

**Joint Submission to the International Parliamentary Inquiry on Myanmar  
by Korean Civil Society in Support of Democracy in Myanmar and Justice For Myanmar  
Re. Responses of Korean Companies after the Military Coup**

10 August 2022

This submission intends to provide the International Parliamentary Inquiry (IPI) with evidence that some South Korean corporations doing business with the military junta or military controlled entities in Myanmar have failed to take appropriate measures in order to prevent or mitigate adverse human rights impacts after the military coup attempt in February 2021, and seeks the IPI to recommend that the corporations concerned and the Government of the Republic of Korea should take immediate and effective actions in accordance with the international standard.

About authors

Korean Civil Society in Support of Democracy in Myanmar is a network of 106 civil society organisations advocating in South Korea for democracy and human rights in Myanmar, in solidarity with the civil disobedience movement and other democratic forces in Myanmar.

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Justice For Myanmar is a covert group of activists dedicated to improving the lives of all the people of Myanmar, working to end the systemic causes of inequality, corruption, violence, war crimes, and crimes against humanity.

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## Background

1. The military's attempted brutal and illegal coup occurred on February 1, 2021. The people of Myanmar have fought in every possible way against the coup attempt. A nationwide civil disobedience movement has taken place. The military junta has responded by killing over 2,145 innocent citizens and arbitrarily detaining at least 11,865 people.<sup>1</sup> The junta have injured countless others using live ammunition and rocket propelled grenades on protestors and carrying out indiscriminate air strikes and shelling, displacing thousands. The military junta are carrying out extrajudicial killings<sup>2</sup> and torture.<sup>3</sup>
2. The international community have condemned the military coup, but international interventions remain limited to sanctions in a few jurisdictions on military leaders and their families, military-controlled companies including Myanmar Economic Corporation (MEC) and Myanmar Economic Holdings Limited (MEHL) conglomerates and a few state-owned enterprises.
3. The authors would like to bring your attention to the linkages between a number of South Korean corporations, and the military junta and military controlled entities including Myanmar Oil and Gas Enterprise (MOGE) and MEHL, which has had the effect of emboldening the military in its attempted coup and terror campaign, providing it with resources and support to commit war crimes and crimes against humanity, and maintain its culture of impunity.
4. This submission highlights business practices of the South Korean corporations: Posco International for the Shwe gas project, Lotte Hotel business, and the sale of a Landing Platform Dock; Korea Gas Corporation for Shwe gas project; INNO Group's multiple businesses; and LOTTE Corp. for its hotel business in Yangon.

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<sup>1</sup> Association for Assistance for Political Prisoners (Burma), (2021), See: <https://aappb.org/>

<sup>2</sup> Amnesty International, (2021), "Myanmar Arsenal Troops Deployed Crackdown", Available at: <https://www.amnesty.org/en/latest/news/2021/03/myanmar-arsenal-troops-deployed-crackdown/>

<sup>3</sup> Hardington, L., "Outrage in Myanmar after activist allegedly tortured to death", The Guardian, 15/3/2021, Available at: <https://www.theguardian.com/world/2021/mar/15/the-death-of-zaw-myat-lynn-allegations-torture-used-on-opposition-activist-in-myanmar>

5. This also deals with the failure of the Government of Republic of Korea to introduce more effective measures against insufficient implementation of the international obligation by South Korean corporations.

### **Posco International and KOGAS in relation to the Shwe Gas Project**

6. The Shwe gas project is the second largest source of foreign currency for the military junta. Myanmar's offshore gas sale proceeds were forecasted to be US\$ 1.54 billion,<sup>4</sup> which equates to about 10% of the Union Government's revenue for financial year 2020-21.<sup>5</sup>
7. The Shwe gas project consists of the Shwe, Shwe Phyu and Mya offshore gas fields, located in blocks A-1 and A-3 of the Bay of Bengal, Myanmar. The project began production in 2013 and is *estimated to produce 500 mmscf per day*. Eighty percent of gas is exported to China where it is purchased by the CNUOC.<sup>6</sup> About 20% is used domestically where it is sold to the military and its business associates and the Myanmar Electric Power Enterprise.<sup>7</sup>
8. The project is operated by POSCO International who owns 51% of the total share. Other shareholders include Indian partners GAIL JJ (8.5%) and ONGC Videsh (17%), the state-owned Korean Gas Corporation (8.5%) and MOGE (15%).
9. Gas is transported from Ma De Island, Rakhine state to Muse on the border with China through a pipeline known as the Shwe or Myanmar China-Gas Pipeline. The pipeline became operational on July 28, 2013. The pipeline is owned by the South East Asia Gas Pipeline Co., Ltd. (SEAGP).<sup>8</sup> CNPC-SEAP is both the largest shareholder (51%) and the operator of of SEAGP and is a subsidiary of the China National Petroleum Corporation (CNPC). The upstream investors in Shwe gas project such as Posco International, ONGC, GAIL, KOGAS and MOGE are participating as shareholders.

