

CORPORATE ENGAGEMENT PROJECT

Field Visit Report

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

Myanmar/Burma

April 22 – May 2, 2003 (Second 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 tensions or conflict. Its purpose is to help corporate managers better understand the impacts of corporate activities on the contexts in which they work. Based on site visits, CEP aims to identify and analyze the challenges for corporations that recur across companies and across contexts. Based on the patterns that emerge, CEP develops management tools and practical options for management practices that respond to local challenges and address stakeholder issues.

In this context, Doug Fraser, Independent Consultant, and Luc Zandvliet, Project Director of CEP, visited Myanmar from April 22 – May 3, 2003 to visit the Yadana pipeline project, operated by Total, as a follow up to our first visit conducted in October 2002.

This visit was the second CEP visit to the Yadana Project in what is planned as a series of three visits. To avoid duplication, this report should be read in combination with the first report (available at <http://www.cdainc.com/cep/cep-casestudylist.htm>). Our purpose, as in all CEP field visits, was to examine the interaction between corporate operations and surrounding communities, as well as the impact of corporate operations on the wider context of conflict.

The CEP team intends to visit Thailand to explore allegations from several international NGOs that people originating from the pipeline area were displaced into Thailand. If people had to leave Myanmar/Burma recently for reasons related to the pipeline or the presence of oil companies, this would be important for CEP to know. The trip will serve the following purposes:

- Ø To learn additional information related to the impact of the pipeline on local civilians. We want to address the possibility that we only hear positive stories about the pipeline from people currently residing in the corridor, while people that were possibly forced to leave the corridor might tell of a different reality.
- Ø To verify why CDA's observations in the pipeline area differ from the observations in some of the reports produced by international NGOs about the impact of the pipeline on the local contexts.
- Ø To explore rumors in the business community in Thailand and Myanmar/Burma (and among NGOs themselves) that some NGOs make a "business" of producing allegations against companies, based on testimonies from Myanmar/Burmese refugees. This is of concern to CEP because if CEP is unable to confirm allegations that "NGOs fabricate "evidence," it supports the credibility of the NGOs that make allegations or advocate on behalf of Myanmar/Burmese refugees. On the other side, if the fabrication of evidence is confirmed, this would support sentiments in the business community that allegations should not be taken seriously. This undermines the ability of individuals with genuine grievances against companies to be heard.

We attempted to arrange the trip from Bangkok to Northern Thailand to precede this visit, but logistically it was not feasible (during the water festival), and therefore the trip has been postponed to coincide with the third visit.

Because we were examining the operations of the Yadana project, in this report we consistently refer to Total's role as the operator of the project. However, our observations concern all joint venture partners.

The point of departure for any CEP visit is what we observe on site and what we hear that is substantiated both by examples and by consistent repetition. Although familiarity with the history of a project and region is indispensable for understanding current operations and policies, we neither validate nor invalidate past operational policies or their impacts, unless we observe these in current dynamics.

We invite feedback on the observations laid out in this report. We hope, as well, that this report will contribute to broader discussions within the company and between the company and stakeholders, on the options for corporate engagement in the Myanmar/Burma context.

After the introduction, in which our methodology is explained, the report is divided into two parts. The first section reports on the direct and indirect impacts of the Yadana project within the pipeline area. Direct impacts take place through the Socio-Economic Program implemented by the company. But equally important, according to villagers, is the indirect impact of Total's presence on the human rights situation in general, and forced labor in particular, in the immediate region.

The second section explores the company's impact on the broader national context. Addressing both the local impacts as well as the impacts of the pipeline on the national social and political level is a challenge for any company working in the country. In order to address these challenges, Total will need to develop a clear vision and coherent strategy to support this vision. We will discuss some of the building blocks for such a strategy and suggest options that could enable the company to constructively address these challenges while continuing its operations.

INTRODUCTION

This visit to Myanmar/Burma included five days in the pipeline area and six days in Yangon/Rangoon. Since the first visit in October 2002 provided detailed information on the manner in which Total conducts its daily operations, we met with relatively few Total staff this time. Instead, the CEP team focused its efforts on meeting with civil society organizations (including staff of international NGOs), religious leaders, political analysts, government representatives, a member of Parliament, diplomatic missions and other corporations working in the country. In the pipeline area, we met with local community members, company staff, contractors, government representatives, and NGO representatives.

We concentrated our visits on those villages located in the so-called "pipeline corridor." The corridor is the geographical area approximately 10-15 kilometers wide and 63 kilometers long. A

36-inch diameter pipeline is buried within this corridor. The corridor is only visible as drawn on a map; there are no physical delineations of its boundaries on the ground. The notion that there is a clear corridor with particular boundaries was created by Total, as it uses the corridor to determine how some operations are implemented. For example, different security measures apply inside and outside the corridor, and company staff does not travel outside the corridor. The corridor becomes further concretized and reinforced by the fact that the government and the army have been notified which villages lie within the corridor. People in the area claim that the army behaves in a more disciplined manner inside the corridor compared to outside the corridor. They believe this is because Total has made sure that negative behaviors have been corrected and that local commanders have received instructions to act in an acceptable manner.

The CEP team visited 16 of the 23 villages located along the pipeline that are included in Total's Socio-Economic Program, which will be briefly explained later. For comparison, the CEP team also visited one village outside the corridor. Similar to our first trip, visits to the sixteen villages were carried out under the following circumstances:

- Ø CEP hired two independent translators skilled at interviewing villagers. The translators were hired separately from Total.
- Ø The CEP team was transported in a Total car. Although it was unmarked, we are sure all villagers knew that this car belonged to the company.
- Ø Total staff accompanied us in the pipeline corridor during two out of the five days. Upon arrival in the village, they would stay at a teashop or at a clinic while the CEP team conducted interviews in the village.
- Ø The CEP team specified the requirements for the selection of villages to visit. These requirements aimed to gain as broad and diverse a perspective as possible, considering the village's ethnic make-up, distance from the main road and from the pipeline center (PLC), and the duration of participation in the Socio-Economic Program. We re-visited five villages that we visited during our first visit in October 2002 and eleven villages that we had not visited before.
- Ø During village visits, the CEP team split into two groups and moved separately through the villages, conducting interviews at random. Total staff did not arrange any meetings with community members or influence the decisions of the places we selected.
- Ø Over two visits, the CEP team has now visited 22 out of the 23 project villages. We were unable to visit one village (Thingundaw) simply because of time constraints on the scheduled day. This village will be visited on our next visit in the fall of 2003.
- Ø We also insisted on visiting at least one village outside the pipeline corridor.
- Ø In our discussions, we, the CEP team, introduced ourselves as operating independently from Total. We made it clear that our visit was at the invitation of the company with the objective to observe the impacts of its operations on local communities.

The Corporate Engagement Project is not an audit in the sense that it “endorses” or “condemns” certain company policies. Therefore, this report will not contain a checklist of the options that have, or have not been implemented by Total following our first report. The aim of the visit and the options developed are to assist the Joint Venture partners to better deal with the social and political challenges they encounter working in the Myanmar/Burmese context. Total addressed many of the recommendations that we made based on our first visit, whereas other options require more discussion. We also observed new developments which we comment on in this report.

