



The Pipeline Dynamics in the Sino-Myanmar Honeymoon Regional Contention and Strategic Fallout

Jagannath Panda

Oil and gas seems to be the prime factor in China's current approach towards Myanmar, and this is very much in contrast to the earlier Chinese approach. Without really worrying about international reactions over Myanmar's domestic affairs, China seems to have decided to engage Myanmar as a regional strategic ally more vigorously. While the Chinese seem to maximise its interests having a celebratory period with Myanmar, it provides Myanmar some options to revitalise its regional posture while engaging with major powers like the People's Republic of China (PRC). Strategic fallout of this relationship is massive, as India have reasons to worry. The current pipeline project is one of these cases.

Each time developments draw the attention to Myanmar, notice goes also to its strongest ally in the region, the People's Republic of China (PRC). With politics in Myanmar climaxing with the election in November 2010, the Chinese have pushed its relationship with Myanmar one step further by inaugurating the China-Myanmar oil and gas pipelines project on their side. The Chinese formally started construction of the 2,380-km long oil pipeline in An'ning city in China's Yunnan province with some celebration, coinciding with Myanmar's chief General Than Shwe's recent five-day visit to China September 7–11. General Than Shwe's visit is an indication of a China-Myanmar honeymoon. No major Chinese leaders had visited that country since 2001, until both Premier Wen Jiabao and the Vice-President Xi Jinping visited Myanmar recently.

The China-Myanmar pipeline project starts at the Kyaukryu port on the west coast of Myanmar, touches the city of Ruili in Yunnan province, and ends at Kunming City. The Chinese new agency *Xinhua* reports that this project will help China to increase its oil imports to 22 million tonnes per year. The project has been assigned to China National Petroleum Corp (CNPC), which is China's largest oil firm and parent company of PetroChina, and is projected to be completed by 2013. *Xinhua* also reports that the next joint China-Myanmar natural gas pipeline will even be bigger. It will run through Kunming into Guizhou Province and the Guangxi Zhuang Autonomous Region in

South China. It will be 2806-km long and carry roughly 12 billion cubic metres of gas annually to China.

The Magnitude of the Pipeline

Currently, China imports oil and gas by three conventional modes: *ocean shipping*, the *Sino-Kazakhstan pipelines*, and the *Sino-Russian pipelines*. As per the Chinese estimation, the Myanmar pipeline connection would save 1200 km of shipping and lessen China's excessive dependence on the Strait of Malacca for oil import. Myanmar has the world's tenth-largest natural gas reserves, of over 90 trillion cubic feet (tcf) spread over nineteen onshore and three main offshore fields. Myanmar's daily gas production is projected to almost double to 2.235 billion cubic feet (bcf) from the current 1.215 bcf by 2015. Taking note of this, the Chinese have rapidly pushed their economic contacts with Myanmar. In fact, China has emerged as the second-largest trading partner of Myanmar, with bilateral trade touching US\$2.9 billion by 2009. More impressively, China has invested US\$1.8 billion in Myanmar by January 2010, which equals 11.5 percent of the country's total foreign direct investment (FDI). China stands as the third largest investor in Myanmar now.

Securing reliable supplies of energy and raw materials to sustain its economic growth is one of the daunting tasks of Chinese diplomacy today. In the near future, China



wants to assemble sufficient foreign reserves as well as investment capital to purchase ample amounts of oil and other resources in the global markets, as well as to obtain mines and exploration rights throughout the globe. In this regard, “flexibility” and “moderation” is clearly reflected in China’s current Myanmar policy. What really interests the Chinese most is the strategic location of Myanmar in the region. In Southeast Asia, Myanmar is the leading mainland country. Much of its reserves, natural hubs and historical monuments have remained unexplored to date. The country is known for its natural reserves such as gas, oil, jade and teak. Disapproving of its military rule and anti-democratic political set-up, the EU and the United States have imposed economic sanctions on Myanmar and blocked Western companies from investing in the country. Two major neighbours of Myanmar – India and China – have, however, maintained a balanced posture, engaging economically with Myanmar’s military junta without acknowledging its rule openly. While it is reported that the Chinese have even supplied arms to the junta, India has preferred to engage economically through small and bigger transport corridors projects.

Energy and the Politics Around Myanmar

In the last few years, the Shwe reserves in the gas field of Arakan coast of Myanmar have attracted massive regional attention. This is after the discovery of block A-1 Shwe field and Shwephyu and block A-3 Mya fields in January 2004 and April 2005, respectively. From 2005 onwards, eighteen exploring and assessing oil wells have been drilled. The oil well in the Mottama offshore oil field is estimated to help boost commercial production in the dry season. With Thailand, Myanmar is implementing the Zawtika-9 oil well project in block M-9 of Mottama. Having a capacity of more than 8 tcf and a production rate of about 300 million cubic feet (mcf) per day, Myanmar’s plan is to produce gas and export to Thailand by 2012 through M-9.

