



The

Shwe Gas

Bulletin

Volume 2, Issue 12

Sep 2007

Burmese Junta Confirms Agreement to Sell Shwe Gas to China

Aug 17, 2007 (SGB)

Burma's military regime has confirmed an agreement in mid August to sell Shwe gas (Arakan's A-1 and A-3 offshore blocks) to China, according to Burma's senior Energy Ministry official.

"Yes, we have decided to sell the gas from A-1 and A-3 to China and details are under negotiation. Once we reach an agreement, we will go ahead," the official, who asked not to be named, told Reuters.

"If everything goes well, the gas from these offshore blocks will be sold to China through a pipeline," he added, refusing to give further details.

The comments were the first confirmation from the Burma Junta.

In April this year, Indian media reported that Burma had signed an MOU with China's Petro China Company on March 14 to export Shwe gas by a 2,380 km inland pipeline worth US\$ 1.04 billion. The pipeline would

Continue to page- 3

Protests against Fuel Price Hike Break out continually in Burma despite Junta Crackdown



People of Burma continue demonstrations despite menacing gangs employed by the junta to brutally stop protesters. The Burmese Junta has arrested over 100 protesters in 15 days. In Burma arrest means torture and a lengthy jail sentence; sometimes even death.

People's protest demanding to reduce the military regime's doubled fuel price without prior notice have been spreading around the country's major cities since the protest broke out in Aug 19.

The price of petrol went from K1500 to k2500 a gallon, while diesel rose from K 1500 to k3000. The biggest jump occurred with compressed natural

gas (CNG), which changed from 10 to K 50 a liter.

The military regime has attempted to crackdown peaceful protesters by brutal arrest. It is estimated that there are over 100 protestors who have been

Continue to page- 4

Editorial

Gas-Rich Burma but harsh fuel price on citizens

People Protest for “Freedom from Starvation”

Hundreds of ordinary people in Burma suffering from the effects of the junta's gross economic mismanagement have defied the armed soldiers by taking to the streets and are demanding for “**freedom from starvation**”.

In one of the most significant demonstrations since the uprising in 1988, peaceful protests led by the 88 Generation group have been taking place around Rangoon calling for a reduction in fuel prices.

The army has reacted in a thoroughly predictable way. As of Aug 30, some 100 protestors including the 88 Generations leaders, such as Min Ko Naing, have been among those arrested.

The protests were a reaction to the decision by the junta to double fuel prices on Aug 15. Analysts said that Burma's people who are already saddled with high inflation could face starvation with the latest round of fuel price hikes.

“It does not make sense that the country produces a large amount of natural gas whose price is now doubled,” the 88 Generation group said in a statement.

Ironically, as its citizens suffer, the world's second most corrupt regime is in the midst of a cash bonanza with growing revenues in the billions of dollars annually from existing and new oil and gas projects.

The regime's single largest source of foreign exchange - the oil and gas sector - touched US\$4 billion in fiscal 2006/2007.

Of this, US\$2.16 billion came from gas exports to Thailand, double the 2005/2006 amount of US\$1.08 billion.

Foreign Direct Investment in oil and gas sector has also grown from US\$2.7 billion in fiscal 2005/2006 to US\$2.939 billion in 2006/2007.

Where does the money go?

Instead of utilizing its oil and gas revenue for its citizens, the military regime is only seeking hot dollar and squanders it for military expansion including

building a nuclear reactor and a new capital Naypyidaw.

Burma's military might has grown in tandem oil and gas revenue. Analysts estimate that military expenditure account for some 60% of total government expenditure; that's roughly 12 to 15 times more than health (1.43%) and education (3.8%) expenditures combined.

Expenditure in building new capital estimated reached over US\$3 billion in 2005. While seventy percent of country's total populations living in rural area have no access to electricity and urban citizens can access between 4 to 6 hours per day, the new military capital has access to 24 hours electricity.

Burma's newly discovered offshore Shwe gas field (9.1 trillion cubic feet) and block M9 (estimated 8 tcf) are expected to double the regime's revenues from the sector when they come online in 2010-2012. The Shwe Gas Movement estimates that the Shwe gas fields are worth an estimated US\$40 billion.

The military regime has recently confirmed that Shwe gas would be piped to China and gas from block M 9 would be exported to Thailand.