SECTION I: IMPACTS ON THE LOCAL COMMUNITY: PIPELINE CORRIDOR

This section will discuss our observations with regards to both the direct and indirect impacts of Total (and of Premier Oil, the operator of the Yetagun pipeline in the same corridor) on local communities. We will first discuss our updated observations regarding Total’s Socio-Economic Program (a direct impact of the company’s presence) and then discuss findings regarding forced labor (indirectly impacted by Total’s presence). To compare the situation both inside and outside the pipeline corridor, we also discuss our observations from a visit to a village outside the corridor.

1. Socio-Economic Program (SEP)

In the pipeline corridor, Total has implemented a Socio-Economic Program since 1995. Total’s socio-economic activities provide infrastructure and social services as well as income-generating projects. Ongoing “social” components of the program consist of an extensive primary health care system, implemented through the health centers that are built or renovated, staffed and supplied by Total. Another key activity of the program consists of educational support including constructing schools, providing financial support to teachers, providing teaching materials, and initiating computer classes and a library program. The education program also operates a tutoring program to prepare children for their high school exams (nationally, fewer than 20% pass their exams).

The “economic” component of the Socio-Economic Program consists of development and income-generating activities such as pig farming, chicken farming, and agricultural activities such as the production of palm oil, groundnuts, and rubber. The Program also includes micro-credit initiatives. The villagers themselves, through elected committees, determine who should benefit in the Total programs based on an annual plan that they design. Infrastructure projects include a wide range of activities varying from the construction of roads, schools, bridges, and water supply to market places and clinics.

Formal communication between Total and the villages occurs via three Village Communication Officers (VCO) who are part of Total’s SEP team. A major task of the VCOs is to travel regularly to each village to hear people’s concerns and to hold discussions with each of the 23 Village Communication Committees. Total established these committees, which consist of

villagers who are elected by their communities to represent the interests of their community on a voluntary basis.

During the visit in the pipeline area, the CEP team attempted to be as inclusive as possible. We spoke with wealthier, middle class, and poorer people, with individuals as well as with groups, with men and women, with young and old, with rice farmers, other farmers (cashew, rubber, beetle nut), traders, fishermen and with people with a Dawei, Mon or Karen background (both Buddhists and Christians).

Overall Impact of the Program

During the approximately 70 interviews that we conducted within the corridor, every person we came across had heard about Total, and knew the basic components of the Socio-Economic Program. All of those we spoke with were in favor of Total's presence; if not for their personal benefit, then at least because the community as a whole benefits from Total's presence. Several times people acknowledged the wider benefits of the Socio-Economic Program and the fact that "Total is good for the village." In our discussions, not one person advocated that Total should leave the corridor.

The social program (the health and the education components) appears to benefit nearly everyone. Two villagers with limited means claimed they did not benefit from any components of the Socio-Economic Program; all other individuals stated that they benefit from at least the social aspects of the program. The free medical care is considered to be the most important aspect of the project, in addition to the educational support, including the provision of books and pencils and a tuition school for high school students who failed their final exams.

The income-generating aspect of the program has substantial coverage as well. In some villages, about one-third of households have received a micro-credit loan. In other villages, about one-third of the village is involved in raising pigs.

Since our visit six months ago, we noticed an increase in spending. We were better able to observe this on the second trip by means of comparison with a "reference point"—the previous visit in October 2002. We observed a noticeable increase in building construction. Interestingly, people are now constructing houses and shops from more expensive commercially cut timber or of brick to replace their traditional wooden structures. Other evidence of increased spending was the increased number of new motortaxi's on the road. When we asked, people told us of some direct gains from Total's Socio-Economic Program as well as some spin-off effects:

- Ø Some people have sold their first or second pig for a satisfactory profit. Most have reinvested this money in raising more pigs.
- Ø Some rice farmers claimed that seeds, fertilizer, and technical advice provided by the Socio-Economic Program have increased their yield from 50 to 70 baskets per acre.

- Ø Due to improved roads, several new public transport routes have been established, allowing access to villages previously only accessible by bike or ox cart. According to villagers, this has considerably reduced their transportation costs to markets.
- Ø Over the last six months, the number of brick factories has risen from one to three. In every village we observed several houses being built or renovated with bricks.
- Ø One local bus company in Kanbawk has expanded from 5 to 8 buses. Villagers themselves note the increase in motorcycles in the villages as well.
- Ø We met with several women on Kanbawk market who said that before, flowers were imported from Dawei, while now they are locally grown due to increased demand.

While this all appears to be good progress, at the same time, people told us that the local economy is quite fragile, and highly dependent on Total's presence. Many shop owners in Kanbawk talked of reduced levels of sales and revenue since construction was completed and local employment decreased. Some shop owners said that they are going out of business. As well, three people complained that they have seen a rise in prices as a result of Total's presence because they perceive that Total employees do not negotiate hard for lower prices, and drive up prices. Others—the majority—said that the increase in prices is not related to Totals's presence but signals a national trend.

Geographical Reach of the Program

These are the observations from villages located within the corridor. However, the benefits of the Socio-Economic Program reach farther than the boundaries of the corridor only. According to Program staff, about one-third of the students attending the boarding tuition school and about one-third of all people admitted in Kanbawk hospital come from outside the pipeline corridor. Few people with land outside the corridor move inside the corridor. The attachment to their land and the economic security it provides is too high to take the risk of starting a new life elsewhere. If people have relatives in the corridor, they may temporarily move in with them to enjoy the educational or medical facilities in the corridor but they return home afterwards. Total is aware of this and is willing to provide access to healthcare and tuition boarding school to “anyone” who applies.

The program's good reputation reaches well beyond the corridor. We encountered various young men from elsewhere in the country who had married women from local villages. Rather than the women settling close to the husband's family, the wife's family had convinced these men that life was better inside the corridor (because of the Socio-Economic Program). We also heard that there is a small trickle of people establishing themselves in the corridor, largely of retirees without land, such as retired soldiers.

Some people originally from the area moved to other areas such as Shan State several years ago. They now return to their old grounds hoping to make a small business. There is one case in which a former KNU soldier surrendered his weapons at the border and was allowed by the government to resettle in his old village in the corridor. According to a Total staff member, the

government spread a message to the relatives of KNU soldiers that “it is safe to come back now” and used the Socio-Economic Program as “evidence” that life in the corridor is now good.

