The Shwe Gas Bulletin

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China Tie Economic with Burma's Military Regime Including Energy Sector

Dec 2009 (SGB)

During the visit of Chinese Vice President Xi Jinping to Burma in Dec 2009, the two countries signed five agreements on the development of trade, economy, transport infrastructure, technological cooperation and purchase of machinery; seven financial agreements, three agreements on hydroelectric power; and one agreement on the energy sector and the oil and natural gas pipelines. Among the MoUs signed during the visit was an agreement to allow China National Petroleum Corporation (CNPC) exclusive rights to build and operate a Myanmar-China Crude Oil Pipeline.

China's trade with Burma is on the rise concomitant with their deepening energy ties. According to Chinese official statistics, from January to December in 2008, bilateral trade between the two nations accounted for US$ 2.626 billion, a rise of 26.4 percent from the corresponding period in 2007. China has become the No.4 foreign investor in Myanmar as against its No.6 rank in the past.

Chinese Vice President Xi Jinping (left) and Burma's dicator Than Shwe (right) during last year's visit

CNPC Starts Work on $1.5 Billion Oil Pipeline and Oil Terminal in Autumn

Dec 2009 (SGB)

China's CNPC will start building the $1.5 billion oil pipeline in autumn of this year and construction of the oil terminal as early as October 31 in Kyauk Phyu City of Western Burma's Arakan State, according to OilVoice news.

The China-Burma Crude Oil Pipeline travels from the small Island of Maday at Kyauk Phyu, running 771 kilometers through Rakhine, Magway, Mandalay and Shan State, and enters into China from Ruili in Yunnan Province.

The pipeline initially will carry 12 million tons of crude oil per year and ultimately, it will be able to carry 22 million tons annually.

CNPC holds a majority 50.9% stake and state-owned Myanmar Oil & Gas Enterprise (MOGE) owns the remaining

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Signing of MoU between China and Burma during the vist

Published by the Arakan Oil Watch, a core member of the Shwe Gas Movement

Burma Has Gas Money: No Financial Help Needed

The Burmese military regime, one of the world's most brutal dictatorships, signed a US$ 630 million worth contract earlier this year to buy 20 fighter jet MiG-29D's and some Mi-35 attack helicopters from Russia, while on the other hand hundred thousands of people in cyclone Nargis hit Delta area are in urgent need of help to survive.

In February 2009, the Tripartite Core Group (UN, ASEAN, and Burma's Junta) appealed for international aid of $691 million at the launching of a 3-year Post- Cyclone Nargis Recovery and Preparedness Plan (PONREPP). Their target appeal amount was not reached and less than US$ 100 million was promised by the international community last year.

There is still urgent need for funds for continuing humanitarian assistance, especially in the areas of shelter, livelihoods, water, sanitation and hygiene, education and health in the cyclone hit Delta area. According to officials more than 100,000 people are still without shelter in this area.

Burma's regime has spent billions of dollars for military expansion rather than the development of the country, especially in the education and health sectors.

Security analyst William Ashton once noted that Burma's military regime has been squandering a lot of money to buy weapons since 1998, when Burma started delivering its gas to Thailand. The military regime has bought military hardware and technology from China, India, Ukraine, Serbia and Russia, which is planning to build a nuclear research centre and a 10 megawatt nuclear reactor.

Gas export is the largest foreign income source for the military regime. In the fiscal year 2008-09 it has reached US$ 2.38 billion, according to official data. Gas exports could be expected to rise more than double when discovered offshore gas projects, Shwe gas and block M-9 come online in 2013 and 2015 respectively.

Burma's international reserves have risen to a value worth over $5 billion since the end of last year.

This gas revenue could have been utilized for the recovery of the delta area and country's development rather than military equipments, building a new capital, nuclear reactors and underground tunnels.

The military regime has reportedly spent over US$ 9 billion over three years with the use of foreign aid and loans in tunnel construction equipments, according to Democratic Voice of Burma(DVB). The expensive tunnel constructions are believed to be built after 2000, backed by the regimes' five companies including US sanction hit Htoo Trading and Asia World company.

It is hard to read the unpredicted mind of Burma's military regime; spending billions of dollars for military purposes while the rest of the country's social and economic situation is in desperate need of help.

So what is all this military expansion for?

Currently, there is no imposing war between the military regime and its neighbouring countries nor with the US. But there is a long standing civil war between the military regime and ethnic armed forces.

