



China in Burma:
***The increasing investment of Chinese multinational corporations
in Burma's hydropower, oil & gas, and mining sectors.***

**Burma Project
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Introductory research conducted by the Burma Project over the past three months has found more than 26 Chinese multinational corporations (MNCs) involved in more than 62 hydropower, oil & gas, and mining projects in Burma. The projects vary from small dams completed in the past decade to planned dual oil and gas pipelines across Burma to Yunnan province announced this year. Detailed information about many of these investments is not made available to affected communities or the general public, and we hope that the information here will stimulate additional discussion, research, and investigation into the conduct of Chinese MNCs in Burma.

Amidst the recent attention to China's moves to secure energy and resources throughout the world, Burma (also known as Myanmar)¹ has too often been overlooked. The Southeast Asian country is rich in natural resources, from dense forests and untouched rivers to vast untapped reserves of minerals, oil, and natural gas. Ruled by one of the world's most notoriously brutal military regimes since 1962,² Burma exemplifies the corruption, misuse of resources, and environmental devastation of the "resource curse."³

Many western governments have imposed trade and investment sanctions on Burma, which has resulted in the departure of many western corporations; notable exceptions include Total of France and Chevron of the US. Meanwhile, as many Asian countries have begun to move outside their own territories in search of natural resources and energy, Burma has been a top destination. India, Thailand, Singapore, and China are among the Asian countries with the largest investment in Burma's hydro, oil & gas, and mining sectors.⁴

China in particular has invested heavily in Burma's natural resources, while providing financial support in the form of conditions-free loans,⁵ political support,⁶ and military armaments.⁷ Similar to their operations in countries such as the Sudan, which have drawn much criticism, the operations of Chinese MNCs in Burma have been largely shrouded in secrecy, with information about ground conditions, parties involved, and environmental and social assessment almost uniformly lacking. In a country such as Burma, access to information regarding development projects is extraordinarily difficult, and oftentimes impossible to obtain. In the absence of on-the-ground information obtained at great risk to fact finders in Burma, the only sources of information regarding operations and financing are pieced together from government statements, media reports, and the companies themselves. Thus far, Chinese MNCs have provided very little information regarding details of their operations outside China.

The lack of environmental and social standards for these projects is also disturbing. In Burma, many major development projects, including large dams, oil & gas exploration and

extraction, and mining operations, take place in ethnic minority areas along Burma's borders with India, Bangladesh, China, and Thailand. Burma's laws allow for no public participation in decision-making, no environmental, social, or human rights impact assessment, and effectively no access to justice. Such provisions are especially crucial in Burma, where development projects often result in environmental devastation and loss of land and livelihood for those communities that depend on the land and natural resources. Increased militarization around project areas also often results in the use of forced labor and forced portering, forced relocation, and other abuses.⁸

The following is a summary of the operations of Chinese MNCs in Burma in the hydro, oil & gas, and mining sectors.⁹ It is based on English and Chinese language information available on the web, and likely represents only a fraction of China's investment. It is not meant as a replacement for local research and fact-finding, but as an introductory resource that we hope to expand upon in the future.

Hydropower

Preliminary research on China's involvement in Burma's hydropower sector reveals that at least 14 Chinese companies are involved in approximately 40 hydropower projects. Of these projects, the largest is the 7,100 megawatt (MW) Tasang Dam on the Salween River, which is to be integrated into the Asian Development Bank's Greater Mekong Sub-region Power Grid. China Gezhouba Group Co. (CGGC) recently started construction on the diversion tunnel for the Tasang Dam.

China's involvement in the damming of the Salween River is not limited to the Tasang project. In 2006, Sinohydro signed a Memorandum of Understanding (MOU) with Burma for the US\$ 1 billion, 1,200 MW Hat Gyi Dam along the Thai border. In April 2007 Farsighted Group and China Gold Water Resources Co. signed MOUs with Burma for a 2,400 MW hydropower project on the upper Salween; Yunnan Power Grid Co. reportedly surveyed the area in 2006. Most of the electricity produced by these large-scale hydropower projects is destined for export to neighboring countries.¹⁰