Relative Winners and Losers

Within villages, the middle class and wealthier people appear to benefit most from the Socio-Economic Program. They have the means to invest in pigs or poultry or have enough collateral to be able to obtain micro-credit loans. Other wealthy individuals say they do not ‘need’ the program, or, for example, find the smell of raising pigs too strong. Some lower-income villagers expressed frustration about the fact that the wealthy benefit more from the program than they do. For example, villagers complained that only three people in their community were able to invest in a cashew nut factory, which is supported by the program. People with no land or other assets state they have difficulties benefiting from the economic program for the following reasons:

- Ø Since they have no land or capital, they do not benefit from the availability of seedlings for cash crops, and cannot buy piglets or start a business.
- Ø Many of the poorer people we spoke with had not attempted to apply for a loan because rumor has it that poorer people would be unable to find a guarantor to get a loan. While this may be true in some villages, we also heard from a Bank committee member in one village that they had given a loan to a poor crab fisher to purchase a fishing net. In other villages we also heard examples how some poor people had obtained loans to start a pig farm.
- Ø In some villages, there is a perception among the poorer people that one has to know the Head of Village (HoV) or Village Communications Committee (VCC) member personally to get a loan. Four people had the impression that “the VCC is only for the rich people.”
- Ø Quite a few poorer people were interested in obtaining a loan, but feared that they would not be able to pay the 2% per month interest rate (which is significantly less than the inflation rate). They worried they would lose face if they were unable to fulfill their obligations. Hence, they did not want to get a loan.

We also observed some positive examples. Some wealthier people allow those without land to keep a pig in their backyard until they are able to buy their own land. Also, Total has recently introduced a Backyard Vegetable Project aimed at the poor. The first 43 villagers involved in 7 pilot villages had their first crop and apparently most made a profit. Based on this success the program will be expanded but it is yet too early to evaluate the larger impact of this program.

Governance structure of the program

The village-based and elected Village Communication Committee (VCC) is one of the core aspects of the Socio-Economic Program. The VCC operates on a voluntary basis and is designed to serve as a bridge between the company and the local community. This is still a relatively new concept in some villages. Whereas people were well aware of the structure of the Socio-

Economic Program in villages that have been part of the Program since its commencement, in the villages that were added to the program in 2001, about 50% of the interviewed people did not know about the existence of the VCC. Others heard about its existence but did not know the names of VCC members. Still they do know about Total's program and contact the company if needed through the Total doctor in the clinic or through the Total Village Communication Officers who visit each village on a regular basis.

The VCC is elected by the community themselves and is open to the candidacy of all. A government appointed Head of Village (HoV) could therefore also be a member of the VCC if the community elects him (all HoV that we have come across are male). Naturally, in these cases it increases his legitimacy and authority within the community and possibly weakens the relative authority of the other members of the VCC. For example, we repeatedly asked people who they approach to receive a loan, vegetable seeds, or small trees. The majority of people mentioned that the Head of Village is the key decision maker. Apparently he often signs off as a guarantor on loans or selects who in the village receives economic benefit and who does not. We were not able to verify if in these occasions the HoV was part of the VCC or not.

Analysis of the Socio-Economic Program: Challenges and Opportunities

As during our first visit, we are impressed by the manner in which the Socio-Economic Program is directed. Total should see it as a significant achievement that we were not able to find people who thought it would be better if the program were closed. In fact, the success of the program is reflected in the fact that the types of observations that we made and discuss here all deal with the challenges that come with expanding a successful program.

a) Risk that the Socio-Economic Program could be used for political purposes

Total staff has tried to implement the Socio-Economic Program strictly on a humanitarian basis. For example, it successfully established small civil society groups such as the Village Communication Committee and the Village Banking Committee based on the premise that such groups would refrain from being involved in politics.

Now the Government itself is at the brink of using Total's program in the corridor for political purposes. We heard from Total staff that the government is attempting to convince family members of KNU soldiers and others who fled the area in the past to return to the villages in the corridor. They allegedly do this by talking about how good life is in the corridor (largely due to the work of Total and Premier). If this is indeed true, the program may lose its perceived neutrality. The moment that the program starts being used as a tool to bring various ethnic groups back to "unify" the country, this supports arguments that the pipeline and the company are, unintentionally, part of a government strategy to homogenize the country under one centralized governmental system (rather than allowing various ethnic groups to maintain relative independence).

b) Risk that success of the Program is used for personal gains

The Socio-Economic Program is visibly and measurably increasing quality of life for the inhabitants of the pipeline area. Its success consequently reinforces the authority and legitimacy of those individuals in the village that are in the position to allocate loans, trees, seedlings, or other wanted items. In some villages we heard people speak very positively about their Head of Village and VCC members. On the other hand, in some cases, we heard about incidents of abuse of position, as follows:

- Ø In most villages, in order to get new land allocated to them, people have to pay the HoV. In one village the HoV attracted people that wanted to settle in the village by promising them jobs with Total (and received a fee for the land he handed out).
- Ø Other villagers are fully convinced that they will receive micro-credit loans from Total because the HoV has promised them. In reality, the Banking Committee is the only group that can allocate a loan.
- Ø One member of a VCC complained that, supposedly, the local bank committee keeps 2% of the interest payments for their work, instead of the approved 1%.
- Ø Several poorer people in various villages are convinced that they can get loans only when they know the HoV, VCC members, or “Total people.”
- Ø Two villagers with little collateral mentioned that some villagers obtain Total loans at a 2% interest rate, and then loan to their poorer neighbors at a 10% interest rate.
- Ø In one village the HoV had cleared land for the seeds he expected. He was unclear when these seeds would arrive but he was convinced that “the VCC would get the seeds first.”

Whether or not these stories are true is less relevant than that they signal a trend that the more successful the program is, the more people are likely to try to benefit from its success. The above-mentioned incidents (and based on our interviews, these emerged as only occasional incidents) of “abuse” should be balanced against the fact that the pipeline corridor is one of the very few pockets in Myanmar/Burma where some form of civil society structure is in place, albeit limited. Villagers’ experience with any form of public administration is extremely limited. In light of this, the degree of abuse is small but should be addressed early.

c) Risk of increasing discrepancies between the haves and the have-nots

Total intends to further increase its socio-economic efforts within the pipeline corridor. This poses the question about the limits of expansion of the Socio-Economic Program. It will further enhance people’s quality of life. At the same time, it will also increase the discrepancy between those that benefit more from the program and those that benefit less; for example between those that are able to benefit from micro credit and seeds programs and those that have no collateral or land.

Further concentrations of the program will also increase the discrepancy in quality of life between the corridor and its surroundings. Although we were not able to extensively visit the area outside the corridor, people generally reported that the health, economic, and security indicators are substantially higher within the corridor compared to outside the corridor.

This poses real challenges both from a moral perspective as well as from a security perspective. From a moral perspective, some government officials as well as some NGOs are concerned about the concentration of wealth in the corridor. One NGO representative wondered if Total, in its attempts to do good, was unintentionally creating a “Disneyland” in the corridor. A government official was concerned about “balance” in the development of regions and was not in favor of seeing one region disproportionately more developed than another region.

From a security perspective, some villages within the corridor were recently attacked and robbed and an increasing number of buses coming from the corridor are being robbed just outside the corridor. Although there is no proven relationship between the wealth accumulated in the corridor and the increase in security incidents, keeping track of the trend in robberies in, or just outside, the corridor compared to the rest of the country will provide the company with a better idea if such correlation exists. In other countries, CEP has observed that increased discrepancies between the haves and the have-nots can lead to intergroup conflict.

