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**THESIS**

**THE IMPACT OF SINO-INDIAN ENERGY SECURITY  
AMBITIONS ON BURMA'S DOMESTIC AND FOREIGN  
POLITICS**

by

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**THE IMPACT OF SINO-INDIAN ENERGY SECURITY AMBITIONS ON  
BURMA'S DOMESTIC AND FOREIGN POLITICS**

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## **ABSTRACT**

The rivalry between China and India poses significant challenges for the regional security of Southeast Asia, and particularly for the security of Burma. Within the context of their rivalry, China and India compete over oil and gas resources in Burma. They seek not only to establish energy security for their own countries, but to reaffirm an economic and political presence in the region. This thesis will explore the impact of China and India's pursuit of energy resources on Burma's domestic and foreign politics. It will show how, over the last few years, the competitive agendas of these two countries over the natural resources in Burma, has strengthened the military junta in the country. In particular, it will detail how, with the revenues from selling its energy resources, the government of Burma is able to operate with relative autonomy and impunity in formulating authoritarian domestic policies and pursuing foreign policy. It suggests that progress on democratization and liberalization in Burma is likely to occur more slowly as a result of this access to energy revenue.

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# **I. THE IMPACT OF SINO-INDIAN ENERGY SECURITY AMBITIONS ON BURMA'S DOMESTIC AND FOREIGN POLITICS**

## **A. MAJOR RESEARCH QUESTION**

The rivalry between China and India poses significant challenges for the regional security of Southeast Asia, and particularly for the security of Burma. Because of the “dangerous rise in mutual suspicion between India and China,” the two countries compete for an advantageous political and economic position in the region.<sup>1</sup> Specifically, the countries disagree over their respective alliances and role in Southeast Asia. India is suspicious of the “strategic alliance between China and Pakistan.”<sup>2</sup> Similarly, the relationship between India and the United States threatens the Chinese, as they strive for preeminence in the region.<sup>3</sup> Within the context of their rivalry, China and India compete over oil and gas resources in Burma. They seek not only to establish energy security for their own countries but to reaffirm an economic and political presence in the region.

This thesis will explore the impact of China and India's pursuit of energy resources on Burma's domestic and foreign politics. It will show how, over the last few years, the competitive agendas of these two countries, over the natural resources in Burma, has strengthened the military junta in the country. In particular, it will detail how, with the revenues from selling its energy resources, the government of Burma is able to operate with relative autonomy and impunity in formulating authoritarian domestic policies and pursuing foreign policy. Therefore, this thesis will specifically answer the following question: What are the impacts of the Sino-Indian energy security competition in Burma on its domestic and foreign politics?

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<sup>1</sup> Renaud Egretau, “The Breakout of China-India Strategic Rivalry in Asia and the Indian Ocean,” *Asian Survey* 48, no.6 (2008): 937.

<sup>2</sup> Egretau, “Breakout of China-India Strategic Rivalry,” 937.

<sup>3</sup> Egretau, “Breakout of China-India Strategic Rivalry,” 937.

## B. IMPORTANCE

The scale of China and India's need for new energy sources is already remarkable, and looks like it will only become more so. With increasing industrialization, Southeast Asia "is anticipated to account for 42 % of total growth in demand for natural gas from 2002 to 2030."<sup>4</sup> Both China and India are seeking alternative sources of energy to mitigate the effects of their growing populations and infrastructure. For example, India's energy demands have been steadily increasing, and India's "demand will increase from 33m tonnes of oil equivalent (toe), or 5.5% of the overall primary-energy mix in 2007, to around 113m toe by 2030, more than 10% of the total."<sup>5</sup> Both China and India have increased their engagement in the region in an effort to establish diversity in their supplies of oil and gas. Bradsher notes that "government-owned Chinese oil companies have been busy in the last two years buying large stakes in gas fields in Indonesia and Australia."<sup>6</sup>

The intention by China and India to extract energy resources from Burma is of concern for two reasons. First, what will the overall effects be on Burma's domestic politics, especially the survival of its authoritarian regime? Domestically, it is already true that "large-scale natural gas projects have directly and indirectly led to violations of basic human rights with the complicity of multinational corporate actors."<sup>7</sup> Because oil and gas exports in 2007 were "equivalent to around 15% of the country's GDP," the Burmese regime has had little reason to comply with international pressures to change its approach to governance and civil society.<sup>8</sup>

Second, the interest and competition over Burma's resources by its two powerful neighbors have empowered the Burmese military junta to disregard any "international

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<sup>4</sup> Benjamin K. Sovacool, "Reassessing Energy Security and the Trans-ASEAN Natural Gas Pipeline Network in Southeast Asia," *Pacific Affairs* 82, no. 3 (Fall 2009): 468.

<sup>5</sup> Ian Lewis, "India's Shifting Gas Strategy" *Petroleum Economist* (April 2010).

