

CORPORATE ENGAGEMENT PROJECT

Field Visit Report

Yadana Gas Transportation Project, Moattama Gas
Transportation Company
Operator: Total

Myanmar/Burma

April 17 – May 6, 2005 (Fourth Visit)

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This document was developed as part of a collaborative learning project directed by CDA. It is part of a collection of documents that should be considered initial and partial findings of the project. These documents are written to allow for the identification of cross-cutting issues and themes across a range of situations. Each case represents the views and perspectives of a variety of people at the time when it was written.

These documents do not represent a final product of the project. While these documents may be cited, they remain working documents of a collaborative learning effort. Broad generalizations about the project's findings cannot be made from a single case.

CDA would like to acknowledge the generosity of the individuals and agencies involved in donating their time, experience and insights for these reports, and for their willingness to share their experiences.

Not all the documents written for any project have been made public. When people in the area where a report has been done have asked us to protect their anonymity and security, in deference to them and communities involved, we keep those documents private.

PREFACE

The Corporate Engagement Project (CEP) is a collaborative effort involving multinational corporations that operate in areas of socio-political tension or conflict. Its purpose is to help corporate managers better understand the impacts of corporate activities on the context in which they operate. Based on this analysis, CEP helps companies to develop management tools and practical options to address local challenges and stakeholder issues.

The CEP team visited Thailand and the Yadana operations in Myanmar/Burma from April 17 – May 6, 2005. This is the fourth visit of the CEP team to the Yadana project and to Thailand. This trip was a follow up visit to previous site visits conducted in December 2003, May 2003 and October 2002. This report should be read in conjunction with the three previous reports available at our website: www.cdainc.com/cep.

During the visit to Myanmar/Burma and Thailand, CEP spoke with a broad range of stakeholders to gain a better understanding of people's perspectives concerning Total's operations in Myanmar/Burma. Although Total's name is mentioned throughout this report, our observations concern all venture partners; Total, Unocal, MOGE (Myanmar Oil and Gas Enterprise) and PTTEP (Thai National Exploration and Production Company).

The introductory part of this report explains the approach taken during this visit. The first section lays out the observations made in the pipeline area. Section two discusses the findings during our meetings on a national level with stakeholders in Yangon and Mandalay, and section three describes the observations on an international level based on discussions with stakeholders in Thailand, the United States and Europe. Sections I, II and III are organized as observations and options for change.

INTRODUCTION

During this fourth visit to Myanmar and Thailand, the CEP team focused its efforts on meeting with a broad range of groups in Bangkok, Chang Mai, Yangon/Rangoon and Mandalay.

In Bangkok and Chang Mai, the CEP team spoke with foreign and Myanmar/Burmese journalists, joint-venture partners, international, regional and Myanmar/Burmese advocacy NGOs and human rights organizations. In addition, the CEP team met with (international) NGOs who favor Total's divestment from Myanmar/Burma. We find it important to speak with these organizations because the investment versus the divestment debate makes it possible for both the company and NGOs to maintain their positions and limit interaction with each other. This approach does not bring about any change for the people living in Myanmar/Burma. On the other side, those people with whom the CEP team spoke in Myanmar/Burma do not want Western companies to leave the country. Instead they argue that the company should become more actively engaged in affecting people's quality of lives positively. Hence, in our opinion, a far more constructive and creative approach would be for both Total and its critics to discuss how the company can demonstrate its presence has a positive rather than a negative impact on the

Myanmar/Burmese society, instead of discussing if the company should operate in Myanmar or not.

In the pipeline area, the CEP team interviewed Total staff, Petronas, the army, religious groups and local communities both inside and outside the pipeline corridor. The CEP team visited 11 of the 23 villages that participate in Total's Socio-Economic Program and, for comparison, one village outside of the pipeline area that is not part of the Program. During previous occasions the CEP team visited all communities in the pipeline area. As a follow-up, we returned to some of these same communities to verify previous allegations of forced labor and to further check on other issues we discussed during earlier visits. In addition, the CEP team met with Total staff.

In and around Yangon/Rangoon, the CEP team met with representatives of the Ministry of Foreign Affairs and the Ministry of Health, various Western and Asian Embassies, political and economic analysts, business owners, leaders of ethnic minority groups, UN agencies, Total staff, international and local

NGOs. In Mandalay, we visited the Eye Clinic (indirectly sponsored by the Yadana partners through the Hellen Keller Foundation) and the HIV Program at Mandalay Hospital. The HIV Program, sponsored by Total is a partnership between the international NGO "International Union Against Tuberculosis and Lung Disease (The Union)", the Ministry of Health and the World Health Organization.

The visit to Myanmar/Burma included six days in Yangon/Rangoon, five days in the pipeline area and one day in Mandalay, central Myanmar/Burma. The CEP team spent ten days in Thailand: nine days in Bangkok and one day in Chang Mai, in the Northern part of the country.