Additional major hydropower projects in Burma with strong Chinese backing are the Shweli I, II, and III Cascade, the Yeywa Hydropower Plant, and a collection of seven dams along the Ayeyarwady, N'Mai Hka and Mali Hka Rivers. At the 1,420 MW Shweli I, II, and III Cascade, located in Shan State 90 km from the Chinese border, major Chinese support comes from a consortium created by Yunnan Power Grid Co., Yunnan Huaneng Lancang River Hydropower Co., and Yunnan Machinery and Equipment Import and Export Co.¹¹ In Kachin State seven dams along the Ayeyarwady, N'Mai Hka and Mali Hka Rivers, with a combined installed capacity of 13,360 MW, are planned. China Power Investment Co. signed an agreement with the Burmese authorities to finance all seven dams earlier this year.¹²

The 790 MW Yeywa Dam in Mandalay Division, which began construction in 2006, is being financed and constructed by several Chinese MNCs. China Gezhouba Group Co., Sinohydro, China International Trust and Investment Co. (CITIC), China National Electric Equipment Co., China National Heavy Machinery Co., and Hunan Savoo Oversea Water and Electric Engineering Co. have all signed MOUs with the Burmese junta for various stages of construction and investment. The China Export-Import Bank is providing financial backing for the project.

Chinese MNCs have been active in several smaller hydropower projects all over Burma. In addition to the Hat Gyi, Shweli, and Yeywa projects, Sinohydro reports involvement in the Paunglaung, Thaphanseik, Kun, and Mone hydropower projects. The 75 MW Mone Dam in Magwe Division and the Kun Dam in Pegu Division are both being built with construction support from Sinohydro. The 280 MW Paunglaung Dam in Mandalay Division is reportedly currently functional, as is the 30 MW Thaphenseik Dam in Sagaing Division. Sinohydro's 6th and 1st Engineering Bureaus undertook partial construction for both sites. As with the Yeywa project, both CITIC and the China Export-Import Bank provided investment and financial backing for the Thaphenseik Dam.

The Yunnan Machinery Equipment Export Import Company (YMEC) has been active in Burma since the early 1990s, with at least 20 projects in several locations. These include the Paunglaung, Upper Paunglaung, Hopin, Kyaing Tong, Kunhing, Mepan, Chinghkan, Laiva, Nam Myao, Zichuang, Kyaukme, Nam Hkam Hka, Zawgyi, Nam Wop, Chinshwehaw, Kunlong, Zaungtu, Zawgyi, Zawgyi 2, and N'Mai Hka River hydropower projects. The extent of YMEC involvement in these projects, several of which have been completed, is unclear, but appears to involve construction. YMEC involvement in the Shweli Cascade dates to 2003; YMEC later signed an additional MOU with Burmese authorities for the project, as a part of the Yunnan Joint Power Development Company.

Oil & Gas

China currently has at least 17 onshore and offshore oil and gas projects in Burma, with investment from at least seven companies, including the three major Chinese oil and gas companies Sinopec, China National Petroleum Corporation (CNPC), and China National Offshore Oil Corporation (CNOOC). Thus far, the wholly state-owned CNPC, and its subsidiary PetroChina, have signed MOUs, in 2006 and 2007, with the Burmese government-owned Myanmar Oil & Gas Enterprise (MOGE) for five offshore blocks off the coast of Arakan State. In August 2007, the Burmese military confirmed the sale of the natural gas from the "Shwe" gas fields off the Arakan coast to PetroChina.¹³ Reports from late 2006 and early 2007 announced that a Sino-Singaporean consortium created by CNOOC, China Huanqiu Contracting and Engineering Co., and Singapore's Golden Aaron Pte. Ltd., had signed MOUs with the Burmese junta to conduct natural gas exploration at three Arakan blocks as well as two in Sagaing Division and one in the Gulf of Martaban. Both Sinopec and PetroChina have reportedly conducted exploration off the Arakan coast in the past year.¹⁴

All three major Chinese oil and gas corporations have been active throughout Burma. In addition to the Arakan blocks, Sinopec has conducted exploration onshore in Block D in Sagaing and Magwe Divisions, and in 2007 signed an over US\$ 1 billion contract for the construction of an Arakan-Yunnan oil pipeline. CNPC has been active in Arakan State, as well as in varying levels of planning and exploration in the Bagan, Tuyintaung RSF2, Gwegyo-Ngashandaung RSF3, Tetma IOR3, and IOR4 Blocks. While quite active in Arakan State, CNOOC also signed an agreement in late 2004 for exploration in the offshore M2 Block in the Gulf of Martaban.