Options

a) Focus on the poorer members of the community

Total is aware that poorer villagers are partly excluded from the benefits of some income generating programs. Despite the visible improvement in the quality of life some people have experienced due to the program, a considerable part of the population (estimated by one teacher to be as high as 50% in her village) does not have their own land or any other cash-generating activity. Total is currently in discussion with an international cacao producer who has shown an interest in buying cacao from within the pipeline corridor (as they are attracted by the relatively stable conditions within the corridor). There may be opportunities here, for example, to also make some land available (on a lease basis) to current landless people, or to a co-operative of the poorer segment of society, to help them start a cacao-growing business.

b) Focus on capacity building of the VCC and the HoV

The dominating role of the HoV in some villages and the fact that many villagers are simply not aware of the role of the VCC underlines the need to enhance the capacity of both the HoV and the VCC to administer the program and ensure fairness and equal distribution among villagers. The VCC also needs to ensure transparency and ensure that a HoV is held accountable if he is not part of the (elected) VCC but uses the Socio-Economic Program for his own agenda.

c) Expand on communication within the corridor

We consistently hear that it is difficult to get any kind of public information in Myanmar/Burma. Total has attempted to address this concern by installing a bulletin board in each village. People

in various villages mentioned that they visit the bulletin boards regularly. During our visit, Total's internal magazine was posted in each village and people said they appreciated the information provided in it. This observation revealed opportunities for Total to more actively use these bulletin boards in relaying information to the community. For example, Total could post the names of VCC members and their "job descriptions" as well as procedures for loans, job vacancies, complaint procedures, procedures to follow in case of a forced labor allegation, etcetera. We tested this idea with a number of villagers who all said they were in favor of communicating more directly with the company through this medium.

Since our first visit in October 2002, Total organized several "open days" at its pipeline center for VCC members and local teachers from surrounding villages, and will continue to do so, to show its transparency and to provide an impression of life "behind the fence." The CDA team spoke with two individuals who had been part of such a visit. They appreciated Total's gesture, and said they were surprised by the fact that the company "is run by Myanmar people and not by Western people." Total intends to invite delegations from each of the project villages to their operations.

It would be useful to bring groups together on a more regular basis to learn from each other's experience. For example, we heard that in some villages, poorer members are more excluded from obtaining loans because the bank committee doubts they will be able to pay back loans. On the other hand, we also heard that in some villages the bank committee provides loans to poorer people as well, and that these people were able to repay the loans plus interest. Through sharing these different experiences, communities could learn from each other, make more informed choices, and perhaps expand the impacts of their programs.

d) Focus on sustainability

Total intends to stay in the country for the next few decades. It also intends to maintain its Socio-Economic Program for the foreseeable future. As the program is still expanding, the current focus is not on designing exit or sustainability strategies. On the other side, staff acknowledges that if the Socio-Economic Program were to halt, especially the medical program (which is the most widely-appreciated part of the program) would not be able to continue at its current service level. Taking into consideration the longer-term benefits to the local population, it is sensible to start integrating sustainability strategies that ensure that a certain service level is maintained after Total stops directing the program. It is opportune to start this process sooner rather than later for several reasons. First, at this point villagers still do not take the program for granted and remember their situation before the start of the program well. This will make it easier now rather than in the future, for them to "sacrifice" paying some kind of compensation for the services they receive. Second, a fair portion of the population has started to generate additional cash, thanks to the program. This enables them to afford fees for services. It is not our intention here to advocate changing the program dramatically. Rather, it is important to start thinking about these issues and introduce user fees for those who can afford them for medical services or, for example, for people who have more than three or four pigs—while taking into account, as discussed above, that there are many who still cannot afford fees, and should be exempted. Total could also start training local assistant veterinarians or agricultural experts that work side by side with Total staff and that can be paid by the villagers in the future.

e) Focus on improving local people's employment opportunities

One obstacle for local villagers to obtain jobs as security guards or as drivers is their limited English language skills, which is a problem because they have to be able to operate the radio. This is one reason why, in the past, many staff from Yangon/Rangoon have been hired. The result is that people in the villages perceive that “only” staff from the capital is hired. Total is already providing training and has a facility for such efforts. In order to increase the chances for people from the surrounding areas to obtain jobs with international companies, Total could consider providing English language courses as a precondition to obtaining such jobs.

2. Forced labor

One of the main concerns of the international community (and of the company itself) is the presence of forced labor in the country and particularly in the area of corporate operations. As in our first report, the CEP team paid careful attention to any possible linkages to the presence, or absence, of forced labor. In our discussions with villagers we were also interested in how they themselves perceived “forced labor” and how they speak about it.

The Local Definition of Forced Labor

Villagers define ‘forced labor’ along a continuum, and therefore it is not always clear what activity constitutes forced labor, and according to whose definition. Total may consider activities as forced labor that villagers see as voluntary. Given the sensitivity and the seriousness of the issue, Total uses a broad definition of forced labor in order to leave no space for any doubt.

Overall, in all discussions, we heard four elements that determine the severity of forced labor in the eyes of villagers; 1) the duration of the service, 2) the location where forced labor takes place 3) the type of labor and 4) whether or not payment takes place. For example, people were unanimous that unpaid portering duties for the military for weeks at a time in frontline areas are the most “brutal and unacceptable” form of forced labor.

Villagers discussed several other themes:

- Ø Villagers themselves define forced labor in terms of whether they are paid for their labor or not. This is a substantially different interpretation of forced labor than the internationally accepted definition in which forced labor is understood as when people have no choice to refuse a request for labor.
- Ø Villagers define, and Total responds to, forced labor only in relation with the army; cleaning a pagoda at the instruction of a monk or cleaning the village or building a road under the instruction of the Head of Village (who is government appointed) is not perceived as forced labor but as voluntary community service. Still, villagers explain that they have little choice to refuse such requests. Several people said that a second refusal

results in punishment by the HoV although they did not know of anybody on whom punishment was inflicted. It is quite acceptable for the rich to pay others to do their part.

- Ø Villagers do not necessarily define all unpaid labor done for the army as forced labor. Some villagers living close to army camps explained the relationship of mutual dependence they have with the local battalion. They explain that the village sells fruit and vegetables to the barracks, given that other markets are far. They also state that the army provides security to the village. Hence, conducting light non-paid labor upon request of the army, such as cleaning the army compound for half a day, is not considered as forced labor by most people we spoke with, but considered to be part of a “give- and-take” relationship. Others said that it is, in fact, forced labor.

Mixed signals from the government towards forced labor

The various explanations, interpretations and perceptions of forced labor may explain why the different signals from the government seem confusing and contradictory. On the one side, we saw order I-99, which prohibits the use of forced labor, posted by the government on bulletin boards in various communities. On the other side, one senior government representative in Yangon/Rangoon was quite open about the current “need” to make use of forced labor, and mentioned these words himself. He explained that in order to develop the country in the absence of significant international assistance, the country needed to make use of its resources, specifically labor. This is why, according to him, villagers need to “help” the army build infrastructure projects. “You cannot stop these projects (where forced labor is used) overnight, because a lack of progress could lead to dissatisfaction of the population which can lead to more support for opposition groups.”