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<sup>4</sup> Petronas has declared force majeure on its gas field, thus the gas sale proceeds will be less than forecasted.

<sup>5</sup> Myanmar Government, (2020), "FY 2020-2021 Budget Brief on the Oil and Gas Sector", *Ministry of Planning, Finance and Industries*, July 2020

<sup>6</sup> For details, see

[https://static1.squarespace.com/static/5dfc4510ad88600d53f93358/t/60d94c77ab03331c908b303d/1624853823112/SHWE\\_Report\\_FINAL\\_CINR.pdf](https://static1.squarespace.com/static/5dfc4510ad88600d53f93358/t/60d94c77ab03331c908b303d/1624853823112/SHWE_Report_FINAL_CINR.pdf)

<sup>7</sup> MEITI, (2020), "Myanmar EITI Report (2017-18)", available at:

[https://eiti.org/files/documents/meiti\\_reconciliation\\_report\\_2017-2018\\_final\\_signed\\_31st\\_march\\_2020.pdf](https://eiti.org/files/documents/meiti_reconciliation_report_2017-2018_final_signed_31st_march_2020.pdf) and Publish What You Pay Australia, (2021), "The military or the people. Who will benefit from Myanmar's offshore gas projects?",

<https://www.pwyp.org.au/publications/who-benefits-from-myanmar-gas>

<sup>8</sup> Parallel to the gas pipeline, and oil pipeline owned by the South East Asia Crude Oil Pipeline Co., Ltd. (SEACOP) transports oil imported by tanker from Kyaukphyu to oil refinery in Yunan. SEACOP is owned by CNPC-SEAP (51%) and MOGE (49%). It is operated by CNPC-SEAP.

10. The exact arrangements of how the gas sale proceeds flow from the buyer, CNUOC, to MOGE is unknown and the contracts have never been disclosed. However, according to the Myanmar EITI report (2017-2018), the fiscal regime is as follows:

- 10% of Royalties from sales of available Gas are given to MOGE.
- Up to 60% of sales revenues may be used for cost recovery, with MOGE receiving up to 15% of this portion.
- 15% of the sales from the gas after cost recovery and royalties are subtracted are collected by MOGE as the state's profit share.
- The remaining 85% of the sales from the gas after cost recovery and royalties are subtracted are split among the contractors (i.e. the companies that entered the production sharing agreement with MOGE), from which MOGE receives 15%.

11. The Shwe gas project has contributed to the Union Government between US\$ 214 million and US\$ 471 million per year from 2015 to 2019, including taxes.<sup>9</sup>

12. Since the military coup in Myanmar, Posco International and KOGAS failed to take appropriate measures to prevent payments from flowing to the military junta, to prevent bankrolling the military junta's atrocity crimes. Posco International has publicly stated that it has no intention to suspend payments or withdraw from the project. It maintained, "Our relationship with MOGE dates back far before the coup. It is illogical to say we are supporting the military junta because of abrupt change in government."<sup>10</sup> "Chinese or other foreign business may replace Posco if it pulls out. It will only benefit the junta while inflicting damage to Korea."<sup>11</sup>

### **INNO GROUP in relation to Inno City project and others**

13. INNO GROUP LTD has been conducting business in Myanmar for more than a decade, and currently operates several joint-ventures with MEHL in Myanmar, including Myanmar Inno International Ltd. (44% held by Inno), Myanmar Inno Line Company Ltd. (61% held by Inno) and Hanthawaddy Golf and Country Club Ltd (37% held by Inno). Thereto, Inno

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<sup>9</sup> Myanmar Extractive Industries Transparency Initiative 2017-2018, *BDO*, March 2020; Myanmar Extractive Industries Transparency Initiative 2016-2017, *PWC*; Myanmar Extractive Industries Transparency Initiative 2015-2016, *Stephen Moore*; Myanmar Extractive Industries Transparency Initiative 2014-2015, *Stephen Moore*.