In addition to fossil fuel exploration, Chinese MNCs have announced the construction of an oil – and a parallel natural gas – pipeline, which would stretch for 2,380 km from Burma's Arakan coast to China's southwestern cities of Kunming and/or Chongqing. Both CNPC and Sinopec have spearheaded this project, set to begin construction in 2007. CNPC has also signed an MOU with MOGE for a detailed assessment of the potential construction of a crude

oil terminal off the coast of Arakan State. The pipelines and the crude oil terminal would facilitate China's import of oil and natural gas from the Middle East, South America and Africa, as well as increase the efficiency of China's oil and gas imports by providing an alternate route to the problematic Straits of Malacca, which are plagued by piracy.

Mining

China's involvement in Burma's mining sector is difficult to assess, as many mining projects are smaller in scale than those in the oil, natural gas, and hydropower sectors and therefore are less visible, attracting less publicity. The Kachin Development Networking Group and the Lahu National Development Organization have recently published on-the-ground research indicating that the Chinese companies Northern Star, Sea Sun Star, and the Standing Company Limited are involved in numerous smaller-scale mining projects in Kachin and Shan States.¹⁵

In addition to these projects, our preliminary research has found evidence of involvement of five Chinese MNCs in five major mining projects over the past three years. The largest of these, the Tagaung Taung nickel deposit, is located in Thabeikkyin Township, Mandalay Division and represents an investment of US\$ 600 million to develop 40 million tons of lateritic nickel ore. In July 2004 China Nonferrous Metal Mining Company signed an initial agreement with Burmese authorities, and in June 2007 the Burmese Ministry of Mining approved a completed feasibility study. The project is touted as "one of the greatest collaborative efforts in the history of Sino-Burmese mining," having received "the highest levels of attention from Burmese and Chinese government leaders."¹⁶

Other major projects on queue for development include the Mwetaung nickel deposit in Sagaing Division; the undeveloped Letpadaung copper deposit, which is the third deposit of the Monywa Copper Project in Monywa, Sagaing Division; the Mount Popa Coal Coke Mine & Plant in Mandalay Division; and the Tigyt Coal Fired Power Plants and Mine in Tigyt, Pin Laung Township, Shan State. The Mount Popa project, announced in 2007, involves the Jiangsu Pengfei Group Company. Reports from March 2006 announced the China Nonferrous Metal Mining Company's ownership of the Letpadaung deposit, which if true could mean the company now owns a stake in the Monywa Copper Project, which currently involves a joint venture between Ivanhoe Mines of Canada and the Myanmar Ministry of Mines.¹⁷ The Tigyt and Mwetaung deposits, both announced in 2005, involve the China National Heavy Machinery Company, and the Kingbao (Jinbao) and Zijin Mining Companies, respectively.

All activity detailed above comes after a 2001 memorandum of understanding between the Burmese mining authorities and the Chinese Ministry of Land Resources regarding the promotion of exploration and investment in Burmese mining and mineral resources.¹⁸

Moving forward

As China increases its position and influence in the world, becoming more and more a world power, the country has an opportunity to create a different model of natural resource extraction and investment. By keeping close control and regulation of its own corporations operating in far flung localities – and right next door – by at the very least abiding by its own domestic standards, by increasing transparency about operations in other countries, by ensuring that its projects implement environmental and social impact assessment, mandate

public participation, and do not contribute to abuses, and by ending destructive partnerships with and support for rights violating regimes, the Chinese government, its businesses, and its peoples, have a chance to learn from the mistakes of other countries and set a new standard in the world.

We encourage others, locally, regionally, and internationally, to increase dialogue regarding China's operations in Burma, and to call upon China's MNCs to increase transparency regarding operations in Burma, to ensure that abuses connected to their projects do not happen, and to ensure that environmental and social assessments are carried out.

**PRELIMINARY LIST OF CHINESE MNCs IN BURMA'S HYDRO,
OIL & GAS, AND MINING SECTORS**

Hydropower

Sinohydro

China Gezhouba Group Co. (CGGC)

Yunnan Power Grid Co.

Farsighted Investment Group

Gold Water Resources Co.

Yunnan Joint Power Development Co.

Yunnan Huaneng Lancang River Hydropower Co.

Yunnan Machinery & Equipment Import & Export Co. (YMEC)

China Power Investment Co. (CPI)

China International Trust & Investment Co. (CITIC)

China National Electric Equipment Co. (CNEEC)

China National Heavy Machinery Co. (CHMC)

Hunan Savoo Oversea Water & Electric Engineering Co.