Visits to villages were carried out under the following conditions:

- Ø CEP hired one independent interpreter skilled at interviewing villagers. The interpreter was hired without Total's input.
- Ø Total did not interfere with the proposed schedule, the type of people we should meet or in any other aspect of the visit.
- Ø The CEP team traveled in a Total car driven by a Total Myanmar/Burma staff. Upon arrival at the villages, the CEP team divided up in two groups. One group was accompanied by the Total local staff and the other group was accompanied by the hired interpreter. The two teams moved separately through the villages and conducted the interviews at random.
- Ø Several times we stopped the vehicle at tea shops and houses in between two villages in order to ensure that we also got a perspective from people that are less frequently visited by foreign guests and that could not have anticipated our visit.
- Ø As in previous visits, the CEP team introduced themselves to members of communities as operating independently from Total and made clear that they were in the pipeline area at

the invitation of Total to observe the impacts of the company's operations on local communities. In the villages, the team had discussions with local people about their perspectives and expectations concerning Total and the Socio-Economic Program.

We invite feedback on the observations laid out in this report. In all of CEP's efforts, we work to establish partnerships between groups with different agendas with the ultimate objective of increasing the positive impact that companies have on the quality of people's life in the context of operations. The purpose of this report, as in our earlier reports, is to contribute to broader discussions within the company and between the company and stakeholders on the options for positive corporate engagement in the Myanmar/Burma context.

SECTION ONE: YADANA PIPELINE AREA

This section lays out our observations in the pipeline area with regard to forced labor and Total's Socio-Econ Program. In addition, this part also includes a follow-up of some of the observations made during earlier visits.

FORCED LABOR

Observations

- § At the request of the CEP team, Total staff spoke with us concerning any allegations of forced labor, which the team subsequently discussed with villagers. In addition to the incident described in the text box, we did not hear about any other allegations of forced labor during our visit to eleven villages despite routinely asking questions about this issue. During the last day of the visit, Total staff also pointed out that the army instructed some villagers to work in the forest. We were informed that the

army paid these villagers 1500 kyats per man per day (USD \$1.60) which is above market-rate. We were not able to confirm the details of this incident with the villagers.
- § Consistent with earlier visits, local people described forced labor in gradations, rather than in absolute terms. For example, several people in the villages mentioned that they did not consider civil works such as collecting bamboo or making a fence for army barracks as forced labor if they received payment. Forced labor was defined as receiving no payment from the military for labor, rather than as people having the choice to refuse or accept work. In fact, villagers pointed out they would agree to work for the military if they would be adequately compensated and if no human rights violations would take place.
- § Villagers in Mon communities just outside the pipeline area say they suffered from attacks by rebels demanding money as recently as 2003. They stated that the presence of Total, and, consequently the presence of the Navy in that area, means they feel better protected. They also stated that they are not required to perform forced labor by the Navy.

The Zadi Case

Zadi is a village located on the road towards the coast that, on orders of a senior general, needed to be upgraded to make the beaches more accessible to tourists. In Zadi, each family received the instruction through the Head of Village to collect 3 cubic meters of stones from the forest. This practice was brought to Total's attention by some villagers. While it was unclear if the case constituted forced labor or should be seen as community service, Total wanted to be prudent to avoid any indirect association with forced labor. It asked the military to withdraw their request, compensated those people who had already collected stones and upgraded the road mechanically for the 13 km the villagers had been asked to do.

During our visit, people in town were grateful to Total for taking over the burden of upgrading the road. An elderly woman mentioned, "If Total would not have done this, I would have died in trying to collect stones in the forest." Other villagers responded by saying that collecting stones was a duty in the interest of the villages and did not constitute forced labor.

Although it is not entirely clear if the Zadi case constitutes a genuine forced labor case, it is increasingly clear that Total's response to the allegations of forced labor feeds into increasing community demands and expectations from Total and may even have set a precedent:

- During a visit to Zadi village, some youth mentioned that a well was no longer functional. Despite the inconvenience, the villagers explicitly stated that they expected Total to repair the well, rather than to take initiative themselves.
- Learning from the Zadi example, some other communities that want to have their access road upgraded are speaking about faking a forced labor situation, hoping Total will construct their road as well.
- Some people in the village stated, "The military knows they cannot force us to do work directly, so they ask us via the Head of Village in the assumption that Total will step in to do the work."

In many ways, the Zadi case is an example of decisions made with good intentions within a difficult context where it is not easy to evaluate any unintentional side-effects, and where the decision may have affected the ability or willingness of people to determine their own future.

- § There are mixed explanations why the community did not bring the stone collection request to the attention of Total earlier, since the company has an anti forced labor policy:
- Some people said they were not aware of Total's policy and its capacity to effectively address incidents of forced labor.
 - Others said they did not have the "courage" to approach Total since they did not know the company well. They expected that, with the planned arrival of a Total doctor in the village, trust between Total and local people would grow to the degree villagers would approach the company more quickly next time.

Options

Clarify with the military the conditions under which civilians can work for the army.

Understandably, Total wants to prevent any allegations of forced labor taking place in the pipeline corridor. At the same time, local people use different definitions of forced labor than

international observers do. Repeatedly people have mentioned that working for the military is acceptable (even if they have no option to refuse) as long as 1) the type of work is civil and not military, 2) no human rights violations take place and 3) the military pays the market wage for the labor. Rather than opposing *any* type of labor arrangement between civilians and the army, Total could discuss with the military under what conditions such engagement can take place (e.g. people should know they have the right to refuse) to avoid the need for the company to intervene in allegations of forced labor.

Engage more, not less, with the military on a battalion level. Total security staff has an ongoing and cordial relation with some commanding officers. Especially since the Total security officers have a military background they are in the position to, informally, explain army conduct in other parts of the world.