In August last the military regime attacked the army of the Kokang minority, who refused to accept to become border guard force under the military regime ahead of the upcoming 2010 election, resulting some 30,000 refugees spilling into China.

Recently attacks on ethnic nationalities have been reported in Karen, Shan and Kokang ethnic areas. At least 39 Shan villages were attacked, with some 10,000 villagers forcibly displaced in July and August 2009, according to the Shan Human Rights Foundation and Shan Women's Action Network.

According to Burma watchers, an intensive civil war could break out again between the Burmese military and ceasefire ethnic armed forces who are denying to form border guard forces.

Kachin, Eastern Shan and the 30,000-strong ethnic Chinese United Wa State Army, one of the strongest armed forces in Burma are among the groups.

If war breaks out in the ethnic areas, the innocent people will be the first who will have to face severe atrocities and will suffer the most.

Without gas revenues, the military regime will not have the means to continue spending money on weapons to kill ethnic people. Multinational oil companies such as Total of France, Chevron of US, Daewoo International of S. Korea, PTT of Thailand, ONGC of India, Petronas of Malaysia and other major big oil companies in Burma are deeply responsible for their cooperation with Burma's regime. Companies must encourage the military regime to use gas revenues transparently for the needs of the people such as the recovery of the delta area, education and health. If not, there is no reason for these companies to stay in the country.

Burma has gas revenues and therefore it does not need capital help from the outside world. The international community just needs to make the military regime use gas revenues to realize the needs of people. Supporting Burma financially at this stage means nothing more than doubling the military regime's corrupt pocket for military expansion and enrich their families. ■

Burma Control Import Sale Gasoline and Diesel Fuel

February 9, 2010

Burma business tycoon Tay Za controls the importation and sale of gasoline and diesel fuel. An official at the regime-owned Federation of Chambers of Commerce and Industry and Rangoon-based business sources said the Fuel Oil Importers and Distributors Association (FOIDA) was formed on Jan. 23, with Tay Za as chairman and Aung Thet Mann as vice chairman. The association has 138 members.

Aung Thet Mann is the son of the regime's No. 4, Gen. Thura Shwe Mann. Both men are on the US sanctions list.

The Burmese junta's privatization commission announced recently that it is selling more than 100 state-owned buildings and factories as part of the latest wave of privatizations. Petrol stations, which were formerly run by the Ministry of Energy, were not included in the list.

Business sources, however, said that Htoo Trading Co Ltd, owned by Tay Za, has already been awarded a contract to operate state-owned gas stations in Upper Burma.

Tay Za

Sources said that the FOIDA will oversee the operations of importing, pricing and distribution of gasoline and diesel.

According to the Ministry of Energy, Burma has 256 fuel filling stations. The military government has strictly controlled all fuel-related business, including filling stations, since 1962.

Due to the continued increase in global fuel prices in 2008, the Burmese military government has allowed trade by permitting two companies—Union of Myanmar Economic Holding Ltd, a military generals' syndicate, and Tay Za's Htoo Trading Company—to import fuel.

In August 2008, the Ministry of Energy allowed petrol stations to sell large quantities of fuel to holders of dollar-denominated foreign exchange certificates (FECs), ending a system of buying fuel with ration books under restricted quota. Consumers paying in the national currency, kyat, are still limited to two gallons per day.

The sources said the regime's Trade Council, the country's highest authority in the area of importing and exporting, announced a policy of allowing private companies to import diesel from December, 2009.

The new policy replaced that of the Diesel Import Provisional Committee, which was formed after Cyclone Nargis hit Burma in 2008, to enable some private companies to import diesel to meet urgent demand in storm-hit areas.

Burma is essentially a diesel-powered economy. Buses, trains, trucks and portable generators that exist in nearly every home, factory and shop rely on diesel. According to a Xinhua Chinese news agency report, Burma planned to import more than 30,000 tons of diesel for the first time from Singapore in December.

