights abuses connected with natural resource projects are also of grave concern, particularly because most of Burma's natural resources are located in persecuted ethnic areas, which make up around 65 percent of the country's landmass. Rather than benefiting from their valuable resources, these ethnic groups have suffered from human rights violations such as rape, forced labor and relocation, and the destruction of local livelihoods.

Ruled by a regime that has been ranked as the world's second most corrupt government, there is virtually no transparency on resource revenues and allocations in Burma. We need a democratic government elected by the people of Burma that will use the country's resource revenues not for weapons or the destruction of communities, but for the benefit of the Burmese people. Until such a democratic government is in place, there will be no transparency and the people of Burma will continue to face poverty in a country with plentiful natural resources.

We need democracy in Burma right now to save our natural resources. ■

## PTTEP Discovers Large Gas Deposit, Plans to Begin Production Next Year

July 12, (SGB)

The New Light of Myanmar newspaper reported that Thailand's PTTEP has discovered a natural gas deposit estimated at 8 trillion cubic feet in offshore block M9 in the Gulf of Mottama. PTTEP confirmed the discovery but declined to comment on the exact amount of gas in the reserve.

The deposit was discovered in the eighth well that has been drilled in block M9, which lies 300 km south of Yangon.

PTTEP plans to begin production in block M9 next April. The newly discovered field is likely to become one of Thailand's main sources of gas, according to PTTEP's president, Maroot Mrigadat. PTTEP is already engaged in four other gas projects in Burma, in blocks M-7, M-3, M-4 and M-11, also located in the Mottama offshore area.

PTTEP signed a production-sharing contract with the military junta of Burma for exploration and production of oil and natural gas in Block M-9 in November 2003.

Thailand is the single-largest purchaser of Burma's gas exports, shelling out 2.16 billion \$US in 2006-2007 fiscal year, representing 43 % of the regime's export revenue.

Burma has an abundance of natural gas resources that are concentrated heavily in the offshore areas. With three large offshore oil and gas fields and 19 onshore fields, Burma has proven recoverable reserves of 18.012 TCF, or 510 billion cubic-meters (BCM), out of 89.722 TCF or 2.54 trillion cubic-meters (TCM)'s estimated reserves of offshore and onshore gas, experts said. ■

*Continued from page- 1*

The next-largest exporters in 2006-2007 were state-owned firms Myanmar Timber Enterprise (\$US 519 million), Myanmar Gems Enterprise (\$US 296.9), and Myanmar Ivanhoe Copper Co.—a joint venture between Canada's Ivanhoe Mines and Burma's Ministry of Mines (\$US 106.6).

Privately-owned Htoo Trading came in fifth, earning \$US 65.1 million in teak log exports. ■

# China to Build Large Seaport in Arakan

July 7, (SGB)

China is building a large seaport on Padae Island in Kyauk Phyu Township, Arakan State, according to a Kyauk Phyu resident familiar with the project.

The Padae Island location, about 5 km from Kyauk Phyu city, is within easy reach of the Bay of Bengal and the Sittwe seaport.

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

Kyauk Phyu is located along the land route connecting southwestern China's Kunming city to the Arakan capital of Sittwe.

According to Xinhua news agency, the surveying of the site has already been completed.

Since early 2007, Asia World, a privately-owned Burmese firm with strong business interests in Singapore, Malaysia, and China, has been involved in the early stages of the sea port's construction.

Asia World is owned and managed by Steven Law and his father, Lo Hsing-han, who is suspected of holding strong ties to the illegal drugs business.

Founded as a small business in the early 1990s, Asia World has grown into one of Burma's largest and most profitable business conglomerates, with interests ranging from transportation to construction and retailing.

The company currently operates Rangoon port and has built roads linking northern Burma with China's Yunnan Province. Asia World also played a major role as a developer in the military junta's new capital in Naypyidaw.

Both Steven Law—also known as Tun Myint Naing—and his father have been accused by the US of involvement in drug trafficking. Law, who has a Singaporean wife with strong business and political links within the city-state, was refused a visa to visit the US in the 1990s, despite having studied there in his youth.



The local source speculated that over 1000 households located on Padae Island would have to be removed to make room for the new port, but was quick to emphasize that it has not been confirmed when or where they will be relocated.

China also plans to build a road, a railway and oil and natural gas pipelines to Yunnan, China, media reports stated earlier this month.

The 2,380 km pipeline running from Sittwe, Burma to Kunming, China will be constructed at an estimated cost of 8 billion yuan (over \$US 1 billion).