We also followed up on several issues regarding forced labor based on observations during previous visits:

Influx of retired soldiers

In an early report we mentioned that some villages in the pipeline area had reported a trickle of retired soldiers settling in the pipeline area. One human rights activist pointed out that in some places in Mon State, the Head of Village is not willing to recruit neighbors for forced labor. They are therefore sometimes replaced by retired soldiers who are more “effective” in selecting their neighbors to conduct forced labor. To verify the situation in the pipeline area, we visited one village that is known to house a number of retired soldiers and where a former soldier serves as the Head of Village. Contrary to the stories we heard about Mon State, in this village people pointed out the benefits of the Head of the Village’s former connection to the army. For example, people stated that the Head of Village had been able to get I.D. cards for everybody in the village which facilitates travel outside the pipeline area.

Possibility of increased forced labor just outside the pipeline area?

In our previous reports we noted that the Government’s self-reliance policy for the army means that battalions are required to generate their own income to cover their daily needs. It is alleged, that to meet these needs, soldiers sometimes force civilians to assist them through force labor. Local people in the pipeline area reported to CEP that no forced labor takes place in their area. This raises two questions: 1) how do local battalions inside the pipeline area meet their day-to-day needs? 2) Does it mean that only communities outside the pipeline area experience pressure to engage in forced labor?

To gather more information about forced labor, we visited one village located just north of the pipeline area. The people in the village did not anticipate our arrival as the decision to travel to the area was made only one hour prior to our visit. We spoke with the local chairman and a local priest. Both acknowledged

that no forced labor takes place in the village. The priest stated that the chairman is strict and regularly asks residents to clean the village, but that this is regarded as community duty rather than forced labor.

- § There was a significant difference in the context of the fourth trip to the village outside the pipeline area and the previous visit to another community also located outside the pipeline area. In our earlier visit, people admitted that forced labor did take place, and the atmosphere was very tense with a strong presence of the military, and the chairmen refusing to speak with us. By contrast, during this trip:
 - The village chairman spoke openly, appeared quite relaxed and did not avoid any “difficult” questions.
 - We were not accompanied by soldiers or informants during our discussion in a tea shop. One soldier approached the shop to buy cigarettes, saw us and left again. We did not have any inquiries by military representatives.
 - Nearby the village a bridge is being constructed. Asked if any villagers worked on the bridge, the priest and chairman answered that these are all laborers brought in from outside, and that no local labor was involved. Semi-permanent structures at the construction site, such as sleeping quarters and a bar indeed indicate a longer-term presence of workers rather than that local people are conscripted.
- § A military person confirmed that battalion 282 also generates income from a palm oil plantation where soldiers work. This is consistent with the allegations of a farmer who claims the six-acre plantation belonged to him and was confiscated by the military ten years back.
- § Another strategy deployed is to generate and implement contract work. In April 2005, battalion 282 soldiers and their wives made road improvements on a stretch of road in Kanbawk. They were paid by the head of Kanbawk who taxed 500 kyats (60 cents in USD) per family, 1000 Kyats from unregistered taxi drivers and 5000 Kyats from license holders.

SOCIO-ECONOMIC PROGRAM

Observations

- § In general, people mentioned the same positive aspects of the Socio-Econ Program as in previous visits. They appreciate the free health care, loans, educational support, veterinary and agricultural technical support. The Head of Village of a community located just outside the pipeline area stated that he faces a lot of pressure from his village to make sure it participates in the Socio-Econ Program, which is an indication that the benefits of the program are known outside the pipeline area as well.
- § Again, we did not hear anybody mention that the impact of Total’s presence was negative. For the first time though, some people in Kanbawk market mentioned that they did not see “any impact” as a result of Total’s activities. These remarks may be related to the historically

better availability of services (schools, the hospital) in Kanbauk relative to surrounding villages.

- § Complaints about some aspects of the Socio-Econ Program were similar to the previous visits. These were related to remarks by people who felt that they had difficulties getting access to the micro-credit program, either because they were poor, felt they did not have the right connections with banking committee members, or felt their request were denied, because of their connections to the military.
- § People frequently mentioned the value of roads in connecting neighboring villages and helping them to get out of their relative isolation. This may be an additional benefit of the Socio-Econ Program that deserves further attention in a next visit as the value of being connected to the outside world came up repeatedly. Another example in this respect is that Village Communication Committee (VCC)

members say that a large part of their motivation lies in speaking with foreign visitors and meeting with Total staff and other VCCs during the annual VCC day organized by Total.

- § More evident than before was the level of unemployment among young people. We encountered several boys who had just returned from Thailand where they failed to get a job and felt they had few future prospects or ideas how Total could help them. Total staff is concerned about this situation and is contemplating if and how to react to these observations.
- § We observed an incidental lack of awareness of the support services that Total's presence provides: One example was in Zadi where some villagers said they were not aware that Total would act upon allegations of forced labor. Another example was in a village where people mentioned they were too poor to pay for their children's school transportation. Unaware to these villagers, Total has a policy that all children should have access to education and has a program to address these problems.
- § Total has started to make various aspects of its activities more sustainable and has integrated its programs more with official institutions
 - The company has started to include local groups such, as the fire brigade and the Red Cross, on a voluntary basis for activities such as the regular impregnation of bed nets.
 - There are plans to train some local women in writing a "village profile." This exercise may be a first step in having local women taking over some of the tasks of the current Village Communication Officers, who are currently employed from Yangon/Rangoon.
 - The company has served as a link between a foreign cacao grower and local farmers to grow and market cacao rather than to become itself involved in this agricultural activity.
 - Total has trained numerous auxiliary midwives and auxiliary veterinarians that work in the village. Some receive contributions (in kind or in cash) for their services from their clients. Some auxiliary midwives with whom the CEP team spoke mentioned that they would continue to provide their services, even if Total would terminate the incentive the midwives currently receive.