According to the Ministry of Energy, Burma produces some 80 million gallons of diesel every year for domestic use. Over the last few years, however, the country has had to import about 330 million gallons of diesel every year from Malaysia, Thailand and Singapore.

http://favoritearea.com/

Burma Plans to Hand over 3 Yangon Ports to Private Firm

Feb 9, 2010 (Reuter)

Myanmar's military government is planning to transfer three port facilities in the commercial capital, Yangon, to the private sector, adding to a list of recent privatisations, an industry official said on Monday. "Arrangements are under way to hand over ports under the Ministry of Transport, including three major ports in Yangon," said a senior official from the Myanmar Federation of Chambers of Commerce. The military, which has ruled under various guises since a 1962 coup, has been on a drive to privatise state-run operations ahead of elections due sometime this year. Around 250 petrol stations around the country were handed over to the private sector last week. Factories, mills, cinemas, land and an airline have also been transferred or are in the process of being trasnferred. The wharves involved are Botataung, Bo Aung Kyaw and Sule, which handle about 90 percent of Myanmar's imports and exports. Two private companies are already operating services in the port of Yangon. ■

Burma Buys 20MiG-29 Fighter Jets

24-Jan-2010

In late December 2009, reports surfaced that Myanmar (formerly Burma) had signed a EUR 400 million (about $571 million) deal with Russia's Rosoboronexport for 20 MiG-29D fighters. Some sources add a deal for more Mi-35 attack helicopters, and place the entire package at EUR 450 million. The Russian bid reportedly beat a Chinese offer to supply 4+ generation J-10/ FC-20 fighters, or the cheaper JF-17/ FC-1 Thunder lightweight fighter. Implicitly, it also edged out neighboring Malaysia, who is preparing to sell its MiG-29N fleet at a discounted price. This is good news for RAC-MiG, whose financial troubles and low order volume led to a shotgun merger with Russia's state-owned United Aircraft Corporation, government bailouts, and doubts about the long-term future of its technologies.

By comparison, the Tripartite Core Group (UN, ASEAN, and Burma's Junta) launched a 3-year Post-[Cyclone] Nargis Recovery and Preparedness Plan (PONREPP) in February 2009, appealing for international donations of $691 million…

Myanmar's air force ordered 12 MiG-29s from Russia in 2001, to supplement a fleet that mostly relies on Chinese F-7 (MiG-21 copy) and J-6/ Q-5 (MiG-19 copy and heavily modified MiG-19 derivative) fighters. Current levels of readiness among the regime's existing aircraft types are uncertain, and in late January 2010, one of those F-7s crashed, killing the pilot. This is not uncommon with MiG-21s and their derivatives, which can be challenging to fly safely.

Russia made MiG29

China has close relations with Myanmar, and remains one of its main international supporters, so its presence as Russia's main arms competitor in Myanmar is hardly surprising. Russia's MiGs gave it a foothold of its own, and the SPDC regime is also cooperating with Russia to build a nuclear power plant, reportedly a Russian 10-megawatt design with low enriched (under 20% U-235) uranium.

Those relations with Russia can be a somewhat touchy subject, it seems. Recently, the SPDC regime sentenced 2 government officials to death for leaking information about state visits to North Korea and to Russia, and about underground tunnels being built around the new capital with North Korean help.

http://www.defenseindustrydaily.com/

Malaysian and Singaporean Firms to explore oil and gas in Burma

24-Jan-2010 (SGB)

Malaysia's Petronas Carigali Overseas Sdn. Bhd and Singapore's UNOG Pte Ltd have signed production-sharing contracts to explore for oil and gas in three offshore blocks in Burma, according to sources.

According to the contract, the consortium will explore oil and gas in blocks MD-4, MD-5 and MD-6.

Blocks MD-4, MD-5 and MD-6 are deep-water blocks in the Gulf of Martaban, south of Rangoon, Burma's main city and former capital.

Petronas is already involved as operator with a 40.75% stake in the Yetagun offshore gas project which is one of the largest gas fields in Burma and is contributing billions of dollars to Burma's military regime annually for decades by selling to Thailand.

The Yetagun gas project includes offshore blocks M-12, M-13 and M-14 in the Gulf of Martaban.

Burma has currently 44 offshore and 47 onshore blocks. 27 offshore blocks have been signed with 13 foreign companies and 11 onshore contracts have been signed with 8 foreign companies, according to official data. ■

Burma Is Not Broke

By Sean Turnell (Aug 7, 2009)

The drawn-out show trial of democracy icon Aung San Suu Kyi has once again focused attention on Burma and sparked discussion on how to engage the regime. U.S. Secretary of State Hillary Clinton recently suggested development aid as a carrot to coax the generals to talk. But contrary to popular belief, the junta isn't as poor as it claims to be.Burma has emerged as a major regional supplier of natural gas in Asia-Pacific.

