

# BURMA INVESTOR FACTSHEET

November 23, 2007

## International trade union position

Since 2000, the international trade union movement<sup>i</sup> has called on all companies with business links in Burma to withdraw from that country and sever all economic links. In October 2007, the International Trade Union Confederation asked its affiliated organizations to engage in a shareholders' campaign which may include disinvestment from companies linked with Burma. This position supports that of Burma's democratically-elected ruler, Aung San Suu Kyi, as well as the Federation of Trade Unions-Burma, which operates clandestinely inside and outside the country. Foreign companies play a pivotal role in maintaining a steady flow of capital to the military dictatorship, and by extension, in upholding military rule and brutal repression in the country, including massive and systematic violations of human and workers' rights. In particular, the military regime oppresses and exploits its population through the widespread use of forced and compulsory labour.

## Many departures, but some companies remain

All key sectors of Burma's economy are controlled by the military regime. Foreign investments in Burma predominate in the oil and gas sector and hydro-electric power, but are also present in mining (including copper and gemstones), timber, travel and tourism, and real estate<sup>ii</sup>. Major foreign corporations present in Burma include **Total** (FR), **Chevron** (US), **China National Offshore Oil Corp** (CNOOC), **China National Petroleum Corporation** (CNPC - Petrochina), **China PetroChemical Corp** (Sinopec), **Daewoo International Corporation** (South Korea), **ONGC** (India), and **GAIL** (India). The Global Unions maintain a [database](#) of companies with known ties to the country.

From an investor viewpoint, companies face significant reputational, financial, legal and political risks by operating in Burma, which has been condemned internationally for its use of slave labour, forced displacement, and repression of ethnic minorities. In recognition of these risks, many firms have divested from Burma in the past decade, including British American Tobacco, Texaco (USA), Levi Strauss (USA), Triumph International (CH), Premier Oil (UK), Anheuser-Busch (US), Heineken (NL), Adidas (GER), and IKEA (SWE)<sup>iii</sup>. In 2007, Rolls-Royce (UK)<sup>iv</sup> announced it would no longer operate in Burma. Ivanhoe Mines (CAN) also announced its intention to divest<sup>v</sup>. Burma Campaign UK maintains a "[dirty](#)" list of companies that still operate in Burma, and a "[clean](#)" list of companies that have divested.

## Investor risks

- Newly adopted sanctions and reinvigorated public campaigns may prevent companies from being able to sell their ownership stake in projects linked with Burma (such as with Canada's Ivanhoe Mines), or force a sale at a heavily discounted price.
- Foreign investors in many sectors, such as oil and gas, make royalty payments to the Burmese military government<sup>vi</sup>. These companies are unlikely to be able to prove this revenue does not fund military repression.

## Reputational risks

- Companies operating in Burma are either directly or indirectly associated with a notorious military regime.
- Increased consumer awareness, media coverage and public campaigns on the situation in Burma may impact consumers' goodwill and/or lead to an increased risk of consumer boycotts.
- Security services which are linked to the Burmese military forces are used to protect foreign assets in Burma. Human rights abuses reported by independent NGOs are not investigated. Construction of a major pipeline in the 1990's was documented to have been connected with human rights and labour rights violations on a massive scale<sup>vii</sup>.

## Financial risks

- Foreign companies are not able to ensure that financial transactions are carried out in a transparent and accountable manner, such as required by international accounting standards.
- Heightened risk of expropriation without compensation as a result of a deficient and unpredictable investment regulatory framework, irregular law enforcement and endemic corruption. The US Department of Commerce reports on a number of companies whose assets have been seized or who were forced by the junta to leave the country.<sup>viii</sup>
- Additional financial risks stem from unrealistic official exchange rates, the regime's chronic shortage of foreign currency, and the wide current account deficit.
- Potential financial risk arising from litigation or sanction-busting.

## Legal and political risks

- A tightening international sanction regime, including from the [EU](#), US and [Canada](#). US legislators are examining whether to revoke a legal loophole that allows US companies in Burma (Chevron) to continue to operate if they were present before sanctions were imposed in 1997 and reinforced in 2003<sup>ix</sup>.
- Operations in Burma face a heightened risk of exposure to lawsuits in foreign courts for human rights abuses.
  - A US court case against UNOCAL (since purchased by Chevron) was settled out of court in 2005 after the court concluded that by hiring the military services to protect its pipeline, UNOCAL "*knew or should have known that the military did commit, was committing and would continue to commit these tortious acts.*"<sup>x</sup>
  - Legal proceedings against Total (FR) for alleged crime against humanity has resumed in Belgium, which has enacted universal jurisdiction legislation in such matters<sup>xi</sup>.
- A June 2000 ILO Resolution calls on ILO constituents (i.e. Governments, Workers and Employers) to take appropriate measures with regard to relations with Burma "*to ensure that such relations do not perpetuate or extend the system of forced or compulsory labour in that country and to report back to the ILO Governing Body*".<sup>xii</sup> The resolution is still in force and has been reaffirmed repeatedly since 2000.
- Aung San Suu Kyi and other Burmese opposition leaders have stated that foreign companies cooperating with the military government will be penalized or sanctioned when a democratic government returns to power.