Observations about forced labor from within the pipeline corridor

We consistently asked villagers about the presence of current forced labor within the corridor. Similar to our first visit, we did not hear of any systematic forced labor by the army in the pipeline corridor at present. Sometimes we framed this question as “When was the last time you had experience with forced labor?” At least 15 men stated that they had been subjected to (what they considered as) forced labor up to 1995; two people claimed it had occurred as recently as 1998. All of these cases were related to the construction of the Yei-Tavoy railroad, either digging the tracks or dumping stones and sand. We heard that only men were involved. The duration of the work was typically from 4 to 14 days at a time. Most people had to provide labor once, some twice.

No one we spoke with had direct experience working on the construction of the pipeline, although people were, of course, familiar with the project. When asked when forced labor stopped, all people we spoke with relate this to the arrival of Total; in three villages people explained their understanding that Total had requested the Army to stop such practices.

Despite the unanimous reports by villagers that no forced labor takes place within the pipeline corridor in a systematic manner, sporadic incidents do occur. One villager said that in December 2002, after the arrival of a new commander, his son was requested by the army to level ground

and cut trees for a helicopter pad. The Head of Village (HoV) confirmed that he had been asked by the army to “provide” 20 villagers for several hours. Although some villagers did not perceive this exercise as forced labor, others complained to the army, and they were exempted. In retaliation for the complaint, the battalion told the village that they could not sell their vegetables to the barracks, a situation that lasted for 6 weeks.

Total’s Procedure in Response to Forced Labor Allegations

When Total learns about incidents such as this (usually through members of the Socio-Economic Program team who live in the village), a standard investigation procedure is initiated. On a local level, the company sends an investigation team to the village in question, and if allegations are substantiated, the company requests that the representative of the Ministry of Energy (MOGE) who is based at the pipeline center, liaise with the military and tell them to halt these activities immediately. In addition, the MOGE representative requests that the military pay villagers for the work conducted. At the same time, in Yangon/Rangoon, Total’s General Manager documents the case through a letter to the Minister of Energy who takes necessary action with the other authorities. In this particular incident, on a local level, the army compensated villagers the next day after the intervention of the MOGE representatives, while the local battalion apparently received a reprimand that these practices are not tolerated.

Total is very alert to any allegations of forced labor. During our visit, we verified reports of an incident, treated by Total as “forced labor,” where the military supposedly instructed one village to plant teak trees along the road. When we checked, the villagers confirmed that the Department of Forestry had requested that each household plant 20 trees around their houses and that this was a truly voluntary exercise.

Observations Just Outside the Pipeline Corridor

In our first visit we noticed a significant difference between the situation with regards to forced labor outside the pipeline corridor as compared to within the corridor. During this trip, we visited the same village outside the pipeline corridor that we had visited previously. This village is not included in the Socio-Economic Program. As we had to get official permission to visit the village, the local army battalion, made up of several dozens of soldiers, was instructed to guarantee the safety of the CEP team and although they did not accompany the CEP team, they were visibly present in the village. Their close presence noticeably affected people’s ability to speak freely. In this village we did not hear about any allegations of forced labor. However, we observed:

- Ø People demonstrated a visible fear of the armed forces.
- Ø People were markedly more reluctant to talk to us than peers had been in villages within the pipeline corridor. For example, we had agreed with the HoV to meet us at a certain time, and he never showed up nor left a message. Similar behavior did not occur anywhere else.
- Ø One person requested that we “not ask any political questions.”

- Ø Two people suddenly refused to speak with us after another person in civilian clothes spoke to them in Karen language.

In the village, someone who claimed to be the battalion commander approached us. He wanted the CEP team to know how “both the military and civilians had worked together to build a fence for a local school” (which is currently used as a “flying base” for the army). Although the situation was too tense to inquire about the conditions under which this “partnership” was established, it signals the local commander’s desire to be seen as working with the community. This was underlined by his remarks, “We want to work with Total. Together we can develop this village and make peace.”

We were unable to verify if some people we spoke with during our last visit had experienced any repercussions from speaking with us during our first visit. The home of one person with whom we spoke on our previous visit seemed abandoned (fence down, yard not swept, doors locked up). When we asked people about their whereabouts we got answers from “having an afternoon sleep” to “working in the forest.” These answers concern us because their variation signals that we may not be told the truth about what happened to this family. Of the several families we met with and interviewed in our previous visit, this was the only household that was not now present. However, the lack of consistency in explanation about where they had gone raises at least the question of whether they were in any way targeted because of their conversation with us. In this previous conversation, we had discussed forced labor and the family and neighbors who were present confirmed that it occurs. (In our other conversations in this same village, every family we met offered this confirmation and, as noted, all of these still live in the village as before.) Because of our concern, CEP staff recommends that Total staff visit the village periodically to ensure that our visits do not have any negative consequences for the villagers.

SECTION II: IMPACTS AT THE NATIONAL LEVEL

1. Challenges

The previous section dealt with the impact of Total’s presence in its local working environment. Obviously, Total’s presence also has impacts on a national level that the company acknowledges it needs to address, but over which it has less control.

Total realizes that the good efforts in the pipeline corridor will not satisfy the demands of external stakeholders who are concerned about the impact of corporate activities on a national level. At the same time, there is no simple solution for operating in Myanmar/Burma. Total is faced with several challenges with regards to its roles and responsibilities. In addition to the challenges identified in our previous report, this visit highlighted the following additional ones:

Explore discussions about revenue spending

Critics of Total allege that the government uses the revenues that Total helps generate for the purchase of military hardware. According to a senior government official, who acknowledges

that both the government and the companies are facing tremendous pressure over this issue, “hardly any” of the gas revenues is being used for war purposes. This provides an opening for the company to suggest to the government that it ensure that all gas revenues are used for civil purposes. Revenue allocation is perceived as one of the most contested “contributions” of the company to the country. Hence, increased transparency of how such funds are used and the possibility for independent verification by the international community would allow the tracking of these revenues. The challenge for Total is to constructively achieve this objective without being seen as meddling in government affairs. It is worthy to note that the Myanmar/Burmese government would not be unique if it decided to pursue a more transparent approach. Countries such as Cameroon and Chad have followed such an approach already and several other countries are considering it.

The MOGE Kanbawk-Myaingkalay pipeline; Total’s responsibility?

In addition to the gas provided to power plants in Thailand, the Joint Venture also sells gas to power a cement factory in Myaingkalay in Karen State. The gas is sold at the pipeline center in Kanbawk to the Ministry of Gas and Energy (MOGE) and from there the gas is transported in a domestic pipeline that was constructed by MOGE in the year 2000. This domestic pipeline is gaining national and international attention for two reasons.