<sup>10</sup> The Korea Times, Posco denies profitable gas project's alledged ties to Myanmar junta, 06-04-2021, [https://www.koreatimes.co.kr/www/tech/2021/04/693\\_306711.html](https://www.koreatimes.co.kr/www/tech/2021/04/693_306711.html)

<sup>11</sup> The Korea Times, Posco denies profitable gas project's alledged ties to Myanmar junta, 06-04-2021, [https://www.koreatimes.co.kr/www/tech/2021/04/693\\_306711.html](https://www.koreatimes.co.kr/www/tech/2021/04/693_306711.html)

Packaging Company Ltd., owned by the Inno Group Ltd., rents space in Pyinmabin Industrial Zone which is owned by MEHL; and Yes Money Changer rents space in Gandamar shopping mall which is owned by MEHL.<sup>12</sup> Inno is also developing a real estate complex, Inno City, on land leased from MEHL.<sup>13</sup>

14. In its communications with Amnesty International, INNO Group claims that links cannot exist because its joint ventures have not paid any dividends to MEHL since they have not yet started to generate any profits.
15. On 13 October 2020, Korean Civil Society in Solidarity with Rohingya and Korean Transnational Corporation Watch sent a joint open letter to Inno Group to ask for its official policy and follow-up measures regarding the findings of Amnesty international. It has failed to respond.

#### **LOTTE Hotel and POSCO International**

16. LOTTE Hotel and Serviced Apartment is built on land leased from the Office of the Quartermaster General of the Commander-in-Chief of the Myanmar Army, under a build-operate-transfer agreement.<sup>14</sup>
17. The main investor behind the hotel and serviced apartment project is POSCO International, with a 69.3% stake. LOTTE Corporation owns 15.7% of the project. POSCO and LOTTE's investment is channelled through a Singapore company, POSCO International Global Development Pte Ltd. The remaining 15% is owned by the project's local partner, Spirit Paradise Services (formerly IGE-Sinphyushin).<sup>15</sup>
18. Spirit Paradise Services is owned by Ne Aung, a Myanmar crony and the brother of the Commander-in-Chief of the Myanmar Navy, Moe Aung. Ne Aung's father, Aung Thaung, was a minister in the former military junta and a notorious hardliner who was sanctioned by

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<sup>12</sup> See company website: <http://www.my-innogroup.com/?lang=en>

<sup>13</sup> Justice For Myanmar, 'Myanmar military-controlled businesses and associates that require targeted sanctions', 10-06-2021, <https://www.justiceformyanmar.org/stories/myanmar-military-controlled-businesses-associates-that-require-targeted-sanctions>

<sup>14</sup> Justice for Myanmar, Australian Embassy spent US\$525,000+ at Myanmar military linked LOTTE Hotel since coup attempt, 07-21-2022, <https://www.justiceformyanmar.org/press-releases/australian-embassy-spent-us-525-000-at-myanmar-military-linked-lotte-hotel-since-coup-attempt>

<sup>15</sup> Id.

- the US in 2014 for “perpetuating violence, oppression, and corruption.” Aung Thaung died in 2015.
19. Ne Aung’s IGE conglomerate was sanctioned by the European Union in February 2022.<sup>16</sup>
  20. In its sanctions designation, the EU stated, “IGE provided the Tatmadaw [Myanmar military] with financial support in 2017 in connection to the Rakhine ‘clearance operations’ and thus contributed to serious human rights violations in 2017 against the Rohingya population. IGE has also provided the Tatmadaw with indirect financial support by taking financial participations in several projects and companies linked to the Tatmadaw and its conglomerates. Therefore, it provides support to and benefits from the Tatmadaw.”<sup>17</sup>
  21. LOTTE Hotel investors pay the Office of the Quartermaster General an annual lease fee of US\$1.874 million, in addition to a one-time land use premium of US\$13.51 million, according to Myanmar Investment Commission records released by Distributed Denial of Secrets. The military will take control of the hotel and apartment complex at the end of the maximum 70-year lease, providing it with a lucrative future asset.<sup>18</sup>
  22. When asked about calls to boycott the Yangon hotel, a spokesperson from Korea-based Lotte Hotels Group — which operates the site for Posco International Amara — said the hotel was aware of human rights issues and hoped the current situation would normalise soon.<sup>19</sup>
  23. The spokesperson said the rent for the hotel’s land site was “vested to Myanmar government's national budget due to Myanmar's financial law” and that the nature and beneficiaries of Myanmar's national budget allocation were beyond the company's fiduciary obligations.<sup>20</sup>
  24. The Republic of Korea embassy in Myanmar uses the Lotte Hotel for staff accommodation and functions, according to a Justice For Myanmar source with knowledge of the embassy’s operations.