## What can union-sponsored trustees do?

- **Assess your risks and ask questions**

You need to build a case that shows that investments in Burma will not create sustainable and responsible long-term value. Ask your pension fund board of trustees to request that your investment managers report on:

- the fund's exposure to companies with ties to Burma;
- their assessment of the reputational, financial, legal and political risks this may pose; and
- their strategy for addressing such risks.

- **Take a public position**

Request that the board of trustees publicly report on its response to potential reputational, financial, legal and political risks posed by investments in Burma, or on its consideration of human rights generally. You could also consult your pension fund members directly on the Burma issue, and outline possible options, including divestment.

- **Engage companies directly**

As concerned shareholders, you can communicate directly with companies in your portfolio, informing them in writing or in person of your concerns. In any communication, you should state how many shares of the company you own, and ask the company to explain the specific measures they have implemented to ensure they are not complicit in, or contribute to, human rights and labour rights violations in Burma.

- **Network**

Collaborate and share information with other trustees currently taking action on Burma in your country. Communicate with your union or national center on the steps you have taken on Burma. Encourage your union or national center to relay this information to the Global Unions' Committee on Workers Capital (CWC – [www.workerscapital.org](http://www.workerscapital.org))

## Further resources

- Global Unions' Committee on Workers Capital (CWC – [www.workerscapital.org](http://www.workerscapital.org))
- Global Unions [database](#) of companies with known ties to Burma.
- Burma campaign UK - "[dirty](#)" and "[clean](#)" list
- Business and Human Rights Resource Centre – [Burma page](#)

## Endnotes

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<sup>i</sup> The Global Unions groups all the international trade union organizations, including: ITUC (The International Trade Union Confederation), TUAC (The Trade Union Advisory Committee to the OECD), and the ten sectoral Global Union Federations, including: BWI (Building and Wood Workers International), EI (Education International), ICEM (International Federation of Chemical, Energy, Mine), IFJ (International Federation of Journalists), IMF (International Metal workers' Federation), ITGLWF (International Textile, Garment and Leather Workers' Federation), ITF (International Transport Workers' Federation), IUF (International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco), PSI (Public Services International), UNI (Union Network International).

<sup>ii</sup> Source: US State Department <http://www.state.gov/e/eeb/afd/2007/80685.htm>

<sup>iii</sup> Source: Burma campaign UK Clean list - [http://www.burmacampaign.org.uk/dirty\\_list/clean\\_list.html](http://www.burmacampaign.org.uk/dirty_list/clean_list.html)

<sup>iv</sup> Source: Rolls Royce UK, October 2007: <http://www.rolls-royce.com/community/overview/burma.jsp>

<sup>v</sup> Source: Ivanhoe Mines, October 2007 <http://www.ivanhoe-mines.com/i/pdf/07Oct03MyanmarStatement.pdf>

<sup>vi</sup> Source: Human Rights Watch, October 2007 <http://hrw.org/english/docs/2007/10/01/burma16995.htm>

<sup>vii</sup> See <http://www.business-humanrights.org/Categories/Lawlawsuits/Lawsuitsregulatoryaction/LawsuitsSelectedcases/UnocallawsuitreBurma>

<sup>viii</sup> See more information at <http://www.state.gov/e/eeb/afd/2007/80685.htm>

<sup>ix</sup> Saffron Revolution Support Act introduced by Senator Mc Cain in October 2007

[http://mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.PressReleases&ContentRecord\\_id=1141D9E1-1321-0E36-BAFA-F9913D18DC42](http://mccain.senate.gov/public/index.cfm?FuseAction=PressOffice.PressReleases&ContentRecord_id=1141D9E1-1321-0E36-BAFA-F9913D18DC42)

In addition, the US Congress is considering prohibiting any tax deduction for Chevron's operations related to the Yadana gas field or pipeline with the *Block Burmese JADE (Junta's Anti-Democratic Efforts) Act of 2007*. Source: <http://www.govtrack.us/congress/billtext.xpd?bill=h110-3890>  
The US is also considering considering closing a loophole that has allowed gems mined in Burma but cut and polished elsewhere, to be sold in the US.

<sup>x</sup> See Doe v. Unocal case <http://www.earthrights.org/files/Legal%20Docs/Unocal/0056603.pdf> More details on the UNOCAL case are available here:

<http://www.business-humanrights.org/Categories/Lawlawsuits/Lawsuitsregulatoryaction/LawsuitsSelectedcases/UnocallawsuitreBurma>

<sup>xi</sup> Source: Business and HR [http://www.business-](http://www.business-humanrights.org/Categories/Lawlawsuits/Lawsuitsregulatoryaction/LawsuitsSelectedcases/UnocallawsuitreBurma)

[humanrights.org/Categories/Lawlawsuits/Lawsuitsregulatoryaction/LawsuitsSelectedcases/UnocallawsuitreBurma](http://www.business-humanrights.org/Categories/Lawlawsuits/Lawsuitsregulatoryaction/LawsuitsSelectedcases/UnocallawsuitreBurma)

<sup>xii</sup> See ILO Press release: [http://www.ilo.org/global/About\\_the\\_ILO/Media\\_and\\_public\\_information/Press\\_releases/lang-en/WCMS\\_007899/index.htm](http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang-en/WCMS_007899/index.htm)