
FOCUS / BURMA : THE HUNT FOR ENERGY AT ANY COST

The politics of doing business with a brutal regime

By MATTHEW SMITH

In the 5th century BC a group of intellectuals emerged in Greece teaching the art of rhetoric. Dubbed the sophists, from the Greek *sophos*, meaning wisdom, the group specialised in teaching and practicing the skills of persuasion. To be well-versed in sophistry meant that you got what you wanted through sophisticated arguments. But as Plato and others recognised, a problem with sophistry was that it often had nothing to do with truth and justice.

Since Sept 26-28, when the regime in Burma opened fire on monk-led protesters and intensified its campaign against suspected dissidents, private and national oil and gas corporations have publicly defended their interests and investments in Burma.

Some are better sophists than others.

Chevron Corporation of the US, Total of France, China's CNOOC, and Thailand's PTTEP, all with large interests in Burma's oil and gas deposits, have separately claimed that their projects benefit the people of Burma. PTTEP and CNOOC did not say specifically why they think so, but Chevron and Total did, citing arguable statistics about public health and educational improvements.

Despite these claims, the repression in Burma is now clear to the entire world. And despite the junta's abuses, Burma is home to the fastest growing oil and gas industry in Southeast Asia.

Companies from Thailand, France and the US have been there for years, but it was a huge natural gas discovery in Burma's Bay of Bengal by South Korea's Daewoo International in 2004 that provided other firms with the confidence they had previously lacked. This ushered in a veritable gas boom that now involves 23 companies from 14 countries, operating 33 onshore and offshore projects in Burma, according to official statistics.

These investments require by law a 50:50 joint-venture partnership with the state-owned Myanmar Oil and Gas Enterprise (MOGE).

Foreign companies receive a contractual right to explore for oil and gas, and bring the capital and expertise the junta lacks. In the event of a commercially viable discovery, MOGE steps in at the production phase to collect revenue, having risked nothing in the process. Nearly all the natural gas is exported.

Approximately 35% of foreign direct investment in Burma is in the oil and gas sector, and exports to Thailand last year generated US\$2.16 billion (73.44 billion baht). According to the Shwe Gas Movement report Supply and Command, and later corroborated by Human Rights Watch, another US\$12-17 billion (408-578 billion baht) is on the way from the Daewoo-led Shwe gas project.

Theoretically, the regime would starve in the absence of corporate backing. Unfortunately, losing this support is not a real threat to the junta for at least two reasons, both of which present deep problems in terms of human rights.

First, Burma has resources everyone wants. Financial incentives created by the rising cost of oil and regional energy demands have so far trumped ethical challenges to the corporations, even amidst nationwide manhunts, the killing of pro-democracy protesters, and direct human rights and environmental impact from previous natural gas projects. There's money to be made and economies to expand, notably those of India, China and Thailand, Burma's largest trading partners.

Second, most corporations prioritise one legal duty above all others, and that is to maximise profit for their shareholders. If backing a murderous junta is profitable, then corporations like Daewoo and Chevron will do this in service to their bottom line.

And like good sophists, they will attempt to defend their interests in other, more respectable and socially conscious terms.

Consider Chevron and Total. During construction of their Yadana gas pipeline, their hired security force, the Burma Army, committed human rights abuses such as forced labour and forced displacement, rape, torture and murder of people who lived in the path of the pipeline. Chevron and Total, as well as partner PTTEP, now extol the purported virtues of their involvement in the gas project, citing it as consistent with corporate responsibility.

The least thoughtful response to the ongoing crackdown in Burma came from Daewoo International of South Korea, a country which, like Burma, languished under autocratic regimes and repression, only to become a stable democracy and home to the world's 11th largest economy. When asked if the crisis in Burma would lead the company to reconsider its billion-dollar investment in the Shwe gas deposit, a Daewoo spokesman responded, "Politics is politics. Business is business", implying that the business of oil and gas is apolitical.

Nothing could be further from the truth.

Historically, the idea of "energy security" dates back to World War One, when Winston Churchill decided to transition from coal to oil to give British combat ships an advantage over its adversaries' slower, coal-powered ships. This required securing the delivery of oil, which was not part of Britain's natural heritage.

In 1937, Japan started the Sino-Japanese War, which eventually became part of World War Two, by invading China in order to secure access to that country's vast natural resources. And more recently, with oil revenue enabling genocide in Darfur, war raging in Iraq, and US-Iran tensions rising, the business of oil and gas weighs heavily on the scales of peace and conflict.

And of course, there is Burma, where the ongoing protests began in September after the regime increased the price of fuels by up to 500%.

But the politics of the business don't stop there. Private oil companies in democratic countries like the US and France routinely lobby lawmakers on issues where business and politics meet, in areas ranging from climate change legislation to tax laws to economic sanctions.

National oil companies (NOC), which globally control approximately 77% of the world's oil, don't have to lobby the government because they are usually owned or controlled by the government.

This is especially true of the NOCs in countries like China, which has all three of its major oil and gas companies involved in Burma.

Other NOCs in Burma include Korea's KOGAS and India's GAIL and ONGC Videsh, all of which are stakeholders in the Shwe natural gas project in Burma's Bay of Bengal.

The question is not whether oil and gas is political or apolitical. The question is what are the companies in Burma going to do now to help stop the regime's campaign of injustice and support efforts toward national reconciliation?

They could start by fulfilling their duty under international law to respect, protect, and promote human rights, and by recognising that their presence in Burma is not neutral.

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