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<sup>16</sup> Id.

<sup>17</sup> Id.

<sup>18</sup> Id.

<sup>19</sup> Abc news, Australian embassy spends \$750,000 at luxury hotel linked to Myanmar’s military junta, 07-21-2022, <https://www.abc.net.au/news/2022-07-21/australian-embassy-myanmar-foi-spending-hotel-linked-to-military/10124737>

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<sup>20</sup> Id.

**Posco International & Daesun Shipbuilding and Engineering Co.  
in relation to the sale of Landing Platform Dock (LPD)**

25. Posco International obtained an approval to export of an LPD warship from the Ministry of National Defence in August 2017, when the clearance operations were carried out against Rohingya population in Rakhine state, Myanmar. Upon obtaining the approval, Posco International contracted with Myanmar Armed Forces for the LPD sale in February 2018. Subsequently, it subcontracted with Daesun Shipbuilding and Engineering Co. for the manufacture and transfer of the LPD. The LPD was launched in Busan around July 2019 and commissioned on December 24, 2019, in a ceremony with Myanmar Navy personnel.
26. According to Jane's,<sup>21</sup> the ship is the largest in the Myanmar Navy with a length of 122 metres and capacity to carry two Mil Mi-17 helicopters, around 250 troops and 15 vehicles. The ship may be classified as a warship under the Arms Trade Treaty, of which South Korea is a signatory.
27. Before the LPD was transferred to Myanmar Navy, the Export-Import Bank of Korea (Eximbank) was the largest shareholder in Daesun Shipbuilding and Engineering co., owning 83.03% of the company. Eximbank is majority owned by the Government of the Republic of Korea (holding 66.43% equity). Other shareholders are the Bank of Korea (9.81%) and the Korea Development Bank (23.76%).<sup>22</sup>
28. In June 2022, Jane's reported that the LPD was being used to support troop build ups in Rakhine State, where the Myanmar military has resumed conflict with the Arakan Army.<sup>23</sup>
29. Posco International has responded that to their best knowledge, the LPD was built as Multiple Purpose Support Vessel for civilian purposes based on Lloyd's Register and IMO Special Purpose Ship Code, not for military use. It claims that there was no way at the time of the contract that it would have known the true intention of Myanmar Navy.

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<https://www.janes.com/defence-equipment-intelligence/update-myanmar-navy-commissions-its-first-lpd-amphibiou-s-assault-ship/>

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[https://www.koreaexim.go.kr/site/inc/file/fileDownload?dirname=/board/62&filename=202005221736371583357063083.pdf&orinalname=KOREA\\_EXIMBANK\\_Annual\\_Report\\_2019.pdf](https://www.koreaexim.go.kr/site/inc/file/fileDownload?dirname=/board/62&filename=202005221736371583357063083.pdf&orinalname=KOREA_EXIMBANK_Annual_Report_2019.pdf)

<sup>23</sup>

<https://www.janes.com/defence-news/news-detail/myanmar-navy-flagship-supports-troop-buildup-in-western-rakhine>

30. The Ministry of National Defence expressed its regret that Myanmar Navy has been using the LPD for the military purposes that were not listed when the Ministry was reviewing the application.<sup>24</sup> This matter has been under police investigation at the moment to find out whether there was abuse of power in approving permit to export of the LPD.<sup>25</sup>

### **Major Violations of International Human Rights Standards**

31. Corporations are obligated to comply with international law and adjoint voluntary standards such as the UN Guiding Principles. The Republic of Korea is a member of the Organisation for Economic Co-Operation and Development (OECD), and enterprises incorporated in the country are obliged to adhere to the human rights standards set out in the OECD Guidelines for Multinational Enterprises.

32. Corporations should seek to prevent or mitigate adverse human rights impacts that are directly and/or indirectly linked to their operations, products or services by their business relationships with the perpetrators.

33. Plus, the Government of the Republic of Korea has an obligation under international human rights law to protect, promote and fulfil human rights. To date, the Republic of Korea is party to seven of the nine core international human rights treaties, as well as having ratified a total of 29 ILO Conventions.

#### *The South Korean companies*

34. The corporations such as those mentioned above, should seek to prevent or mitigate adverse human rights impacts that are directly and/or indirectly linked to their operations, products or services by their business relationships with the military junta or other entities controlled by it.