Guangdong New Technology Import Export Zhuhai Co.

China Export Import Bank

Oil & Natural Gas

Sinopec

China National Petroleum Co. (CNPC)

PetroChina

China Huanqiu Contracting & Engineering Co. (Sino-Singaporean consortium)

China National Offshore Oil Co.

China National Oil and Gas Exploration and Development Co. (CNODC)

China Oilfield Services Ltd.

Mining

China National Heavy Machinery Co. (CHMC)

China Nonferrous Metal Mining Co.

Kingbao (Jinbao) Mining Ltd.

Zijin Mining Co.

Jiangsu Pengfei Group Co.

Northern Star Co.

Sea Sun Star Co.

Standing Company Limited

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- ¹ Myanmar, the name given by the ruling junta in 1989, is still unrecognized by those opposed to its rule.
- ² In 1988, following widespread uprisings and a subsequent massacre of thousands by the military, the government changed from the “Burmese Way to Socialism” implemented in 1962, to the current military regime. The junta has been widely criticized for its abuses against its people, from the US and EU to the International Labour Organization and the International Committee of the Red Cross. Ongoing offensives against minority ethnic groups have forced hundreds of thousands into refugee camps along the Thai-Burma border. For more information, see www.freeburmarangers.org.
- ³ For more information regarding governance, resources, and the resource curse, see the resource curse chapters in Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It*, 2007.
- ⁴ Official Myanmar government figures; calculations from US Department of State, “2007 Investment Climate Statement – Burma,” available at <http://www.state.gov/e/eeb/ifd/2007/80685.htm>.
- ⁵ “China to provide Myanmar with US\$200m loan”, China Daily, AP, June 11, 2006, available at http://www.chinadaily.com.cn/china/2006-06/11/content_613786.htm; <http://news.amnesty.org/index/ENGASA170332006>.
- ⁶ “China and Russia veto US/UK-backed Security Council Draft Resolution on Myanmar”, January 12, 2007, <http://www.un.org/apps/news/story.asp?NewsID=21228&Cr=myanmar&Cr1>.
- ⁷ Amnesty International, “People’s Republic of China: Sustaining conflict and human rights abuses,” 11 June 2006, available at <http://web.amnesty.org/library/index/engasa170302006>.
- ⁸ For more information, please see www.earthrights.org/burma, www.salweenwatch.org, and www.shwe.org.
- ⁹ The research for all three sectors was compiled by conducting an English and Chinese language media and internet review, and is on file with the Burma Project. Please contact alec@earthrights.org for further information about the research.
- ¹⁰ For more information regarding the Salween Dams, please see www.salweenwatch.org.
- ¹¹ For more information regarding the Shweli Cascade, please contact the Palaung Youth Network Group at palaungyouth@csloxinfo.com, which is currently preparing a report about the dams.
- ¹² For more information regarding the Kachin State dams, please contact the Kachin Environmental Organization at keo21vision@yahoo.com, which is currently preparing a report about the dams.
- ¹³ For more information regarding the Shwe Natural Gas Project, please see www.shwe.org.
- ¹⁴ For more information regarding Chinese oil exploration in Arakan State, please contact the Arakan Oil Watch at arakan_ow@yahoo.com, which is currently preparing a report about this issue. For more information about natural gas exploration in Arakan State, please see www.shwe.org.
- ¹⁵ For more information regarding China’s involvement in smaller-scale mining projects in Burma, please see the Kachin Development Networking Group report *Valley of Darkness: Gold Mining and Militarization in Burma’s Hugawng Valley*, 2007, available at <http://www.kachinnews.com/Valleyofdarkness/ValleyofDarkness.pdf>. See also the Lahu National Development Organization, *Undercurrents: Monitoring Development on Burma’s Mekong, Issue 2*, July 2006, available at <http://www.shanland.org/articles/environment/2006/Images/Undercurrents2.pdf>.
- ¹⁶ “CNMC Embarks on Tagaung Taung Nickel Mine Project,” 16 November 2006, available at www.sasac.gov.cn/zyqy/gcjz/200611210070.htm. Translated from the original Chinese by ASK.
- ¹⁷ On March 30, 2007 Ivanhoe Mines reported that due to requirements of its partnership with Rio Tinto in Mongolia, the company transferred all of its assets in Burma to an independent trust.
- ¹⁸ Xinhua News Agency, “Myanmar’s Coal Production up Sharply in 2005,” 13 January 2006.