- Some Total managers have started personal initiatives that are aimed at increasing staff quality as well as increase their job opportunities. For example, they have started to provide English lessons to guards (who partly come from neighboring communities), driving lessons to radio operators and basic first aid skills.
- The veterinary and agricultural programs are no longer free of charge. The health program will likely face the hardest challenges in becoming sustainable as it currently provides free consultations and free basic drugs. The educational support program to prepare students for their exam as well as infrastructural programs (road maintenance, bridges) are also fully paid for by Total.

Support for the HIV/AIDS program

Total funds, through the International NGO “International Union Against Tuberculosis and Lung Disease (The Union)”, the purchase of anti-retroviral drugs for an HIV/AIDS treatment program implemented by the Ministry of Health and supported by the WHO. The program had not yet begun during the time of the visit, and will focus on providing medical care according to standards “new” to Myanmar such as:

- International protocols
- Respect of confidentiality
- A focus on dignity of the patients
- An integrated interdepartmental approach
- Support groups
- Health education focused on sexually transmitted diseases

Consequences/Analysis

- § Total’s efforts towards a more sustainable approach are promising. However, increased sustainability has not (yet) led to increased empowerment of local communities. Some Total staff fear that the Zadi case may have set a precedent as a disincentive towards people taking more initiative to determine their own destiny.
- § There are opportunities to increase ownership of the Socio-Econ project across local communities. Currently, the bulk of the ownership for maintaining facilities, construction of new clinics and cleaning activities lies on the shoulders of the VCC members and their families.
- § Different villages appear to receive different treatments. Since there is no limit to what communities can, theoretically request from Total, and since communities do not have to choose, those who demand more, have the opportunity to receive more. Also, those communities that are more humble and grateful for what they have received may comparatively get less.
- § It is the opportune time to focus on increased sustainability and empowerment for the following reasons:

- Since the start of the Socio-Econ Program, Total has proven itself (according to the villagers we met in the past four visits) as a reliable and generous partner. Therefore, when villagers are asked to pay for some of the services currently provided by the Socio-Econ Program, the risk to Total's image is low.
- Given the relatively higher quality of life communities in the pipeline area currently enjoy, joint venture partners will likely continue support of the program when they see attempts to decrease its costs.
- Seven years into the program, many people in the various communities have benefited materially from Total's socio-economic activities. Progress is visible through new houses, increased number of motorcycles and the fact that people say they have a higher disposable income. In theory, people should be in a better position to start paying for services they receive which is the practice in the rest of the country.
- Since communities have become used to the Socio-Econ Program, some people start taking the benefits for granted by demanding that Total should repair a well or maintain a road. To continue the program without any changes implies that the relative return on investment to keep a good image will decrease, as it will take more money to keep people satisfied with the present approach of the company.

Yadana support for eye clinics

During the trip to the Yadana Project, the CDA team visited one of the Governmental Eye Clinics that has been supported by The Hellen Keller Foundation. The reputation of the government doctor who runs the clinic is such that people come from as far away as Shan State to have an eye operation. According to the doctor, the Hellen Keller Foundation's role had been limited to provision of quality equipment (which had been essential in increasing patient numbers) and a periodic donation of supplies.

The CEP team was impressed by the dedication of the clinic team, the professionalism of the management of the government clinic and the effectiveness of operations (over 3000 operations in 2004). When we asked a room full of patients how the operation would change their lives, several mentioned that the operation had healed their heart, rather than their eyes, as new eyesight had made them a valuable member of society again.

Medical staff mentioned that their medical needs are satisfied but pointed out that they would appreciate a subscription to medical journals or magazines to be kept up to date.

For the Yadana partners, there may be an opportunity to profile humanitarians such as the doctor through a documentary or magazine article, perhaps as part of a series on outstanding Myanmar/Burmese citizens.

Options: Focus on Sustainability

Various actors inside and outside the organization suggested that Total enhances the sustainability of the Socio-Econ Program and strengthens the ability of people to make their own choices. One Total manager stated, "What we need is a master plan for the Socio-Econ Program that prepares the community for the day when there is no more gas."

The Socio-Econ team mentioned that, in order to move further towards sustainability, a number of conditions need to be in place.

1. A clear direction or vision from the Total's managing director about the way forward needs to be developed. One person reminded us that the program was designed for a three year period ('95-'98) and that subsequent managing directors have continued the program based on their personal insights (which were good) rather than based on the framework of a larger vision.
2. The commitment requires a longer term (3-5 year) budget. Currently, annual plans are based on an annual budget which makes it difficult to implement a longer term program.
3. "Breathing space," was a phrase mentioned which means less focus on producing quantitative data such as the number of patients treated or students supported. The staff believes that the success of the Socio-Econ Program in the direction of sustainability is connected to seeing a change in the mindset or behavior of the communities and, thus, requires a different set of indicators to measure progress.