First, the international press reports allegations of negative social and human rights impacts of this pipeline on the lives of the population in Mon State (through which the pipeline traverses). While the domestic pipeline is technically and legally not Total’s concern, NGOs argue that Total nonetheless is morally linked to the pipeline since the gas comes from Total gas fields. In addition, two Mon political representatives stated that their constituencies considered the gas flowing to the cement factory as “Total gas.” They were not aware or chose not to acknowledge that Total sells the gas at the pipeline center. Regardless, Total is being linked with the allegations associated with this pipeline. This reflects a trend in the corporate social responsibility movement that, as one international observer stated, companies not only bear responsibility for supply-chain management but increasingly also for “user-chain” management.

Second, both the government and the KNU acknowledge that the domestic pipeline has been subjected to sabotage by the KNU in December 2002 and in April 2003. Both the act of sabotaging and the fact of acknowledgement are new developments. More significant for Total is the fact that the KNU in their statement makes a direct link to Total and states that the revenues generated by the company allow the government to buy military hardware “to continue killing and oppressing Karen people and the population in general.”¹ Political analysts in Yangon/Rangoon interpret this statement as an attempt on the part of the KNU to use the presence of foreign companies as a lever to apply international pressure on the government for political dialogue in Myanmar/Burma which is currently, all observers agree, at a stalemate.

Both developments pose the question to what extent the domestic pipeline is, or should be, of concern to Total, and what options the company has to respond to these new developments.

¹ Bangkok Post, April 21, 2003.

Refraining from opinions about the political situation does not mean the company is seen as neutral

In its Myanmar/Burma Code of Conduct, Total states its goal to, “Avoid interfering in relations between local communities and more generally in political matters.” Some staff interpret this as refraining from any kind of political engagement in the country. The idea behind this statement is, officials say, an attempt for the company to stay “neutral.” However, the KNU statement after the domestic pipeline attack explicitly links the revenues generated by Total and their use for warfare. It is a clear sign that the company is perceived as having an impact on the political situation in the country. Remaining silent on the political situation in the country is not perceived as a neutral stance. On the contrary, it is interpreted as support for the status quo. For outside critics, silence and neutrality are seen as uncritical compliance with the policies and practices of the military government.

Should one be public or not regarding engagement with the government?

The international Joint Venture partners each have their own approach in engaging with the authorities and in achieving change. Pressure from outside groups to “do something” makes it tempting to publicly speak about achievements or to openly express a company’s opinion about certain government policies. On the other side, given the Myanmar/Burmese context, in which changes are seen to occur through a process of “saving face,” such a critical public stance may, company staff fear, directly undermine their attempts at urging genuine and effective dialogue with the authorities.

Limits to growth of the Socio-Economic Program in the corridor

Total is committed to making its program in the pipeline corridor a cornerstone of its efforts to fulfill its policy commitment of reaching out to affected communities and developing social and economic programs geared to their needs. The program has increased the quality of life for the overwhelming majority of the population in the corridor, which is no small achievement. Outside critics as well as some of Total’s own staff wonder if it is time to maintain the level of attention in the corridor and focus more on “getting it right” in dealing with the larger socio-political climate in the country.

The discussion about Total’s role in Myanmar is challenging. The variety of stakeholders both within and outside the country is great, each with its own perspective, agenda, and objective. As in all of the contexts where the CEP has worked, there are options and choices to address these challenges. Through discussions with the relevant stakeholders, interested parties can agree on benchmarks and explore the alternatives available to the company to work towards a presence that satisfies the demands of the key stakeholders: the people of Myanmar/Burma, the government, Total shareholders and company employees.

2. Develop a Vision and Strategy

The dilemmas that Total and its co-investors are facing will not disappear by themselves. If the Joint Venture partners do not work on clarifying and pursuing their role in Myanmar/Burma with respect to the socio-political issues, they will leave themselves increasingly vulnerable to stakeholders who criticize them. As one manager at Total mentioned, “Hiding under the table and waiting until the dark clouds blow over is not going to help us.” Conversely, proactive efforts to engage with the government on non-technical issues may not be effective, or even counter productive, when they are not well thought through in their approach.

The development of a vision, and a strategy to achieve this vision, will help Total take the initiative in being, and being seen as, working towards achieving a better future for the country. Without such an exercise, all of Total’s other good efforts in the pipeline area run the risk of being considered “window-dressing,” as one NGO representative described. Alternatively, efforts to address the socio-political situation will likely be less effective if they are not guided by a larger overall objective.

Articulation by Total of a long-term vision will focus internal discussion on what the company wants to achieve, not only financially but also reputationally. Once created, a focused strategy and action plan can then be developed which would address complex and important issues such as what role Total wants to play on a socio-political level in the country. It would also help the company to address the question of what “success” looks like. For example, what are the interim outcomes that are required to achieve the long-term objective? Identifying recognizable mileposts will assist in maintaining focus on the program and managing strategy expectations.

Based on conversations with a variety of stakeholders, CEP sees that no outside groups expect the company to manage the politics of a host country. As we stated in our previous report, it is up to the Myanmar/Burmese people themselves to determine their own future. Still, the challenge for the company is to play, and to be seen as playing a positive and constructive role in the country.

Following are some elements or building blocks that that company may take into consideration in developing its future vision and strategy. We discuss the building blocks per group of stakeholders.

1) Working with the government

As we pointed out in our first report, some Total staff equate engagement with the government as political interference, and equate political interference with non-neutrality. This is incorrect. The reality is that Total engages, and must engage (even if only on a technical level) with the government on a daily basis. Thus, the challenge for Total is how to work with the government in ways that promote progress in the country.

The overwhelming majority of the people we spoke with, ranging from senior diplomats and heads of UN agencies to NGOs and managers of other companies, were of the opinion that Total

should take a more pro-active approach in relation to government issues and broaden their policy regarding political involvement in the country. Many people saw no reason why the company could not be more engaged. Others considered that Total was overlooking the business case pointing towards the impact of the political climate in Myanmar/Burma on Total's reputation and share price.

All international observers we spoke to, make the case that Total, as the biggest investor in the country, has considerable leverage over the government. All Myanmar nationals we spoke with also felt Total had considerable political influence with the exception of one business leader who felt the company was politically powerless.

