



MYANMAR: EASTERN CLOUT & WESTERN ABSENCE

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Myanmar is a strategically located country. Its coastline meets the Bay of Bengal and the Andaman Sea to the west, borders Thailand and Laos to the east, China to the northeast, and India and Bangladesh to the northwest. Its long borders with neighbors have been one factor contributing to long term ethnic conflicts within the country, however, its 2,000 km coastline and five bordering neighbors also give it excellent trading potential, especially given its energy assets.

China has taken advantage of Myanmar's location and begun to use it as an energy corridor, offering quick access to the Indian Ocean, avoiding the expensive choke point of the Malacca Straits. Added to this, Myanmar has huge natural resource potential and is keenly being tapped by thirsty neighbors. Being one of the oldest exporters of oil in the world, Myanmar has more recently added gas and hydropower to its energy repertoire and has significantly increased interaction with the outside world. The majority of these energy relationships focus on neighbors. The extent of the relationship between Myanmar and regional partners makes Europe and the U.S. largely irrelevant. With the added issue of sanctions helping to solidify Eastern partnerships over Western, it is no wonder that the influence of the West on economic, political and military matters is minimal.

Myanmar's Asian Stakeholders

Many take part in the race for Myanmar's natural resources. Thai, Indian, Malaysian, South Korean, Burmese, French and U.S. companies are operating in Myanmar's four biggest offshore gas projects (the Shwe, Yadana, Yetagun and Zawtika gas fields). On-shore fields also exist but are minor in comparison to offshore production. Most notably, South Korean Daewoo holds a 51 percent stake in the offshore Shwe fields, Thailand's PTTEP holds 100 percent in the Zawtika fields and Malaysian Petronas Carigali holds a 40 percent stake in the Yetagun fields.

However, Thailand and China dominate in terms of gas sales agreements and distribution. Thailand is the primary consumer of Myanmar's gas since the Yadana and Yetagun fields started operations in 1998 and 2000. When the Zawtika

project begins producing gas in 2013, 80 percent of the gas (240-300 million cubic feet per day) is expected to be exported to Thailand. These three fields will deliver roughly 1.2 billion cubic feet of gas per day, which can be compared to the current figure of Thailand's total daily consumption – 4.5 billion cubic feet per day. Similarly, when China won the bid over India for the gas sales agreement for the Shwe fields in 2008, China became the exclusive buyer. When operations start in 2013, it will receive 80 percent of the gas. China and Thailand will receive most of the gas even though many actors are involved.

China is the dominant force in Myanmar's hydropower market. It is involved in no less than 56 hydropower projects (both dams and sub-stations) in Myanmar. Of the 21 larger dam projects, which were either completed or under construction in 2011, China was involved in all but one. It has been estimated that the total capacity of the 21 dams will be roughly 35,640 megawatts. This figure can be compared with the largest dam project in the world, the Three-Gorges dam in China, which has a capacity of 18,200 megawatts. Given that China had a total hydropower capacity of just above 200,000 megawatts in 2010, and that Thailand has a theoretical capacity of only 15,155 megawatts, it is easy to understand why these countries will be the main buyers. China will receive 48 percent and Thailand 38. The remaining 14 percent will be split between India (3) and Myanmar (11).

The Myanmar Military and Chinese Clout

With decades of ethnic violence and uprisings in Myanmar, it is understandable that China takes the security of its investments very seriously. This is especially accurate in rela-



tion to China's two pipeline projects which will run through some of the more unstable regions of Myanmar, including territory occupied by the Kachin Independence Army, the Kachin Defense Army and the Shan State Army-North. Given the size and strength of the Myanmar military (roughly 400,000 active personnel) it is not surprising that when the Rights and Obligations agreement for the pipeline projects was signed in 2009 it stated that the government of Myanmar must guarantee the security of the projects.

Judging by army battalions stationed along the pipeline corridor, there is no doubt that Myanmar takes this responsibility seriously. The Shwe Gas Movement (a Myanmar NGO) has suggested that there are at least 33 battalions stationed in 21 different townships near the pipelines. If these figures are correct, there are 6600 soldiers protecting the projects. Except army battalions, there are also reports suggesting that the Myanmar Navy has increased its activities near Kyaukpyu and Maday Islands. This is an indication that Myanmar is strongly committed to protecting the construction of the deep sea port, the underwater pipeline and the various storage facilities in the area. It is also an indication of the indirect Chinese ability to influence the Myanmar military.

Myanmar's Trading Partners

In terms of trade and overall foreign direct investment (FDI), China and Thailand are in the top position. In 2010, more than 40 percent of Myanmar's imports came from China followed by Thailand (24) and Singapore (13). Thailand was the main export partner with 40 percent, followed by India (18) and China (13). Overall (both imports and exports), Thailand was the largest trading partner with 30 percent and China the second largest (29).

In relation to the EU, its 27 member states only represent two percent of Myanmar's total trade, dwarfed by all of Myanmar's neighbors. Out of these 27 members, Germany is by far the largest trading partner with roughly 33 percent

of the EU's export and import market, followed by the UK (17) and Spain (16). This may be one of the reasons why Germany, together with Spain, often take a more pragmatic stance with Myanmar and argue that the EU should reconsider the sanctions it continues to impose. Germany is also more boisterous about the negative aspects of the sanctions.

China and Thailand dominate in terms of FDI. In 2010, FDI hit an all time record high of US\$20 billion. China was by far the largest investor with over US\$13.6 billion, followed by Thailand and South Korea. The majority of the finances from all partners, roughly US\$18 billion, were invested in oil, gas and electricity projects – an area which the European member states are banned from investing in.

New Considerations

It is common knowledge that Myanmar has more intimate relations with its neighbors than with Europe or the U.S. In discussing energy, trade and the military in Myanmar, the ability of Europe or the U.S. to influence policy is so insignificant it doesn't even warrant a mention. Since the debate on sanctions has become more open, many prominent think-tanks and experts are concluding that Myanmar is being pushed further and further into the arms of neighbors due to the negative consequences of sanctions. Maybe that was the case ten years ago, but today it is safe to say that Myanmar is no longer being pushed, rather, it is firmly cradled in the arms of neighbors, oblivious to European and U.S. moral badgering.

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