The suggestions offered by both Total staff as well as sustainable development experts include

Focus on community commitment building rather than on capacity building. There are opportunities to focus more aspects of the program on community empowerment. For example, we encountered several successful business people in the pipeline area, and attended a pagoda festival which had required

significant organization. These events signal existing capacities and talents that could be harnessed for the wider community.

Avoid taking the initiative if communities themselves do not. One sustainable development expert stated, "Dependency starts when you have a lack of confidence in the ability to achieve things." As we mentioned in a previous report, this implies that Total will need to resist impulses to clean up the beaches, or paint the clinics when maintenance is required. From a PR perspective, an explanation to visitors why Total has embarked on a process of giving back the initiative to the community is at least as credible as showing shiny buildings. Total staff is already working towards this approach.

Increase ownership for the program amongst the wider community.

- *Help communities develop a long-term community development plan* that informs socio-econ programs, rather than to respond to requests from VCCs on an ad-hoc basis. This plan needs to be discussed, known, and agreed upon, with the entire community.
- *Have a fixed budget per community to ensure that people have to make choices.* Currently, communities can make unlimited requests without discussing priorities or what benefits the widest group of people.
- *No free services.* "Ownership comes with sacrifice". NGOs experience show that free services are less valued than services that require a small user fee (for medical services) or other contribution (labor, donation of sand or stones for road construction).
- *Obtain community commitment for maintenance of infrastructure.* Further collaboration between the company and the community could be conditional on implementation of this

agreement. One Total manager suggested establishing a maintenance fund from interests generated by the micro-credit program.

A focus on sustainable development will require a change in the mindset of local communities, and different skills from the Socio-Econ team. Rather than approaching communities from a technical perspective through doctors, veterinarians and agriculturalists, the Total team will need additional skills such as facilitating discussions, training VCCs in consensus building, decision making process, and community participation. Total might also consider training VCCs in these fields. A focus on organizational structures, consensus building, conflict resolution and decision making skills would all contribute to strengthening community leadership and help local people to be less dependent on Total's presence.

Legitimize informal and positive leaders. We encountered several informal leaders in the pipeline area (monks, VCC members) who encourage and support their communities to take a more pro-active role. There may be opportunities to identify these leaders and support them in efforts, or to ask them to spread their activities also to other areas.

Kanbaur Camp

If not used for another purpose, by the end of 2005, Total will have to hand over a base camp in Kanbaur which currently houses contractor staff. Ideas that were mentioned as alternative purposes for the camp:

- To offer the facility to an NGO that wants to establish a vocational training center for people with physical disabilities. The NGO currently offers two-week courses and wants to expand activities due to the success of the program.
- If the camp could be supplied with gas and a turbine (which are both technically feasible), the facility could become the only public place in the region that has a reliable power supply. It could serve as a business development area for entrepreneurs needing electricity (ice making, welding, etc.)

SECTION TWO: NATIONAL LEVEL

On a national level, the context of operations has changed since the last CEP visit, most profoundly due to changes in the government that occurred in October 2004. The overhaul of many senior government officials has led to the fact that, according to some people, "Five years of work to strengthen government relations have evaporated." In this context, NGOs, companies and diplomats have been establishing new contacts with government officials and trying to work with the new power structure. Their experience is that new, and often inexperienced, senior government officials are hesitant to make decisions not knowing if they can rely on the support from their superiors. As a result, international organizations observe there is a stalemate within the Government when official decisions need to be made.

Observations

- § The overwhelming majority of the over forty diplomats, NGO representatives, UN agencies, business men, monks and ordinary citizens with whom the CEP team spoke argue that Total should neither leave the country nor limit its interaction with the military regime in Myanmar/Burma. Contrary to the calls from stakeholders outside Myanmar/Burma who loathe any corporate-government engagement, insiders advocate that the company should use its position and contacts to engage more, and at multiple levels, with the Government.
- § International actors in Yangon/Rangoon expressed impatience with Total's perceived (too) prudent approach with regard to issues of concern to the international groups. In a context where international groups in Myanmar/Burma have lost most of the contacts with the Myanmar/Burmese Government, the majority of people see Total as one of the few organizations that can help re-establish these contacts. On the other side, Total management observes that the company works in the same context as other international actors and that it faces similar challenges.
- § Various external developments that may put additional pressure on Total to demonstrate its positive contribution to Myanmar/Burma:
 - The activities of Save the Children (US) in the pipeline area, supported by the Yetagun Project, are gradually phasing out. The absence of a visible NGO presence on the ground (Save the Children has no longer a permanent presence in Kanbauk) may put some additional pressure on Total to engage with those communities that previously worked with Save the Children.
 - The International Labor Organization (ILO) has brought several allegations of forced labor to the attention of the Government. The initial allegations were investigated by the Government in early 2004 and, where deemed true, measures were taken against perpetrators. Since the incident, the relation between the Government and the ILO has been strained. The ILO will review its position with the Myanmar officials in the fall of 2005 in what is seen as a last opportunity for the Government to show faith and avert an ILO call to international governments to consider their relations with Myanmar/Burma. Such a call would likely increase the pressure on Total to demonstrate its positive impacts on society.