35. As discussed above, POSCO International, LOTTE Hotel, INNO Group, and Daesun Shipbuilding & Engineering Co. have not adequately overseen their supply and investment chain, showing little interest in taking effective responsibility for preventing or mitigating any adverse human rights impacts linked to their operations in Myanmar.

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<sup>24</sup> <https://www.news1.kr/articles/?4276320>

<sup>25</sup> <http://www.dhns.co.kr/news/articleView.html?idxno=271270>



36. It is doubtful if any of the corporations have taken steps to undertake a human rights impact assessment after the Rohingya genocide took place in 2017 and after the military coup attempt in 2021.

*The Government of the Republic of Korea*

37. In February 2021, the National Assembly passed a parliamentary resolution calling for the immediate suspension of the use of violence against innocent Myanmar people.<sup>26</sup> In March 2021, then President Moon Jae-in issued a statement directly condemning the Myanmar junta's violent suppression of protests by the military and police, and strongly called for the immediate release of all those detained, including Aung San Suu Kyi.<sup>27</sup>

38. In the same month, the government undertook the following measures: (1) suspension of new exchanges and cooperation in the field of defence and security with Myanmar; (2) No issuances of export permit of military supplies to Myanmar and strict control over export of dual-use items; (3) review of development assistance to Myanmar, except for projects that are linked to the livelihoods of the people and humanitarian assistance; and (4) granting humanitarian exemptions for Myanmar nationals to allow them to stay in South Korea until the situation improves.<sup>28</sup>

39. Although such measures were positive, the government failed to take action to prevent the companies domiciled in its territory from providing financial support to the military junta and military conglomerates, which provide a continuing financial resource for the military's war crimes and crimes against humanity. The most significant source of revenue linked to Republic of Korea is the Shwe gas project, involving POSCO and the state-owned KOGAS, resulting in a direct link to the ROK government.

**Suggested Recommendation**

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<sup>26</sup> S. Korean parliament passes resolution condemning military coup in Myanmar, Yonhap News Agency, 27/2/2021, Available at: <https://en.yna.co.kr/view/AEN20210226007100315>

<sup>27</sup> Lee, JH., "South Korea Condemns Myanmar Violence, Urges Release of Suu Kyi", Bloomberg, 6/3/2021, Available at: <https://www.bloomberg.com/news/articles/2021-03-06/south-korea-condemns-myanmar-violence-urges-release-of-suu-kyi>

<sup>28</sup> Ministry of Foreign Affairs, "Korean Government's Measures on Situation in Myanmar", 12/3/2021, Available at: [https://www.mofa.go.kr/eng/brd/m\\_5676/view.do?seq=321574&srchFr&srchTo&srchWord&srchTp&multi\\_itm\\_seq=0&itm\\_seq\\_1=0&itm\\_seq\\_2=0&company\\_cd&company\\_nm&page=1&titleNm](https://www.mofa.go.kr/eng/brd/m_5676/view.do?seq=321574&srchFr&srchTo&srchWord&srchTp&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd&company_nm&page=1&titleNm)

40. A number of South Korean companies maintained significant business links with the Myanmar military and its controlled entities preceding the February 1, 2021 coup attempt. These had provided revenue to aid the military's international crimes, which included genocide, war crimes and crimes against humanity, and supported the military's autonomy from civilian oversight.
41. The Government of Republic of Korea failed to respond to the role of its businesses in contributing to grave human rights violations in Myanmar, which contributed to an enabling environment for the military's attempted coup.
42. We urge the IPI to scrutinise the role of South Korean companies and the Government of the Republic of Korea and to urge concrete actions including targeted sanctions that will prevent South Korean businesses from financing the junta, military conglomerates and their international crimes. The Government of the Republic of Korea must play a positive role within the region to help resolve the Myanmar crisis, in accordance with its international obligations.
43. With this submission we want to call for greater accountability for the communities affected by the Myanmar military's human rights abuses in the country and ask the IPI to:
- call upon South Korean incorporated businesses to conduct effective human rights impact assessment;
  - call upon South Korean incorporated businesses, who are directly linked to MEHL, MEC and the Myanmar Armed Forces, to sever all ties; and for companies linked to formerly civilian state entities now under junta control to suspend all payments or sever ties;
  - urge the Government of the Republic of Korea take positive steps in responding to human rights abuses aided by South Korean businesses and individuals; and
  - urge the Government of the Republic of Korea impose targeted sanctions on the Myanmar military junta and its business interests.