

Gas Pains

Rumours of shortage ignite Burma's petrol prices

By Gordon Fairclough and Bertil Lintner
in Bangkok

Better safe than sorry, figures Aung Myint. The Rangoon businessman waited for hours in line to buy petrol. He fills the tank of his Toyota pickup and as many cans as he can fit in the back.

"We don't know what's going on. People say the government has no money to import petrol," Aung Myint says by telephone. "So I'm buying as much as I can, now, as long as there's petrol to buy."

He's not the only one. Across the Burmese capital, thousands of car owners are queuing at petrol pumps amid rumours that the country's oil reserves are running low. Petrol prices doubled in the course of a week in mid-September.

Why the panic? Burma's one-year oil-supply agreement with Japanese trading company Mitsui expired in July. The country received its last shipment of crude at the end of June. The government admits it still owes Mitsui money. Diplomats estimate the debt at \$30 million. The company declines to comment on the arrangement.

But things may not be as bad as they seem. Mitsui is still supplying diesel, under a supply contract that expires at the end of September. Mitsubishi imports some petrol. And the government says it is negotiating with other companies for a new crude-oil contract. "Stocks are getting low," admits Thein Lwin, director of the Ministry of Energy's planning department. But, he insists, the problem is a "temporary phenomenon."

Indeed, authorities at Rangoon's port have been told to prepare for delivery of a tanker-load of crude oil in coming weeks. The oil was apparently purchased on the spot market as a stop-gap measure while a new long-term agreement is reached.

Even so, people are prepared to believe the worst. The military government's economic activities are far from transparent. Markets have little accurate information, and people distrust the state-controlled press. This makes it difficult for authorities to defuse rumours, and prices continue to climb. On September 24, petrol was selling for up to 110 kyat (69 U.S. cents) per litre in Rangoon, compared with around 50 kyat earlier in the month. In other parts of the country, it was even more expensive. In Mandalay, to the north, the price was 120 kyat per litre; in Irrawaddy District, 160.

The panic buying comes on top of

other problems caused by Burma's weak petroleum-distribution network. Poor road and water transport networks raise the cost of moving fuel. This is especially true in northern Shan State, where petrol imports come from China. Petrol has been selling for 160 kyat a litre there.

The price rises pose some serious dangers to the economy. Higher fuel bills will quickly translate into higher transport fees and costlier food, which must be trucked to Rangoon and other cities from the countryside. It is especially troublesome with the rice harvest approaching. Unless



Not everyone feels the fuel pinch.

prices ease soon, Burmese can expect rising costs for harvesting, milling and shipping rice, the staple of their diet and a major export product.

Aware of the risks, the government has tried to calm the market. "Fuel prices have been rising as there were rumours of a shortage of fuel and diesel supply," Lt-Gen. Tin Oo, a high-ranking member of the junta, said in a recent speech. "Those who wanted to take advantage of the political and economic conditions are trying to manipulate prices."

Local observers warn that such comments, however, may only add to the panic. When rice prices started surging several years ago, government officials made similar statements. That prompted people to stop selling rice because they feared being arrested as profiteers. That

only meant less rice in the market and even higher prices.

The Energy Ministry's Thein Lwin says the government is now talking with several firms from Japan and elsewhere to conclude a new crude-oil supply contract. He says a deal may be struck within weeks. In the meantime, the country has been relying more on its own domestic crude production, Thein Lwin says. Burma produces about 1,700 barrels of crude a day, he says.

The government is also discussing a payment plan with Mitsui, Thein Lwin says. The terms are not likely to be very tough. Mitsui is involved in several projects in Burma, including an industrial estate under construction on the outskirts of Rangoon and a combination natural-gas pipeline, fertilizer factory and power plant. Construction of this "three-in-one" project, now undergoing a feasibility

study, is expected to cost \$600 million to \$800 million.

"We have a very strong interest in this country, and we'd like to support the government as much as possible," says Mike Nagai, general manager of Mitsui's Rangoon office.

To get by, Burma may need a little help from its few friends. Rice exports, an important source of foreign-exchange earnings, fell 60% in the fiscal year ended on March 31. The country still cannot get loans from the World Bank, International Monetary Fund or Asian Development Bank.

The United States and other Western countries have opposed such assistance since Burma's military massacred anti-government demonstrators in 1988 and then refused to accept the results of a 1990 election won by Aung San Suu Kyi's opposition National League for Democracy.