At present, most of this gas is sold to Thailand, but new fields will shortly provide for vast sales to China. Rising gas prices and increasing demand have caused the value of Burma's gas exports to soar, driving a projected balance-of-payments surplus for this fiscal year of around $2.5 billion. Burma's international reserves will rise to over $5 billion-worth by the end of the year.

These revenues make next to no impact on the country's official fiscal accounts, however. The reason is simple: Burma's U.S. dollar gas earnings are recorded in the government's published accounts at the local currency's "official" exchange rate of around six kyat to a dollar. This rate overvalues the currency by nearly 200 times its market value and undervalues the local-currency value of Burma's gas earnings by an equivalent amount. Recorded at the official rate, Burma's gas earnings translate into less than 1% of budget receipts. By contrast, if the same gas earnings are recorded at the market exchange rate, their contribution would more than double total state receipts, and largely eliminate Burma's fiscal deficit.

The motivation for this sleight of hand is probably to "quarantine" Burma's foreign exchange earnings from the country's public accounts, thereby making them available to the regime and its cronies. This accounting is facilitated by Burma's state-owned Foreign Trade Bank and some willing offshore banks.

Flush with these funds, Burma's military rulers have embarked upon a spending binge of epic proportions, including indulging themselves in the creation of a new administrative capital named Naypyidaw, or "abode of kings." They are also buying nuclear technologies of uncertain use from Russia and possibly from North Korea.

This kind of behavior is par for the course in Burma. The military junta took power in a 1962 coup and has consistently expropriated the country's output while dismantling its basic market institutions. There are no effective property rights in Burma, and the rule of law is weak. Macroeconomic policy making is capricious, unpredictable and ill-informed. The regime spends greatly in excess of its revenue and resorts to the printing presses to finance its spending, creating inflation. Most of Burma's prominent corporations are owned by the military, and the country is judged by Transparency International as the second most corrupt in the world.

Burma's fall from grace has been incredible to watch. The country was once one of the richest in Southeast Asia and the world's largest rice exporter. Today, Burma can barely feed itself. In 1950, the per capita of GDP of Burma and its neighbor, Thailand, were virtually identical. Today, Thailand's GDP is seven times that of its former peer, despite very similar religious, cultural and physical endowments.

The people of Burma are poor, but the regime that oppresses them is not. Changing this equation is the true key to economic development in Burma, and the outcome to which the efforts of the rest of the world should be directed. ■

The Wall Street Journal

Mr. Turnell is the editor of Burma Economic Watch and an associate professor in economics at Macquarie University in Sydney.

RESOURCES FOR THE PEOPLE

India to Obtain Stake in Shwe Gas Pipeline

29 Dec 2009 (SGB with Agencies)

State-run Oil and Natural Gas Corporation (ONGC) and GAIL India plan to take a 12.5 percent stake in the Shwe gas pipeline that China is building in Burma to transport natural gas found in the Bay of Bengal.

Gail will pick up a 4% stake and ONGC will pick up another 8.5% stake in the Shwe gas pipeline project, according to officials.

Sources said the Cabinet Committee on Economic Affairs is likely to soon consider a proposal allowing ONGC Videsh, the overseas arm of the state explorer, and GAIL, to invest $251.2 million (around Rs 1,170 crore) in the 870-km pipeline China National Petroleum Corp is laying in Burma to supply gas found in offshore blocks A-1 and A-3(Shwe Project) to mainland China.

South Korea's Daewoo Corp holds 51 percent stake each in Block A-1 and A-3 while ONGC has 17 percent stake. GAIL and Korea Gas Corp have 8.5 percent each while the remaining 15 percent is with Burma's Myanma Oil and Gas Enterprise (MOGE).

Gas from A-1 and A-3 would be sold to China for $7.72 per million British Thermal Unit (BTU) at the landfall point in Burma.

Daewoo-ONGC-GAIL-KOGAS would invest $2.79 billion in three gas fields in block A-1 and A-3 off the Myanmar coast and another $936.26 million in laying an under-sea pipeline to take the gas to the shore, sources said.

Burma has decided that the gas from A-1 and A-3 would go to China. CNPC will pay USD 6.71 per mmBtu for the gas plus an offshore pipeline tariff of $1.02 per mmBtu.

CNPC Starts Work on $1.5 Billion Oil Pipeline and Oil Terminal in Autumn

Continued from page 1

49.1%.

Securing exclusive rights with Burma's military regime in December last year, CNPC will build and operate the China-Burma crude oil pipeline.