The gas pipeline is designed to carry 170 billion cubic meters of natural gas, much of it shipped from the Middle East, to southwestern China over the next 30 years, according to Chinese media reports.

China's three largest state-owned oil companies - Sinopec, CNPC and CNOOC - all have major oil and gas exploration projects in marine areas off the coast of Burma.

In return for its cooperation, China has promised to grant a loan of 650 million Hong Kong dollars (\$US 83 million) to Burma for the development of its oil industry. ■

# China's Thumb in every Burmese Pie

*Rangoon is now Beijing's Best Buddy in Southeast Asia and China's Influence is visible everywhere across Burma*

By LARRY JAGAN

Burma has now become China's most important ally in Asia. China's support for the Burmese junta has recently strengthened immeasurably, as the Chinese leaders have made Rangoon the cornerstone of their revised strategy towards Southeast Asia in the face of what it fears is the growing and unwanted influence of the United States in the region. Since the beginning of the year there has been a flurry of diplomatic and business visits between the two capitals, with the aim of boosting economic, trade and technology ties. This included a secret mission by the Burmese army chief, General Thura Shwe Mann, to Beijing in May.

But their burgeoning relationship is not without some irritation, as Beijing realises its close relationship with its unpopular Asian ally is likely to increase pressure on them from Burmese political activists and the international community.

In early June, Burma's acting prime minister Thein Sein visited Beijing where he met senior Chinese legislators from the National Peoples' Congress and discussed a wide range of issues including political and economic matters. Almost immediately the Burmese government hosted a large delegation from Beijing, from the China-Asean Association which included government officials, legislators and businessmen. China is anxious to explore cooperation with Burma in almost all economic and business areas. During the visit of provisional Chinese officials three months ago, some 600 businessmen from both countries discussed mutual cooperation covering timber, bamboo and furniture, rubber, hydroelectric projects, construction, mining, transportation, tea products, beverages, sugar mills, textiles, fertiliser and chemicals, electric and electronic products, livestock and fisheries, machine parts and farm equipment.

Some time ago China decided that Burma was crucial to its economic development, especially for the more backward southern regions of the country which have lagged behind the economic development along China's eastern coast. But until recently, China's leaders have feared that Burma's military junta lacked real legitimacy and could collapse overnight, leaving Beijing's military and economic investment in the regime worthless. There is no doubt that

China's greatest fear remains Burma's stability. More than a million Chinese farmers, workers and businessmen have crossed into Burma in the last 10 years and are working and living there. The Chinese authorities fear that any upheaval in Burma would result in a mass exodus of Chinese back across the border, creating increased industrial and social unrest in their border regions.

In the past few years Chinese businessmen and provincial government enterprises have boosted their investment in Burma: Lashio, Mandalay and Muse are virtually Chinese cities now. Even in Rangoon, the Chinese are involved in building a special tax-free export zone around the port.

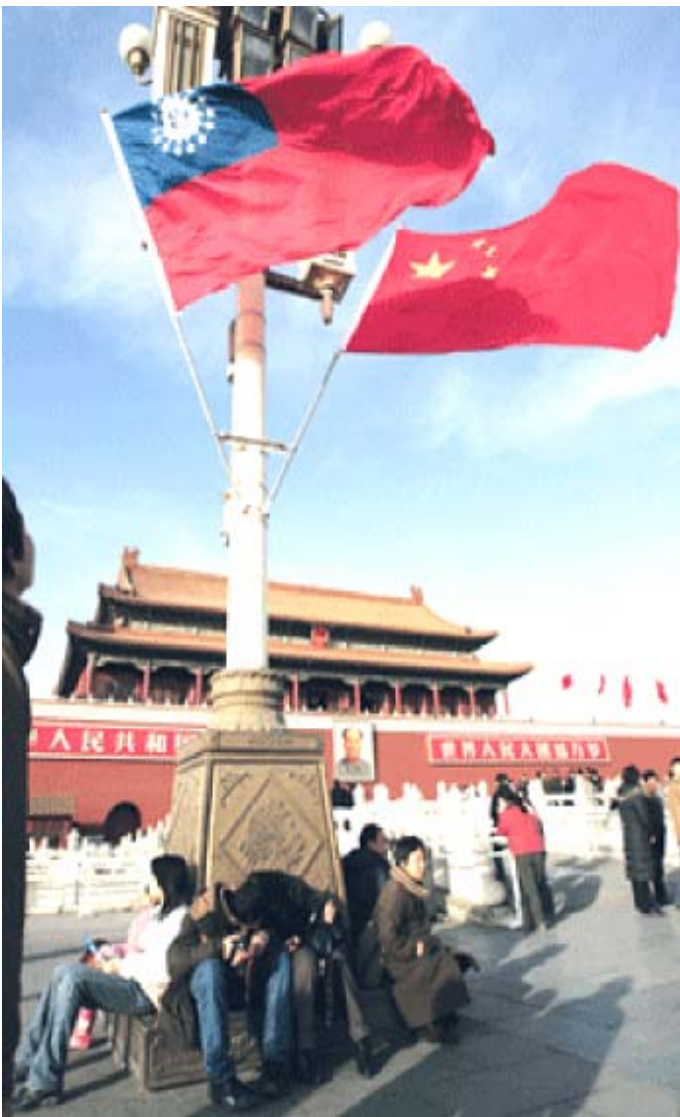
China already has major oil and gas concessions in western Burma, and is planning overland pipelines to bring it to southern China.