Options: Use the Corporate Presence as an Opportunity to Help Create Space For Others

The main point that comes out of the discussions with multiple stakeholders is that Total has the opportunity to determine its role in the Myanmar/Burmese society more explicitly. Thus far, the company has largely considered itself a gas company that implements and supports good humanitarian projects. The pressure points mentioned above, and the increasing demands of both international groups and local people (see the third CDA report) to “do more”, implies that the current approach will increasingly be seen as too limited given the Myanmar/Burmese context.

It is not, and should not be, the role of any corporation to assume responsibility for the future of Myanmar/Burma; it is up to the Myanmar/Burmese people to determine their own future. There is a challenge for Total to be seen as playing a positive and constructive role in the country.

There are multiple options for the company to impact society more broadly if it would also see its presence as an opportunity to help create the space for other groups (including government departments) to determine their own future. Such an approach would require that Total sees its presence as a means to pro-actively address issues beyond gas and humanitarian operations. The company could consider strategies for dealing with

- Government
- Civil Society
- International Companies

Options with regard to Government Relations

In previous reports we already mentioned the options provided by various stakeholders concerning company-government relations. During this visit we heard the following additional suggestions

Use a multi-pronged approach. People with whom the CEP team spoke mentioned that such an approach is needed since it is not clear to outsiders who in the Government has decision making power and upon what information decisions are based.

Work on the relationship first. An Asian company stressed that the key to doing business in Myanmar, and gaining the trust of the Myanmar/Burmese, and to affect change is, “First to work on the relationship.” This Asian company has observed that Total’s approach has been, “To focus directly on the commercial aspects.” According to the company, Total has opportunities to affect change through joint venture partners and with the Myanmar/Burmese Government if it would first focus on establishing a good relationship before trying to influence the point of view of either.

Use the corporate presence as a means to engage broadly. A mindset aimed at using the corporate presence to optimize positive contribution to Myanmar society implies that Total can create opportunities to engage with a wide range of ministries and governmental bodies, such as think tanks, on an ongoing basis. Unocal has strategically used its co-investment in Myanmar/Burma, and its support to various NGOs to engage with a great variety of government agencies. Unocal’s strategy has been to provide options to the Myanmar/Burma Government and to demonstrate how it can benefit from the suggestions made by the company.

Bring in experiences from other countries. Several government officials also suggested that, rather than telling the Myanmar/Burma Government what policies to implement, Total could invite experts from other countries to explain the challenges they faced and what worked in addressing these challenges.

Use contacts. Repeatedly the importance of personal connections was mentioned as a key element to engage with the Government. This approach means that the company needs to invest in establishing and maintaining relations not only with the Minister of Energy, but also with the various personal assistants (PAs) and at various levels and within the various ministries.

Focus on government-related institutions to influence governance. For example, the CEP team met with a think tank housed in the Ministry of Foreign Affairs. Its representative, a former Ambassador, provided constructive ideas on how to best engage with the Government and explained the types of engagement that would be most effective. In addition, he offered assistance in establishing contacts with government officials otherwise inaccessible to Total.

Maintain communication with and rely on the Myanmar Ambassadors abroad. One former Ambassador explained that when Total was unable to communicate with the Myanmar/Burmese leadership, Total Indonesia approached the Myanmar Ambassador to Indonesia with the request to facilitate contact with the country's leadership. Based on positive impressions ("good working conditions, surprisingly many national staff") in Indonesia, the Ambassador recommended Total's investment in Myanmar to the senior leadership. A few months later, Total and the Myanmar Government signed a contract.

Disseminate information about Total's contributions to the country. Several government officials explained that they would be interested in learning more about the details of Total's (and Unocal's) non-technical activities in the country. Unocal's strategy is to provide government officials during each occasion with an interesting paper, a speech or a presentation that is useful for their purposes. Distributing Total's Socio-Econ annual report would serve a similar purpose.

Relate the relevant messages to the business case. For example, the increasingly strained relationship between the Myanmar/Burmese Government and the ILO makes the Myanmar/Burmese business environment even more difficult. This is further exacerbated by the fact that forced labor no longer officially exists in the country. Those that made allegations of forced labor have been criminally prosecuted. One person suggested that Total could consider offering the ILO the opportunity to open up an office in the pipeline area to underline the legitimacy of the ILO and the importance of an ILO presence in the country from a business perspective. Another idea is to help re-establish contacts between the ILO and various ministries to which the organization currently has no, or limited, access.

Pursue a step-by-step approach. Several people advocated pursuing a step-by-step confidence building approach through a joint project between Total and the Government. Examples include building a few wells in communities or creating and implementing an environmental clean up campaign throughout the country. Such a joint project could serve the purpose of getting to know each side better and establishing mutual confidence. Over time, Total could propose its own ideas about projects that could improve the lives of the Myanmar/Burmese people as a whole. Others mentioned projects centered around children's interests that could serve as a "magnet" to build relationships and reach out to groups (government officials, NGOs etc.) that otherwise would not have a reason to meet.

Explain activities to the military's regional command. Apparently, some government officials wondered why schools constructed by Total in the pipeline area exceeded national standards. Here lies an opportunity for Total management to contact the regional command and to explain Total's policies and activities in Myanmar/Burma.

Options for working with civil society

A diplomat pointed out that in Myanmar/Burma, the international community tends to focus their efforts on reaching the senior government officials in the hopes to gain easier access to decision makers. Although it is important to establish good relations with government officials, there are additional opportunities for the company to engage with other actors in society resulting in positive contributions and “not leaving civil society groups such as local journalists, women, business people and teacher associations behind.”