Witnessed by China's Vice President Xi Jinping and Maung Aye, vice-chairman of Myanmar's State Peace and Development Council, a CNPC executive and a representative from Burma's energy ministry signed the deal on Sunday that awards exclusive rights to CNPC controlled Southeast Asia Crude Pipeline Company Ltd.

The CNPC unit will also enjoy rights including tax abatement, crude oil passing through Burma's territories, customs clearance and road operations, CNPC said in a report on its website (www.cnpc.comc.cn).

The Burmese Junta will guarantee pipeline safety and the ownership and franchise right of the pipeline by Southeast Asia Crude Pipeline Company Ltd., the report said.

The report did not say what or how much benefit the military junta would receive from the project.

CNPC, parent of PetroChina started building a crude oil port in Maday Island of Kyauk Phyu Township on Oct. 31, which is part of the 771-kilometre pipeline project aimed at cutting out the long detour that many Chinese oil cargoes take through the congested Malacca Strait.

According to locals from Kyauk Phyu, over 50 acres of rice fields have been confiscated without compensation for construction of the Sea Port project.

Bangladesh, Burma to Resolve border Dispute

Sat Jan 23, 2010

DHAKA, Jan 23 (**Reuters**) – Bangladesh and Myanmar have agreed to resolve a maritime boundary dispute that brought their forces face to face in the Bay of Bengal in 2008 after Myanmar began oil and gas exploration, a Bangladeshi official said on Saturday.

"The important agreement was reached between the neighbouring countries at a recent meeting," Foreign Secretary Mohammad Mijarul Quayes told reporters.

He said officials from the two countries would meet soon to demarcate the border in a way that would establish Bangladesh's rights on its off-shore gas blocks.

Bangladesh sent a naval patrol to the disputed area in October 2008 after Myanmar began oil and gas exploration. Both countries also concentrated troops at strategic points along their 320-km (200-mile) border, partly demarcated by the river Naf. Myanmar withdrew its exploration teams and agreed to resolve the issue through talks.

Bangladesh had referred the issue to the United Nations for arbitration under the Convention on the Law of the Sea.

Five Facts about China-Burma Relation

December 16, 2009 (Reuter)

Chinese Vice President Xi Jinping, seen as frontrunner to succeed President Hu Jintao, arrives in Myanmar on Saturday for a two-day visit and is expected to meet the regime's reclusive top leader.

Here are five facts about relations between the two countries:

**** Burma, as the country was then known, was one of the first countries to recognise the People's Republic of China in 1949. But relations soured in the 1960s following anti-Chinese riots in Rangoon (now called Yangon).***

**** Following a crackdown on pro-democracy protestors across the country in 1988, the West imposed broad sanctions on Myanmar. China stepped into the void, providing aid and weapons and ramping up trade. China has continued to provide broad diplomatic support for Myanmar's military government.***

**** China has invested more than $1 billion in Myanmar, primarily in the mining sector, and is the country's fourth largest foreign investor, state media say. Bilateral trade grew more than one-quarter last year to about $2.63 billion. Chinese firms are also heavily involved in logging in Myanmar.***

**** Myanmar gives China access to the Indian Ocean, not only for imports of oil and gas and exports from landlocked southwestern Chinese provinces, but also potentially for military bases or listening posts.***

In October, China's CNPC started building a crude oil port in Myanmar, part of a pipeline project aimed at cutting out the long detour oil cargoes take through the congested and strategically vulnerable Malacca Strait.

**** The friendship has had rocky patches. In August, refugees flooded across into China following fighting on the Myanmar side of the border, angering Beijing.***

In 2007, China's Foreign Ministry published an unflattering account of Myanmar's new jungle capital Naypyidaw, expressing surprise that the poor country would consider such an expensive move without even first telling its supposed Chinese friends.

(Reporting by Beijing newsroom; editing by Ben Blanchard and Ron Popeski)

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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.*

Houses and Rice Fields Confiscated for China's Oil Pipeline and Sea Port Project

Acres of rice fields were confiscated without any conpensation for CNPC's oil pipeline and seaport project at Madae Island of Kyauk Phyu Township, Arakan. This photo states CNPC's construction work on the project over rice fields late last year. Narinjara, an Arakanese media organization in exile, reported the villagers saying that over 20 acres of rice fields and 30 houses have been confiscated so far. About a thousand families in the three villages at the entire island are feard to be relocated to another place.

The sand from the project construction site is going to cover the entire rice fields, according to the source.

The Arakan Oil Watch

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