Burma is an important strategic transit point for goods produced in southern China. They want to transport these by road to the Rangoon port for shipment to India, the Middle East and eventually Europe. Repair work is under way on Burma's antiquated internal road system that links southern China, through Mandalay to Rangoon.

Now there are fresh plans to rebuild the old British road through northern Burma that would connect southern China with northeast India. The Chinese have agreed to finance the construction of this highway using 40,000 Chinese construction workers. Some 20,000 would remain after the work was completed to do maintenance work on the road.

"When this happens the northern region of Burma will be swamped by Chinese government officials, workers, lorry drivers and businessmen \_ it will no longer be Burma," according to a senior Western diplomat-based in Bangkok who has followed Burmese affairs for more than a decade.

Already along the Burmese border with China, every small town has restaurants and stores run by migrants from China, many have been there for more than a decade. Chinese teachers are also being recruited to work in the Chinese-language and bilingual schools that are popping up in many of the major cities in northern Burma. Already in the major border towns in Shan state like Mongla and Muse, only the Chinese currency \_ the renminbi or yuan \_ is used;



Chinese calligraphy dominates the landscape: billboards, street signs and shopfronts almost all use Chinese characters exclusively; very little Burmese writing can be seen.

In some towns along the border the clocks are set to Beijing standard time rather than Burma's clock to facilitate cross-border contact, according to local Burmese officials.

The Chinese authorities are planning to use Burma as a crucial transit point, not just for the products grown or manufactured in southwest China, but as a means of transporting goods from the country's economic power-houses along the eastern seaboard.

"By shifting the transit route away from the South China Sea and the Malacca Straits to using Burma's port facilities to reach South Asia, the Middle East and Europe they hope to avoid the dangers of crowded shipping lanes and pirates – the Malacca dilemma as Beijing calls it," a senior Chinese analyst told the Bangkok Post on condition of anonymity.

But Beijing is also well aware that the junta's failure to implement political reform may backfire, not only for Rangoon, but on China as well. Already under increased

international criticism for its unwavering support of what the international community regards as pariah states – especially Burma, North Korea, Sudan, and Zimbabwe – Beijing has begun to distance itself and take a more active role in trying to influence its allies to be more flexible. That has certainly been the case as far as Rangoon is concerned.

Beijing has been far more pro-active behind the scenes in pressing Burma's military rulers to introduce political and economic reform as quickly as possible. They have also quietly raised the vexed issue of the detained opposition leader Aung San Suu Kyi, suggesting that she be freed. But when Gen Thura Shwe Mann told the Chinese leaders in May that this was impossible as she still posed a security risk, they backed off.

Instead, they are now pressing both Washington and Rangoon, behind the scenes, to start a secret dialogue to try to overcome some of the issues which keep Burma internationally isolated.

Beijing is also alarmed by Rangoon's nuclear ambitions and the recent deal with Moscow to build a nuclear reactor in Burma. China's leaders have already communicated their displeasure and warned the Burmese they could not rely on Chinese assistance if anything went wrong.

China's leaders were also extremely annoyed at Rangoon's re-establishment of diplomatic relations with Pyongyang.

"They no longer trust North Korea and were dismayed that two important neighbours had effectively gone behind their backs and resumed relations," according to a Chinese government source.

Officially, of course, Beijing welcomed the development.

But despite these irritations, China's leaders have realised that Burma is by far its strongest ally in Southeast Asia.

For some time Beijing has eyed suspiciously the growing American influence in the region, especially in what it regards as its backyard and natural sphere of influence – Cambodia and Vietnam, and to some extent in Laos as well.