The following options were put forward if Total decides to use its presence to help create space for civil society groups and others to do their work:

Listen systematically to local perspectives. As we mentioned in the third Yadana report, there are opportunities for Total to listen more systematically to people's opinions outside the pipeline area. After all, listening to the opinions of people who are indirectly impacted by the corporate presence provides Total with credible information that can be used in discussions with outside groups that claim to speak on behalf of the Myanmar/Burmese people. Failing to engage systematically with local communities leaves the company more vulnerable to outside criticism. In addition, listening to the voices of people provides

opportunities for Total to determine how it can most positively serve the interests of communities outside of its direct area of operation. Options for listening more closely to local voices:

- Establish and maintain ongoing relationships with religious groups, who have a strong presence on the ground and can provide insights on the perspectives of local communities.
- Relationships with programs implemented by Pact (supported by Unocal), the Helen Keller Foundation (supported by Total) and the WHO/Mandalay Hospital (supported by Total) are additional opportunities to systematically ask the Myanmar/Burmese population what they think or expect from the corporate presence.
- Several people pointed out that festivals happen frequently and are a good place to informally mingle with a cross section of society.
- A first and feasible step could include a questionnaire tailored to Total's staff, and their close relatives. The results of the questionnaire could be discussed in small groups in the relatively safe company environment. Some of the questions might include
 - § What else should the company focus on, in addition to what it is currently doing? Is there anything in which the company should not be involved?

- § How can the company best engage with the Myanmar/Burma Government, or with civil society groups?
- § How can it best serve the interests of ALL the Myanmar/Burmese people?

Volunteer staff for capacity strengthening. Repeatedly we heard from various groups the need for basic skill training such as project management, human resources management, budgeting and accounting and various other skills that Total staff already understands. One idea is to encourage Total staff to volunteer their skills to civil society groups on a regular basis. For example, there is a Capacity Building Institute to which Total could provide resource people.

Provide venues to exchange information. Considering the general lack of information flow in Myanmar/Burma and, at the same time, the appetite for news, topics of discussions related to the activities of Total could provide opportunity for exchange of information. For example, one person pointed out the opportunity to organize a workshop to discuss topics such as corporate social responsibility, sustainable development or environmental policies.

An example of Total's efforts in this respect is their invitation to professor Gallo (a world-renowned HIV/AIDS researcher) to the opening ceremony of the Total sponsored HIV/AIDS treatment program at the Mandalay Hospital. As part of his visit, professor Gallo provided a morning-long "Technical Forum on HIV-AIDS Prevention and Care in the 21st Century" to which several dozens of doctors and other medical practitioners were invited.

Options for engaging with international companies

Outside observers pointed out that Total has opportunities to share lessons learned and best practices amongst its corporate colleagues. Suggestions included

- § Strengthen the relationship with the PTTEP, who are currently in an exploration phase but may become operators of a gas field in the near future.
- § Develop a joint strategy with Petronas about having conducted a joint social impact assessment.
- § Approach Deawoo International to present the lessons learned from the Yadana Project that could be used in the context of the Shwe pipeline project. This project has attracted the attention of NGOs who are concerned about the negative impacts of the pipeline operations.

NEXT STEPS

Consider hiring a corporate social responsibility (CSR) coordinator

The overwhelming majority of the responsibilities in dealing with the Government, NGOs and joint venture partners currently falls on the shoulders of very few people, including the General Manager. During our visit we consistently received encouraging feedback about her personality as well as her understanding of the Asian context. However, to fully benefit from the opportunities presented by multiple stakeholders during this and previous visits, both additional capacity and a comprehensive corporate social responsibility strategy are required. Hiring a full time CSR coordinator (supported by a small team) could help Total capitalize on these opportunities as well as take over some of the extra duties that are now conducted by the General Manager or by the Headquarters people. Most people in Yangon/Rangoon share the view that the full time CSR coordinator needs to be an expatriate staff.

The CSR coordinator could develop a systematic and coherent approach with regard to

- Government relations (which does not mean by definition that he/she would meet with officials all the time).
- Communication with international NGOs, diplomatic missions (e.g. the Chinese and Indian Embassies).
- Follow up with local NGOs, UN agencies, civil society groups and others to determine where and what opportunities exist for Total to make a positive contribution to the Myanmar/Burma society. For example, the coordinator could establish an informal advisory board for Total to test ideas and approaches.

The main idea is that Total should opt for a “maximal” approach away from focusing on key ministries only and towards seizing the opportunities that its presence in Myanmar/Burma provides. For example, a CSR coordinator could develop a much more systematic mechanism to listen to the perspectives and opinions of ordinary citizens across the country, as was suggested in our previous report. After all, energy spent on reaching out to those affected by the corporate presence, and trying to address some of their concerns will demonstrate a genuine corporate commitment to improving the quality of lives of the Myanmar/ Burmese people.

SECTION THREE: INTERNATIONAL LEVEL (Thailand/ U.S./Europe)

As part of each visit, the Corporate Engagement Project also speaks with NGOs, diplomats, investment companies and others that live outside Myanmar/Burma but work on issues of concern to Total. This is a group of stakeholders who are both diverse and have multiple agendas. The following is a compilation of the main findings.