Options

a) Use a variety of ways to effectively communicate with the government

The following is a careful analysis of how Total can engage most effectively with the government. We consistently asked people to share their insights. The following are some recommendations from people in Myanmar/Burma:

- Ø Establish personal connections. All people pointed out the value of personal connections that are cultivated over time. Old family relations and ties that go back to school times matter.
- Ø Work via national staff. This tends to minimize the strain on government officials. Many NGOs have found the working relationship to be much more effective when they route most of their government communication via their senior national staff and only officially bring the international staff into the process if details have been sorted out.
- Ø Conduct business in a way that avoids anyone losing face. Several people identified the importance of acknowledging and maintaining contacts with each layer in the hierarchy and not skipping levels; for example, only contacting senior officials in case of a need. A bottom-up approach has been identified as more effective than going straight to the top.
- Ø No government officials like surprises or to be put on the spot unnecessarily. One organization overcame this problem by hiring a national government-liaison officer who is responsible for keeping government agents informed and for informally testing the tone of draft letters with officials before a final version is officially put forward.
- Ø Develop positive working relationships with bureaucrats through informal meetings and gatherings. These occasions can be parties organized by the by the various Embassies or Business Associations. Total and its co-investors can also create these opportunities and have done so in the past, for example by sponsoring workshops on Humanitarian Issues.
- Ø Draw clear boundaries and be predictable. One senior UN official explained his experience that these boundaries are constantly tested and that a "hard-nosed, transparent and consistent approach" is most effective when working with the government. Another

point that he made is that the military consider any “unpredictable” behavior as a threat. Instead, they are well able to handle an approach they may not agree with but that is at least in line with what the company said it would do.

b) Meet with government officials even when there is no fixed agenda.

In our own discussions with one senior government official, we noted the candid way in which he discussed issues such as forced labor, transparency of revenue allocation, and the position of the NLD. One of the reasons for this may have been the fact that the CEP team had no fixed agenda for the meeting but merely requested a meeting to listen and discuss. In other countries we have seen repeatedly that having a discussion around issues that “need to be driven home by the company to the government” creates an atmosphere of formality. Instead, it would also be valuable for Total to develop a relationship with senior government officials through regular meetings where there is no fixed agenda. It may well be that discussions in a more informal atmosphere provide a good opportunity to open up issues in more detail.

c) Spell out what constitutes political interference and what does not

A practical step in addressing communications with the government is to determine what constitutes political interference—which is what the company wants to avoid. Some company staff considers any type of interaction with government officials over non-technical issues to be “political,” and they therefore feel the company should refrain from these interactions. But not all engagement with the government is political interference. Many diplomatic, UN, and NGO representatives feel it is appropriate for a company to alert the government about what, from a business perspective, is good or bad for business. That does not, in their opinion, constitute interference or meddling.

For example, several diplomatic, UN, and NGO representatives in Myanmar/Burma indicated that statements from Total with regards to the political situation could not be interpreted as political interference when these statements were clearly and directly explained through a business lens for the company. They interpreted “political interference” to be an agenda of political change.

For example, if the company stated that it “supports government attempts to abolish forced labor and implement order I-99” or that is “in favor of a reconciliation process” or that it “supports a government policy that does not allocate gas revenues for war purposes”, these statements can all be made from the perspective that this development would improve the conditions for investment, regardless which government is in power. Similarly if the company stated it “would regret if the International Labor Organization (ILO) had to withdraw its representation in the country due to the lack of perceived progress on the part of the government,” it would signal encouragement to support the government in following through on commitments made earlier. In summary, international stakeholders in Myanmar/Burma encouraged Total to take a more liberal approach with regards to the political context in which they work, provided they link the direct impact of the social-political situation to business.

d) Increase contacts with more individual government representatives across more departments

Many people stated that in the Myanmar/Burmese context, opportunities to influence, support, or encourage the government present themselves in unexpected ways. They stated that only those companies with a good informal network with government officials on various levels are able to capitalize on these opportunities. If the company wants to sell gas and to focus on its good efforts in the pipeline corridor, a minimalist approach predominantly focused on the Ministry of Energy will be sufficient to meet technical requirements. But the fact that the political situation in the country can negatively affect Total's business underlines the case for Total to step up its engagement with the government, rather than to maintain an as-needed approach. Other ministries such as Home Affairs (the Minister of Home Affairs also serves as the chairman of the National Human Rights Committee) or the Ministry of Labor are relevant to Total's operations. Total could have also have discussions with existing contacts within the Ministry of Energy about non-typical issues such as forced labor or the manner in which gas revenues are being allocated by the government.

An analyst with whom we spoke inside the country noted that most efforts to engage with the government are pitched at the top political level in the assumption that all decisions are made by the top. He stated that even in the Myanmar system, the government is not monolithic and that many opportunities exist to engage with different officials on various levels. This was confirmed by a senior diplomat who agreed that in various ministries officials on various levels are constructive thinkers and open to new ideas but need to be legitimized and supported to be more open about this.

e) Create vehicles for social functions.

One diplomat suggested that Total could proactively create venues where informal interaction with government officials takes place. Suggestions included seminars and workshop about technical topics such as "providing a good policy environment for business" or "fundamental Laws enabling foreign investment." Workshops with such topics do not directly involve the military and, thus, will be easier to organize and may provide a more effective manner to address the challenges of working in Myanmar/Burma.

f) Be alert to and document examples of the process of change within the government

One observer also urged Total to look for the processes and steps by which any government changes its position. He noted that within the government, individuals are at various levels along a spectrum:

1. Officials invalidate a certain concept and do not see the relevance of its applicability to the country.
2. Officials validate a concept but do not see it as relevant to the context.
3. Officials validate the concept as well as its applicability.
4. The government establishes Laws, committees and procedures as an enabling framework.
5. The government moves from procedures to implementation.

A company should be aware of where each bureaucrat is in this change process. A better analysis of such changes is important for Total to adjust its strategy and ensure that it supports decisions moving forward along this spectrum.

II) Working with Non Governmental Organizations

At present, Total and its co-investors carry the “burden” of working in Myanmar/Burma largely by themselves. External communication has been largely re-active, defensive, and legalistic. This creates conditions where few NGOs feel invited to share ownership with the company to jointly seek constructive options to improve the positive impact of outsiders. One of the objectives of a well-designed strategy would be exactly that: to share ownership for Total’s challenges and to have more brains working on developing options for getting it right.

NGOs present in country

The General manager of Total has actively engaged with various humanitarian NGOs since his arrival. This exercise has been constructive, and increased contacts with NGOs have allowed the company to better disaggregate the various mandates and activities of NGOs. Still, contacts have been primarily with humanitarian NGOs and focused on the exchange of information about the Socio-Economic Program.

All NGOs and UN agencies with which the CEP team had discussions are open to direct discussions with Total. Even the NGOs that strongly oppose Total’s presence in Myanmar/Burma would welcome the possibility to have direct interactions with Total staff. Although parties may agree to disagree with Total that it should be present in Myanmar/Burma, the process of getting each other’s perspectives and sharing insights is an important step in clarifying factual misunderstandings. As we noted in the previous report, the disagreement between the company and outside groups over facts is currently one of the main obstacles to furthering a discussion about what these facts mean.

International NGOs and Stakeholders

Total’s open door policy to invite diplomats, journalists, and NGO representatives to the pipeline corridor has led to better informed discussions between the company and external stakeholders, as well as between various outside groups. In some organizations, people have been better informed through visits to Myanmar. Others have started to encourage their colleagues to re-think fixed position and, instead, focus on shared objectives. In other occasions, people observe closely what is actually going on and push for progress, but at the same time, “trust” the individuals in the company who are trying to make a positive change.