Myanmar is reported to have 3.2 billion barrels of recoverable crude oil reserves, which has brought oil companies from China, India, Malaysia, Singapore, Indonesia, Thailand and Vietnam to Myanmar to search for energy resources. By mid-2009, foreign investment in Myanmar’s oil and gas sector had reached US\$3.4 trillion in 89 projects. Official statistics reveal that in fiscal year 2008–09, Myanmar produced 6.89 million barrels of crude oil and 401.9 bcf of

gas. Though China entered Myanmar’s energy market only in 2001, it is reported that currently China has more than sixteen stakes in Myanmar oil and gas blocks, which makes the PRC the largest foreign investor in Myanmar’s energy sector.

India’s Worry

The China-Myanmar pipeline project seems to be causing some worry in India, as India also looks for energy supplies around the region. Major Indian stakeholders like GAIL, ONGC and Oil India are searching for opportunities in gas-rich Myanmar to fulfil India’s ever-increasing energy demand. Previously, Indian firms had bagged blocks in Myanmar but the absence of a pipeline reduced their economic value for India. Also, China had previously beaten India in winning a thirty-year contract from General Than Shwe’s administration, and had received concession for starting the construction of hydroelectric dams in Myanmar.

A massive strategic competition is on the fold between China and India in the region. Between India and China, whoever outsmarts the other for dominance in Myanmar will enjoy the strategic advantage for the neighbouring sea route politics for energy and oil. In a way, it will provide direct access to the Indian Ocean Region (IOR) via the Bay of Bengal in the west and the strategic Andaman Sea in the south. The growing closeness in China-Myanmar relations has made India vigilant, quietly reshaping its policy towards Myanmar. India has even gone to the extent of offering assistance to tackle the ethnic insurgents along the India-Myanmar frontier. Largely, India banks on the historical linkages between the two countries and tries to convince the elder generation of leaders in Myanmar’s military administration to support India’s requirement for energy resources. Myanmar and India in 1993 signed a Memorandum of Understanding (MoU) on border tranquillity. On the basis of this MoU, India decided not to interfere in Myanmar’s internal politics while Myanmar assured that it would not facilitate the Chinese much in its territory.

But India-Myanmar relations remain low key, compared to Myanmar’s relations with China. China is winning the race to woo the General Than Shwe’s military junta and keeps on pushing the military and strategic relationship. China has acquired naval bases along the critical ends in the Indian Ocean to maximize its strategic presence. There



is a conviction among the Chinese leaders that maritime strength will enhance its strategic influence at the regional level. The growing Chinese naval bases across the Indian Ocean are a reaction to its problems in reaching the Indian Ocean. China's military up-gradation in Coco Island confirms their future design. Coco Island includes three small islands (*Great Coco, Little Coco, and Table Island*).

According to unconfirmed reports, the Myanmar junta leased Coco Island to China in 1994. It is also reported that Chinese military presence is increasing in this region. In a strong reaction to China's increasing presence, India's Foreign Minister S. M. Krishna said recently that China was demonstrating "more than normal interests" in the Indian Ocean Region. The Indian military establishment speculates that Chinese military presence in Coco will help it to monitor the activities of Indian naval presence and activities. It is also reported that the Chinese are building a port on *Ramree* Island located along the Myanmar coast, which is only 100 km from southern India.

On a whole, energy remains a major factor in the present Sino-Myanmar honeymoon. China takes advantage of this to maximise its strategic gains. But also Myanmar benefits from this Chinese link. From Myanmar's viewpoint, the China-Myanmar multibillion-dollar oil-and-gas pipeline promises to enhance the financial vigor of Myanmar's military command and boost its political influence in Asia. This becomes important especially when the European Union and the United States are seeking fresh means to weaken Myanmar's military junta. International strategies using the economic sanctions to stagger Myanmar's military junta have failed so far. In a way, the regional economy, mostly

the Chinese economy, has been beneficial to Myanmar. It seems that Myanmar's role in the region is reviving, mainly as one of the main energy exporter to the Asia.

Dr. Jagannath P. Panda is a Research Fellow at IDSA (New Delhi) and currently a Guest Researcher with the Asia Program at ISDP in Stockholm, Sweden. He can be contacted at: jppjagannath@gmail.com

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The Institute for Security & Development Policy

Västra Finnbodavägen 2, SE-13130 Stockholm - Nacka
E-mail: info@isdpeu / Tel: +46(0)8-41056953
Website: www.isdp.eu

Directors:

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