China's leaders now fear that in Thailand the opposition Democrat party is going to sweep back into power if elections are held according to plan in November or December. The Chinese also see the Democrats as avowedly pro-US and have already threatened to overhaul or rescind the Free Trade Agreement between Bangkok and Beijing. And, of course, Beijing would not welcome Aung San Suu Kyi coming to power in Rangoon, as they regard her as an American puppet.

So for Beijing, this growing potentially hostile environment in Asia means their only trustworthy and truly anti-American ally in the region remains Burma's military regime. ■

June 21, 07 (Bangkok post)

# Bangladesh Looks to World Bank & ADB for Burmese Hydropower Investment

July 26, 2007 (SGB)

The government of Bangladesh has announced plans to seek funding from the World Bank and the Asian Development Bank (ADB) for a hydropower project in Burma that would be implemented in cooperation with the Burmese government.

The announcement came on July 16, immediately before Bangladesh sent officials to Burma for discussions between the two governments about building a hydropower plant in western or northwestern Burma.

According to Xinhua, the official Chinese news agency, Bangladesh's Power Development Board has conducted feasibility studies and identified potential sites for the hydropower plant in the Lichaung and Lemro areas of Arakan state, and the Naga Hills area of Chin state.

Bangladesh's plans to seek loans for a project that will send money to Burma are considered ambitious in light of the rocky relationship that the ruling Burmese military government holds with the ADB and the World Bank, who have not provided loans or technical assistance to Burma since 1987. In 1988, the Burmese government responded to a largely peaceful uprising by violently cracking down on its citizens, a reaction that has led to its current isolation from much of the international community.

Bangladesh, on the other hand, is a regular recipient of ADB and World Bank loans.

According to official statistics, between 2003 and 2006 the World Bank provided an average of \$536 million in annual loans to Bangladesh, with \$379 million promised in the first seven months of 2007.

As a condition to qualifying for World Bank loans, last month the World Bank sent a list of 70 guidelines to the Bangladeshi government covering issues such as social spending, corruption, elections standards, and government finances.

Since Bangladesh joined the ADB in 1973, energy has accounted for more ADB loans to Bangladesh than any other sector, with over \$2 billion.

Both the World Bank and the ADB have identified Bangladesh's limited supply of electricity as a major barrier to development in the country, which has a per capita income of US\$ 480. Both organizations have provided loans and assistance for Bangladesh's electricity production projects in the past.

According to statistics released by the Power Division of the Bangladeshi government, the country's current



*Protestors assembled near a market in central Rangoon, Burma to protest the government's economic and energy policies. Their signs read: "Reduce skyrocketing inflation and access to electricity for 24 hours." Although the Burmese government has built a series of electricity-producing hydropower plants, much of the electricity has been sold to Burma's neighbors, resulting in chronic electricity shortages that have left many Burmese in the dark.*

demand for electricity is around 5300 megawatts (MW) annually and is set to triple by 2020. Currently the country's production capacity falls short of demand by nearly 2000 MW.

An official assessment of Burma's hydropower potential conducted by the Power Development Board of the Bangladeshi government indicated that the Naga Hills area of Chin State had the potential to generate 2200 MW of electricity, but expressed doubts that the location was close enough to the the Bangladeshi border to make the project feasible.

The report was more optimistic about the potential of hydropower the Arakan state, which is located next to Bangladesh and is estimated to have 880 MW hydropower potential.

Reports indicate that the Burmese government is negotiating to receive 30% royalties from the project. If the agreement goes through, it is likely to send millions of dollars to a regime that much of the international community has attempted to isolate through economic sanctions in recent years.

Past infrastructure projects in Burma have raised substantial concerns about human rights abuses by the Burmese military, which has regularly been accused of using forced labor and relocation of the local populations in order to build such projects. ■

# UN says Burma's Junta is Fueling Poverty

By Amy Kazmin  
Financial Times

Burma's 52m people are facing deepening poverty as a result of its military government's "ill-informed and outdated socio-economic policies" and "uncompromising attitude" to ethnic minorities, says a confidential United Nations report.

In a bleak assessment obtained by the Financial Times, Charles Petrie, the UN's top official in Rangoon, said "increasingly arbitrary and widespread land confiscation" and the junta's agricultural policies were fuelling rural hunger and driving people from their communities in search of work.

Inter-national aid agencies trying to help vulnerable groups are under increased pressure from the authorities, which see foreign aid workers as "an extension of the west's sanctions policy", the report said.

Conditions are particularly grim for ethnic minorities in conflict areas of eastern Burma, where the army's decades-old battle with ethnic separatist rebels has displaced more than 500,000 people. Also suffering, Mr Petrie wrote, were 250,000 Muslim former refugees, who have returned home to Burma's northern Rakhine state, and former poppy farmers hit by opium eradication.