Burma's current demonstration is proof that investing in Burma's oil and gas sectors does not support the people of Burma but instead provides the regime with weapon for killing its own people. Taking Burma's gas is the same as sucking the Burmese blood: revenue from the oil and gas sector leads to the people's suffering.

For restoring democracy in Burma, oil and gas companies must pull out. Engaging now in Burma's oil and gas projects and cooperating with the military regime is not just a business issue. It is a moral and political issue. ■

ASEAN Lawmakers to China, India: Don't Support Burmese Junta

By Sean Yoong (Aug 20, 2007/ AP)

KUALALUMPUR, Malaysia — Myanmar's military rulers will ignore demands for restoring democracy as long as China, India and Southeast Asian countries keep supporting them, regional lawmakers said Monday. The Association of Southeast Asian Nations (ASEAN) should form a "triangle of influence" with China and India to exert political and economic pressure on Myanmar's junta, which "has broken its promises to ASEAN many times before about implementing genuine reforms," said Charles Chong, a Singaporean member of Parliament. "All of us — ASEAN, China and India — will suffer if Myanmar's situation continues to deteriorate," Chong said at a gathering of more than 20 national legislators from Cambodia, Indonesia, Malaysia, the Philippines and Singapore to discuss Myanmar's politics. Problems sparked by the Myanmar military's grip on power have hurt the region, sending refugees to Thailand and Malaysia, producing illegal drugs that spill over to China and wrecking ASEAN's efforts to be seen as an influential grouping, Chong said. ■



Some lawmakers at the meeting called for the region's public and private sectors to pull investments out of Myanmar, adding that they would submit a petition to the Chinese and Indian governments to exercise more moral courage in tackling Myanmar.

"With Beijing as its 'godfather,' the [Myanmar government] has been emboldened to act with impunity and contempt for the concerns of its immediate neighbors," the lawmakers said in a statement. Chong acknowledged it would be tough to coax China to withdraw its diplomatic support for Myanmar's junta and crucial investments in oil, gas and minerals.

"Not even the US and the EU can compel China to do something it doesn't want to," he said. "But China wants to be respected globally, and we know that responsible global leaders would not support a regime that inflicts such suffering on its own people."

Myanmar's current junta, which took power in 1988, held general elections in 1990 but refused to cede power after a landslide victory by the National League for Democracy, led by Nobel Peace Prize laureate Aung San Suu Kyi.

Continued from page-1 - Burmese Junta Confirms-----

travel to China's Kunming, the capital of Yunnan province from western Burma's Arakan state through central Burma.

In return, China will provide the Burmese regime an annual transit fee of US\$ 150 million for 30 years for the pipeline's 990-km stretch in Burma.

According to assessments by the U.S.-based international certification agency GCA,

the A-1 and A-3 fields off the Arakan coast have proven to contain reserves of 5.7 to 10 trillion cubic feet with up to 8.6 TCF recoverable.

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.

South Korea's Daewoo International Corp., which had proposed building an LNG plant in Rakhine, has a 60 percent stake in the blocks.

Korea Gas Corporation has 10 percent, India's Oil and Natural Gas Corporation 20 percent and Indian natural gas utility GAIL has the other 10 percent.

Three energy hungry neighbors, India, China and Thailand, have been bidding to buy the gas from A-1 and A-3 through pipelines.

Burma has at least 90 TCF of gas reserves and 3.2 billion barrels of recoverable crude oil reserves in 19 onshore and three major offshore fields.

Altogether, 25 offshore blocks are under exploration, 12 of them in the Gulf of Martaban, six off the Tanintharyi coast and seven off the Rakhine coast.

Companies from Australia, Britain, Canada, China, Indonesia, India, Malaysia, Russia, South Korea, and Thailand have reached agreements with the government on exploration for gas and oil. ■

Continued from page- 1

arrested in ten days. Min Ko Naing, the second-most prominent opposition figure after detained democracy icon Aung San Suu Kyi, was also among the lists. ■

Reaction on Burma's Deteriorated Situation: "Wards of the Month"



While a prominent female activist, Su Su Nway center, demonstrated this month to reduce fuel prices, male protesters provided protection in Rangoon, Burma.



"We are staging this performance (protest) to reflect the hardship our people are facing due to the government's fuel price hike."
Min Ko Naing, the 88 generation Students leader.