Still, this increased openness is fragile and the burden of proof to show that the corporate presence in Myanmar is positive lies on the shoulders of the company. Any form of corporate communications by any of the co-investors that is presented as definite but can factually be contested (for example that all accusations against the company are false, or that the Yadana

project contributes to the overall development of Myanmar/Burma) will not help to build bridges between the Yadana partners and external stakeholders. While such information may be useful for potential investors, it reinforces the perception among NGOs that JV partners are defensive in their response, not open to listen to civil society groups and not able to reflect on their own practices. On the other side, we have also seen that Total's response to an article that was critical of the company's presence in Myanmar/Burma was integrally placed in the same magazine. This may be because of the non-defensive tone of the response accompanied with an open invitation of Total for journalists to visit its Myanmar/Burmese operations to verify facts for themselves.

Options

Various people we spoke with mentioned the following options. Of course, all these options should be part of an overall and coherent strategy linked to the approach to the government and other stakeholders.

- a) Be strategic in broadening relations with various groups of NGOs.

Given the large number of stakeholders interested in the socio-political issues in Myanmar and the time commitment necessary to nurture a working relationship, careful selection of NGO's becomes an important practical consideration. This does not mean that others are unimportant or should be neglected, but Total's relationship with them may be for other purposes.

A next stage in developing relations with NGOs is to also engage with other types of NGOs such as political analysis NGOs, UN agencies, and NGOs that have an advocacy mandate either in Myanmar/Burma, in the region (Bangkok) or internationally in the US or in Europe. Of course, each group has different objectives and discussions with different groups take can take place for different purposes. For example:

- Ø Medical NGOs can be useful for exchange of medical data. Some of this exchange is currently already ongoing.
- Ø Several NGOs in Myanmar/Burma have micro credit expertise and can teach, or learn from Total's experiences on a programmatic level.
- Ø Other NGOs may be able to provide helpful information of how they engage with the government.
- Ø Some groups can be approached to get a better analysis of the political situation on an ongoing basis.
- Ø Others would be able to provide Total with a historical perspective of the impact of the pipeline and why they would prefer for Total not to operate in Myanmar/Burma.
- Ø Some groups will be able to provide Total with a better idea of the perception of the various political parties in or outside the country about the Yadana pipeline.

- Ø It will be fruitful to actively approach some advocacy groups that have been critical of Total's program in the pipeline area (and its presence in the country in general) and to have discussions, see where some possible common ground exists (if any at all) and explore venues for regular discussion.

Various NGOs that fall within these categorizations have indicated they are willing to have ongoing discussions with Total. One option for meeting with NGOs in Myanmar/Burma is for Total to offer to provide a presentation of its Socio-Economic Program after one of the monthly NGO meetings. The fact that some NGO representatives in the country are not aware of the fact that Total has such a program suggests there is an opportunity to exchange experiences. One NGO representative suggested that Total should first meet informally with a small group of NGOs to share information.

One of the key-issues for the company is not only to explain its current activities, but to also actively seek feedback from outside groups about its role in society. For example, Total's Code of Conduct is one of the most important ethical guides for company behavior. However, this Code is developed by the company and, thus, holds little weight in convincing outside critics that the company means well. Since much thought has gone into developing the Code of Conduct and Total feels comfortable with it, it would be constructive to discuss with outside stakeholders how the current Code of Conduct should be interpreted and applied in the Myanmar context.

b) Share information about existing policies and procedures in place

All company staff acknowledge that working in the Myanmar/Burma context is not easy and comes with challenges. The company is constantly discussing dilemmas, contemplating how to react to painful observations, and searching for the "right" approach. This process is not reflected in communications with external stakeholders via the web site or company brochures. Ownership for developing constructive options will increase when the company is more open about the dilemmas they are dealing with and more humble about its achievements. It would invite outside groups to bring ideas to the table and explain the company's approach, acknowledging that policies can always be improved. For example, Total could start by describing its current policies and procedures in place. It would be useful to explain Total's efforts to increase employment for local villagers or to explain, step by step, what procedure is followed when an allegation of forced labor within the corridor reaches the company.

III) Joint Venture Partners

In any joint venture, the different co-investors bring their own strengths and weaknesses to the venture. Each co-investor can also learn from its other partners. The Yadana project is no exception. While there are obvious differences in responsibilities between the operator and the co-investors, there are also shared interests. Especially in the Yadana project, all partners are, in one way or another, affected by negative publicity surrounding the project. Still, there are clear opportunities for synergy among the partners.

Options

a) Develop a joint vision and strategy

As discussed above, a joint vision among partners of how see their role in the socio-political context of the country would be an important first step. Currently such a common vision does not exist. In addition, none of the co-investors is explicit about how it sees its role in the country and what it wishes to achieve. Various government officials have regular meetings with representatives from the different co-investors about the same topics. There is a missed opportunity for Yadana to speak with one voice, aimed at achieving identified and agreed-upon common goals.

b) Capitalize on complementary competences

A joint strategy also means that co-investors can ensure that their efforts are better coordinated. For example, some co-investors are in a better position to work with local communities or NGOs whereas others may have a broader network with government officials.

c) Support the government on issues where interests overlap

The Minister of Energy has stated publicly that under his Ministry “there is no forced labor.” Such a statement provides ample opportunities for Total to help the Minister to ensure this indeed is the case and that everyone in the department is implementing this policy. For example, Total could suggest that outside groups verify allegations made by Mon human right groups of forced labor along the Kanbawk-Myaingkalay pipeline, since this has a large reputational impact on Total.

Other ideas that government officials and NGO representatives brought up and that should be explored by Total to develop a better working relationship with government are jointly activating the power line that has been partially constructed in the pipeline corridor or jointly undertaking a project to improve local knowledge on pipeline technology.

The building blocks above all need to be integrated and contribute towards a larger objective, which is articulated in a vision. The above-mentioned options may be positive actions in and of themselves. However, they may remain only good efforts, and not more than that, if they are not part of a strategy to materialize a vision.

When companies try to tackle large problems in one “giant leap,” they often fall short, which can play into the concerns of critics. On the other hand, we have seen in other companies that it is valuable to focus on a series of smaller steps, in order to achieve a larger objective. Small steps increase opportunities to gain credibility and trust, because expectations are met in the immediate term in tangible, visible ways.

CONCLUSION

The second visit to the Yadana pipeline confirmed the positive impact that the presence of the oil companies currently has on the population within the pipeline corridor. It is also evident that these positive impacts in the pipeline corridor will not convince outside critics about Total's positive contribution to the country at large. The company will continue to be criticized and remain vulnerable to outside pressure from some stakeholders until it is better able to address concerns on the larger socio-political context in the country. The single most important observation revealed in this report is the need for the co-investors to develop a vision of the role they want to play in Myanmar/Burma and the strategy they will use to achieve this.

With a clear vision and strategy, efforts to achieve this outcome can be focused, and new working partnerships can be built and nurtured. Within these, creative solutions to the challenges of working in Myanmar can be formulated.