Observations

§ Feedback from the various international stakeholders is divided along a divestment-investment spectrum. Discussions with twelve groups/representatives reveal that perspectives from outside stakeholders differ according to the location of the organization (in Thailand or elsewhere) and the nationality of the staff or the organizations. In general, those organizations located geographically furthest from Myanmar/Burma as well as those groups with predominantly non-Myanmar/Burmese staff operate largely from a divestment platform.

Their arguments are based on the assumption that, the withdrawal of companies from Myanmar/Burma will lead to increased pressure on the Government to alter its policies or that might eventually result in the collapse of the regime. A number of groups that are based in Bangkok, staffed by internationals, state that companies should never have invested in Myanmar/Burma. Although these groups are skeptical about the positive impacts of the corporate presence, they argue that divestment of Total from Myanmar/Burma would encourage

Asian investment in the country and, thus, worsen the current situation. Others stated that, after 10 years of divestment campaigns that did not yield benefits for local people, “It is time to move on.”

Groups that are located in Thailand and predominantly staffed by Myanmar/Burmese are, generally, not in favor of a divestment approach (or do not view it as a realistic option at this moment). Rather, they are interested in finding opportunities for Total to serve the interests of the Burmese people and to “improve politics” by staying in the country. Although the different organizations are all in touch with each other, some Myanmar/Burmese groups acknowledge that they do not openly express their perspectives on this matter “fearing” being criticized by those advocating divestment.

- § There is a general agreement amongst international stakeholders that the Socio Econ Program has a positive impact on people in the pipeline area, both in material and in security terms. It is the first time that this acknowledgement was mentioned repeatedly. However, this does not affect how most of the groups think about Total, which is based primarily on the fact that the company maintains a relationship with the military regime.
- § Total has established and maintained contact with several groups in Thailand. These contacts are largely maintained by Total staff from Paris (rather than from Yangon/Rangoon). The feedback from some groups is that such contacts have been irregular and, in some instances, focused on events (just before an advocacy campaign, before a possible expansion of activities) instead of building a long term relationship with these stakeholders.
- § Total is perceived by NGOs as wanting “something” from groups. Hence, most company-NGO contacts have not led to increased goodwill but, rather, confirmed already existing assumptions on both sides. This impression is compounded by feedback from Total to some groups when they signed petitions against the company despite the fact that Total had met with them.
- § Total and activist groups each focus on their different perspectives rather than the views they have in common. For instance, all stakeholders express they want to improve the lives of people in Myanmar/Burma and would like to see a change in the political situation in the country.
- § It could be argued that campaigns calling for divestment make it relatively easy for Total not to change its position. By leaving Total no other option but to close operations in

Myanmar/Burma, there is little incentive for the company to take a more proactive approach or to become more engaged with stakeholders in Myanmar/Burma. Local people continue to argue that they would like (Western) foreign companies to stay in Myanmar/Burma, but to take a more pro-active role in changing the quality of life of ordinary citizens.

Options:

Agree on indicators that demonstrate a net positive corporate impact. In its contacts with international stakeholders, Total and groups advocating for Total's departure from Myanmar have options to move away from the polarized debate (stay or leave) if they would discuss what the company needs to do to demonstrate that its presence in Myanmar/Burma has a more positive than negative impact on people's lives. A discussion about such indicators (for example, a change in political situation, decreased militarization of certain areas, ensuring cheap supply of cooking gas to local people) would provide the company with an incentive to help achieve these goals.

Follow up on information provided by outside groups. There are a few NGOs based in Thailand that occasionally have information about allegations of forced labor or human right abuses in or around the vicinity of the pipeline area. Total has vowed to investigate such allegations and has repeatedly taken action to ensure such practices are halted. If NGOs would be willing to share information with Total, the company could verify the validity of these allegations.

Publish the Socio-Econ Program's annual report. We encountered much interest amongst international stakeholders to see the annual report of the Socio-Econ Program. The report contains reliable and consistent information about price index trends, morbidity figures, migration figures and other socio-econ data that are difficult to obtain in Myanmar/Burma and, as such, are of interest to outsiders. In addition, Total could also use the report to more widely disseminate its achievements in the pipeline area and use the report as a communication tool by inviting feedback on the Socio-Econ Program.

CONCLUSION

The observations of the fourth visit confirm for the most part the observations made in the previous three reports. Support for the corporate presence in Myanmar by local people and international organizations working in Myanmar/Burma remains, as does the call for Total to do more both by increasing people's quality of life as well as by assisting national and international organizations in their efforts to work in the most effective way in the Myanmar/Burmese context.

Total needs to develop a vision for its role in Myanmar/Burma as well as to develop a mechanism by which the company can demonstrate that it is in close contact, and interacts directly, with civil society leaders who represent the interests of the Myanmar/Burmese people.

This fourth visit reveals two main additional points that the company should take into consideration. First, the observation that communities are getting used to the benefits of the Socio-Economic Program and increasingly expect more from the company implies the need to make Total's efforts in the pipeline area both more sustainable and more focused towards community empowerment. Second, on a national level, Total will need to consider how to use its presence in Myanmar/Burma to impact society beyond its direct economic and humanitarian efforts. Plenty of opportunities exist to pursue such an approach while adhering to the company's principles of non-political interference. The changing context in Myanmar/Burma provides additional challenges to Total's operational environment. At the same time, this context provides Total with the opportunity to explore new approaches in order to adapt to the new socio-political reality.