"I strongly condemn the ongoing actions of the Burmese regime in arresting, harassing, and assaulting pro-democracy activists for organizing or participating in peaceful demonstrations."
President Bush

"The problem is the people, they feel the pinch now because ... they did not have to pay so much before."
Thaung Tun, Burma's ambassador to Manila

"The arrests, and the reports of troop build-ups, are deeply troubling. We saw in 1988 what the regime is capable of. It is a regime guilty of crimes against humanity. We urge the United Nations Security Council to hold an emergency discussion on the crisis in Burma as a matter of urgency, and we urge the British Government to do all it possibly can to raise the situation at the Security Council."
Stuart Windsor, Christian Solidarity World wide's National Director.

"Peaceful protests are brutally cracked down upon and I want to tell the international community that there is no rule of law in Burma,"
A prominent labor activist and former political prisoner, Su Su Nway.

"Today we are not only protesting against the hike of fuel prices. We are opposing the whole system in Burma. We trust that many more will join us soon."
Htay Kywe, the 88 Generation Students Leader

(Aug 15 to Aug 31) (SGB)

Fuel Price Policy Explodes in Burma

By LARRY JAGAN (Thu 23 Aug 2007/ Asia Times)

Public protests have broken out across Burma's old capital Rangoon after the military government unexpectedly removed fuel-price subsidies, resulting in a 500% spike in rationed fuel prices.

The shock policy is part of the government's emerging economic and financial reform program and notably coincided with a high-level mission to the country of International Monetary Fund (IMF) and World Bank officials, who have long pressed the junta to reduce or abolish a range of price subsidies.

The move has shocked the country's already fragile economy and, depending on the eventual scale of the protests and severity of the government's response, could have grave implications for political stability. Significantly, the spiraling acts of civil disobedience have been led by former political prisoners known as the 88 Generation Students Group, who nearly 20 years ago as student leaders led the pro-democracy demonstrations the junta cracked down on with an iron fist in 1988.

Burma's ruling junta, known as the State Peace and Development Council (SPDC), has for decades maintained strict social controls - though security forces have loosened their grip in certain areas of Rangoon since abruptly moving the national capital to a newly built city known as Naypyidaw in November 2005. The numbers joining the marches has grown since. More than a hundred people joined the first demonstration on Sunday demanding that the government intervene to lower fast-rising fuel and food prices.

More than 300 people took to the streets to protest on Wednesday, according to witnesses, and news reports indicate the rallies continued on Thursday. The junta has responded through stick-wielding vigilantes, including members of the pro-government Union Solidarity and Development Association. Some protesters have been beaten and whisked away in unmarked cars, according to witnesses who spoke with Asia Times Online.

"The government has raised fuel prices without giving any prior notice, and due to this hike, all the people are suffering," said one protester at Sunday's march. "Therefore we, the 88 Generation students, [National League for Democracy] members, university students, high-school students and civilians are protesting and demanding an immediate rollback in the prices of fuel."

The police have arrested more than a dozen key 88 Generation Student Group leaders in recent days, including renowned activist Min Ko Naing and poet Ko Ko Gyi.



A female activist give a speech during this month's protests against the Junta's doubled fuel prices.

"The junta is not scared of public statements or press releases by opposition groups, but they really do not want the public to come out to the streets, for this type of movement can get out of hand," Ko Ko Gyi told Asia Times Online before his arrest. The junta has also detained protest organizers from the recently formed Bruma Development Committee.

In a statement released on state-run media, protesters were detained for "undermining stability and the security of the nation". But the crackdown and arrests, some on-the-ground observers say, have acted to fuel public anger.

"More demonstrations are likely to follow, as [Rangoon's] residents are already fuming at the increase in fuel prices," said a Western diplomat based in the country's capital.

Economic meltdown

There are preliminary indications that the subsidy policy is seizing up the economy. Prices for compressed natural gas, which the government had in recent years promoted for use in commercial vehicles, have increased fivefold, while the price of basic commodities has skyrocketed in line with the higher transportation costs. Bus fares and taxi charges doubled almost immediately in urban centers such as Rangoon, Mandalay and Moulmein, resulting in drastically reduced passenger loads.

According to a Rangoon-based financial analyst who requested anonymity over concerns of possible government reprisals, the increase in bus fares will disproportionately

affect the urban poor. Manual workers and day-laborers in the country's main cities, who earn less than 2,000 kyat (US\$2 at the unofficial exchange rate, which is much closer to the real world than the official rate) a day, will, because of higher prices, have to pay more than half their wage in travel costs, he estimated. In certain instances, it may even be as much as three-quarters of their daily income.