International aid groups did scale up activities in Burma after 2000. But they have faced difficulties since a 2004

political purge within the regime brought the ascendancy of more hardline figures un-willing to "accept objective realities" about the plight of Burma's people.

Aid agencies, led by the UN, have recently resolved to step up efforts to engage the junta and explain the nature of humanitarian work. "This is an attempt to distinguish the humanitarian agenda from the human rights and political agenda because otherwise, you mix them up and don't make progress on anything," said one UN official involved.

The move comes after the International Committee of the Red Cross, frustrated by the junta's restrictions on its access to prisons and conflict areas, broke its code of silence to accuse the regime publicly of severe violations of humanitarian law.

At the same time, Ibrahim Gambari, the UN special envoy on Burma, is visiting its powerful neighbours, China and India, for discussions on promoting "positive changes", including the

release of political prisoners, and democratic reforms.

Flush with cash from the sale of natural gas to energy-hungry neighbours, Burma's junta appears more deeply entrenched than ever. But the UN assessment suggests its people are facing mounting hardships. More than 30 per cent live below the poverty line and 30 per cent of under-fives are malnourished. In ethnic minority areas poverty rates can rise to 70 per cent, the report said. It also said health facilities were unable to cope with patients with rising rates of HIV/Aids and drug-resistant tuberculosis. ■

(July 11, The Financial Times)



Burma's 52m people are facing deepening poverty.

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## The Shwe Gas Movement (SGM)

*SGM includes regional and international NGOs. The 5 core members are SGM Bangladesh, SGM India, the All Arakan Student and Youth Congress (AASYC), the Arakan Oil Watch (AOW), and EarthRights International (ERI); partner organizations include the Korean House for International Solidarity (KHIS), the Korean Federation for Environmental Movement (KFEM), The Other Media in New Delhi, and a global network of activists. For more information and to download the full-length report "Supply and Command," please visit [www.shwe.org](http://www.shwe.org).*

# ANC: Stop Arakan Hydropower Project

July 28, 2007 (SGB)

The Arakan National Council (ANC) and Burmese human rights groups in exile have called for a stop to the development of a Burma-Bangladesh hydropower project and the leasing of 50,000 acres of Arakan land to Bangladeshi private entrepreneurs for contract farming.

“The proposed construction of the Lay Mro hydropower project will damage the livelihood of over 25,000 people from 4,500 households and 30 villages by causing severe human rights abuses, including forced labor, land confiscation, and forced relocation without compensation of entire communities living along the proposed electricity transportation route, as well as violence such as rape, torture and murder”, human rights groups along the Bangladesh-Burma Border stressed in their statement.

Burmese military junta met with Bangladeshi officials in early July to discuss the construction of hydropower plants on the rivers of Lay Mro in Arakan and Mi Chaung in Chin State. The plant would be constructed and administered by Bangladesh, and the electricity would travel from Burma to

Bangladesh to help the country meet its growing energy demand.

Analysts criticized the regime for selling electricity for hard currency to fund the military, while the vast majority of Burma’s citizens have inadequate and sporadic access to electricity.

Bangladesh’s investment in the power projects is expected to cost upwards of \$US 1 billion.



In regard to an agreement made between the Burmese and Bangladeshi governments in late July to lease 50,000 acres of land to Bangladeshi contract farming companies, ANC stressed in their statement, that “the Burmese army has devastated Arakan farmers by confiscating arable land. For decades, 46 army battalions [that have been based in Arakan state since the

uprising of 1988] have confiscated land to install army barracks. Hundreds of thousands of acres have also been confiscated in order to grow food for military rations or lease the land to Bangladesh and India. As a result, many people in Arakan state have become landless and unemployed”.

ANC also stressed that Bangladesh’s investments are directly supporting the junta.

In late July, the Burmese junta’s delegation, led by Construction Minister Maj Gen Saw Tun, signed a deal to build a road connecting Burma with Bangladesh in order to boost trade and tourism between the two countries. Bangladesh will pay the full cost of constructing the road, an estimated \$US 21.75m. The governments expect that the road, which is projected to be completed in three years, will eventually be linked with other Asian highways, with branches extending to India, China, Malaysia, Singapore, and Thailand, according to the Myanmar News website.

ANC was formed in 2004 by leading Arakanese political parties and youth organizations. Its stated objectives include gaining equality and self-determination for the Arakanese people. ■

## The Arakan Oil Watch

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