Win Min, an independent Burma analyst based at Chiang Mai University in northern Thailand, estimates that inflation was already running at nearly 40% annually, and with the recent removal of fuel-price subsidies that rate could double to 80%. "There will be an increase in layoffs as businesses are forced to close, and we are likely to see a significant rise in the price of food, clothing and basic commodities," he said.

Indeed, Rangoon food prices have already risen steeply. Since last week, rice has risen by nearly 10%, edible oils by 20%, meat by about 15% and garlic and eggs by 50%, according to aid workers based in the city who monitor local market prices. A standard plate of Burmese noodles has nearly tripled in the past week, one aid worker said.

"These price rises are crippling for most residents in Rangoon," a Burma economist told Asia Times Online, using the old name for Rangoon (the junta officially renamed both the city and the country, long known as Burma, in 1989). "They could hardly afford food before. Now their weekly budget for essential foodstuffs is going to buy even less - their purchasing power has been reduced by more than 25% virtually overnight."

Crucially, the policy could cause a backlash among one of the junta's key political support groups: the civil service. One elderly retired office worker who spoke by telephone with Asia Times Online complained that her pension now barely covers the taxi fare she pays to retrieve it from government offices. Inflationary pressures will also inevitably lead to demands for salary and wage increases among government and private-sector workers.

Economic analysts say it is highly unlikely that the government will any time soon increase wages, having shouldered a major wage increase for government employees last year. The private sector, already suffering from slack domestic demand, will also likely find it hard to meet employees' demands to increase wages. Some private businesses have already closed down, at least. Some economic analysts have speculated that the SPDC rolled back fuel-price subsidies because it is strapped for cash. In particular, the analysts believe the massive expenditure associated with building the new capital at Naypyidaw, some 400 kilometers north of Rangoon, has depleted the national coffers. The government is also reportedly building a massive new Internet and communications-technology center known as Yadanapon Cyber City near the newly built capital.



Peaceful demonstrations against recent fuel price hike in Burma

"The cost of building Naypyidaw was bleeding the government's coffers dry," said Sean Turnell, a specialist on Burma's economy at Macquarie University in Australia.

"The government is acutely short of revenue. Naypyidaw is itself absorbing more than the increase in income from gas revenues. On top that, there are the dramatic [increases] in government salaries of last year, as well as now the potentially large expenditure needed for the planned nuclear reactor," he said.

Neo-liberal prescriptions

Ironically, perhaps, the junta had recently attempted to improve the national finances through better tax collection. The IMF and World Bank had warned the regime this time last year that if it did not reduce its high budget deficits - which it has traditionally covered by rolling the monetary presses, sparking inflation - the economy would suffer.

"Living standards are low and inflation is increasing. The prospects for sustained growth in real incomes are constrained by inflation, structural rigidities, weak economic policies and low investment," the IMF team warned after its mission to the country last year.

The government has recently moved to implement some of the IMF's less stringent reform recommendations, including a campaign to collect more taxes from private businesses. This year, the authorities mounted a major investigation into businesses suspected of tax evasion. Some of the country's biggest companies, including Max Burma, AA Pharmacy, the Peace Burma Group and International Beverage Trading, were targeted by the investigation and several leading business people were arrested on tax-evasion charges.

Last year, the IMF reported that Burma's revenue collection had risen slightly, and the budget deficit had dropped to about 4% of gross domestic product. "The tax-revenue increases are real, but they're from such a low base they're more a 'promise' of a better fiscal future than [achieving] one now," argued academic Turnell.

India eyes more gas fields in Burma

August 31, Economic Times

What is more critical, according to economists, is that the junta move to reduce spending - something the military regime appears loath to do. The SPDC has shown no signs of reducing military spending, expenditures related to finishing the new capital and cyber-city, and big-ticket energy projects, including new dams and the country's first nuclear reactor, economic analysts say. Hence the only fiscal card it had left to play was reducing fuel subsidies.

The IMF has long advised the SPDC to reduce government subsidies, particularly on fuel prices. It's unclear whether the IMF and World Bank pressured the junta into making the policy or whether they recommended a more phased approach to removing the subsidies.

Now, the more pressing question is whether the already impoverished population can absorb the sudden shock therapy. "More than 90% of the country's population already lives in dire poverty," said an economist based in Yangon. "It is not so much a case of food shortages as families' incomes being insufficient to purchase their daily needs."

Recent United Nations country surveys for Myanmar reveal a trend toward increasing poverty and a growing income gap between rich and poor.

"More than 90% of the population live on less than 300,000 kyat [about \$300] a year," a senior UN official who spoke on condition of anonymity told Asia Times Online. "Food security has become a significant issue in many parts of the country, especially in the remote and border areas."

Meanwhile, the street protests in Yangon showed no signs of abating. Some Rangoon-based economic analysts have even started to draw political parallels with the period leading up to the junta's bloody crackdown on the pro-democracy demonstrations in 1988, which then were sparked by an abrupt government decision to demonetize the local currency.

"The military learned its lesson last time and will try to nip [demonstrations] in the bud this time before they get out of hand," said a local analyst.

If so, expect more repression and revolt in Myanmar in the weeks ahead. ■

Indian has another opportunity of bagging three deepwater hydrocarbon blocks in eastern neighbourhood, Burma. ONGC Videsh (OVL) is considering to pick up stakes in three Arakan offshore deepwater blocks: AD-2, AD-3 and AD-9. OVL, along with Gail, already has 30% interest in two gas producing blocks A1 and A3 in Burma.

Interests in some of the AD-series blocks have been already acquired by international firms. China National Petroleum Corporation (CNPC) has interests in the AD-1, AD-6 and AD-8 deepwater blocks which it won in January 2007. Another block AD-7 was bagged by Daewoo.

The investments made by OVL-Gail combine in A1 and A3 blocks are also yielding good results. It is stated that Indian companies would make an investment of \$540 million in the two gas assets to get a return of around \$2.5 billion. The estimated recoverable reserve in these two blocks are about 4.8 trillion cubic feet (tcf). While Gail holds 10% participating interest in each blocks, 20% interests in each are held by OVL. Investment and recovery periods are estimated to be around 20 years.

Gail had also taken a 30% participating interest in off-shore block A-7 in Burma with Silver Wave Energy, which had balance interest of 70% in the block. In July 2007, Gail decided to exit from the project after having studied its prospect. "Studies indicated that the prospect of A-7 was not very good," an official said. Gail had signed the production sharing contract (PSC) with Silver Wave in December 2006.

The PSC was signed with the condition that the relevant date would be analysed and a final decision for continuing in this block would be taken in six months. "The block date was arranged by Silver wave in April 2007 and thereafter, analysed by Gail team. Gail had also taken a third party opinion on the data. Considering poor prospects in the block Gail decided to exit from this block," the official said. ■

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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 Students and Youth's 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.

China Conducts Survey for Oil Terminal in Burma

Aug 20, 2007 (SGB)

China is conducting a survey to build an oil terminal in the Island of Ramree, Burma's biggest island in Arakan State, according to this month news reports.

The state-owned China National Petroleum Corporation (CNPC) is conducting a detailed assessment with the state-owned Myanmar Oil and Gas Enterprise (MOGE) for a crude oil terminal on the Arakan Island of Ramree, located along the Bay of Bengal. The Myanmar Times reported.

The crude oil terminal would provide the planned Arakan-Kunming crude oil pipeline which China expects to start building this year, according to China's Sinopec company. The National Development and Reform Commission approved the crude pipeline in April 2006.

The crude pipeline would course more than 500 miles from the coast-hugging island through rugged terrain to the Chinese border, and then another 400 miles or so through

Yunnan to the provincial capital of Kunming, where a refinery is also



The long-expected pipeline would provide an alternative route for China's crude imports from the Middle East and Africa and help reduce its dependence on traffic through the Strait of Malacca.

China also plans to invest 8 billion yuan (\$1.04 billion) in a 2,380-km Shwe gas pipeline between the two countries.

Similarly, China is also going to start building a huge sea port in the same Ramree Island this year. The port, with a water depth of 20 meter, will be capable of accommodating 40,000 TEU (20-foot equivalent units) container vessels and would facilitate a transit trade to the Adman sea and beyond.

planned.

Analysts suggest the oil pipeline across Burma might cost between \$2 billion and \$3 billion and might eventually handle up to 40 million tons per year.

The CNPC has proposed to extend a planned Burma-China crude oil pipeline to the southwestern Chinese city of Chongqing.

**No Oil,
No Blood**

The Arakan Oil Watch

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