<sup>6</sup> Keith Bradsher, "Alert to Gains by China, India Is Making Energy Deals," *New York Times*, January 17, 2005.

<sup>7</sup> Matthew F. Smith and Naing Htoo, "Energy Security: Security for Whom?" *Yale Human Rights and Development L.J.* Vol. 11(2008): 219.

<sup>8</sup> *Economist*. Myanmar's Pipeline Politics. March 23, 2007.

censure or intervention,” again because the oil and gas revenue allows the leadership to govern irrespective of the consequences.<sup>9</sup> Moreover, “most of the junta’s military support has come from China and India, countries with an active interest in exploiting Burma’s natural resources, particularly oil and gas.”<sup>10</sup> This affirmation of the strategic importance of Burma to China and India makes the regime less vulnerable to sanctions imposed by the United States, the European Union, and the rest of the international community.

The overall significance of this thesis is when a military junta such as Burma, with countless human rights violations and questionable security policies, strengthens as a result of the energy security investments by China and India. Sovacool reaffirms that “the consolidation and extraction of natural resources can create and solidify asymmetries in wealth that then contribute to rising income gaps between the rich and poor, institutionalize corruption, and enable oppressive regimes to maintain their political power.”<sup>11</sup> We can see that this has already started to happen in Burma: the Economist reports, for instance, that the 900 kilometer pipeline to China not only “enhance(s) China’s interest in maintaining the political status quo in Myanmar, but dim(s) the prospects for democratization” in Burma.<sup>12</sup> This thesis explores this dynamic in Burma, looking to ongoing consequences.

### **C. PROBLEMS AND HYPOTHESES**

The primary issue this thesis addresses is the effect of energy security policies on the host nation’s domestic and foreign politics. Specifically, I will examine how investments in energy resources by China and India directly affect Burma’s domestic stability and political relationships with its neighbors. Burma is managed by a corrupt military junta that has little regard for either its populace or its foreign relationships in the region. The government’s primary focus, like that of other oppressive regimes, is to

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<sup>9</sup> *Economist*. Myanmar’s Pipeline Politics. Mar. 23, 2007.

<sup>10</sup> Smith and Htoo, “Energy Security: Security for Whom?” 221.

<sup>11</sup> Benjamin K. Sovacool, “The political economy of oil and gas in Southeast Asia: heading towards the natural resource curse?” *Pacific Review* 23, no. 2 (May 2010): 226.

<sup>12</sup> *Economist*. Myanmar’s Pipeline Politics. Mar. 23, 2007.

remain in power. Its access to oil and gas revenue allows it to continue its oppressive policies and operate with relative autonomy, regardless of international pressure.

In evaluating Burma, I will rely on the concept of the rentier state. Okruhlik characterizes “a rentier state (as one that) depends on external sources for a large portion of its revenue.”<sup>13</sup> Most often associated with countries in the Middle East and North Africa, “since they derive a large fraction of their revenues...in Saudi Arabia, Bahrain, and the United Arab Emirates” from oil and gas, the concept is applicable to the similar situation in Burma.<sup>14</sup> In Burma, revenue received from oil and gas for 2005 was “US \$1.4bn... or 37% of the country’s total export revenue.”<sup>15</sup>

The hypothesis of this thesis is that regime’s autonomy in Burma will increase as its access to energy rent grows. Like Okruhlik, Beblawi asserts that external revenue generated from oil rents often either hinders the domestic infrastructure of a country or empowers only the state-run corporations which have absolute control over the economic progress of the nation.<sup>16</sup> Indeed, in Burma, the revenue obtained from the oil and gas relationships with China and India has reinforced state autonomy in Burma, empowering the military junta. As Ulfelder asserts, dependence on a significant amount of external rent from oil and gas translates to a regime “substantially less likely to transition to democracy.”<sup>17</sup> Again, the external rent has strengthened the Burmese regime, which in turn somewhat resists domestic and international pressures to transition to a more moderate form of government. A country such as Burma, with this type of leverage, can present challenges to the regional security initiatives in part because of the regime’s ability to exist in relative isolation.

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<sup>13</sup> Gwenn Okruhlik, “Rentier Wealth, Unruly Law, and the Rise of Opposition: The Political Economy of Oil States,” *Comparative Politics* 31, no.3 (Apr. 1999): 295.

<sup>14</sup> Michael L. Ross, “Does Oil Hinder Democracy?” *World Politics* 53, No.3 (Apr. 2001): 329.

<sup>15</sup> *Economist*. Myanmar’s Pipeline Politics. Mar. 23, 2007.

<sup>16</sup> Ross, “Does Oil Hinder Democracy?” 331.

<sup>17</sup> Jay Ulfelder, “Natural-Resource Wealth and the Survival of Autocracy,” *Comparative Political Studies* 40, no. 8 (August 2007): 996.



## **D. LITERATURE REVIEW**

Two primary themes have become evident. First, China's and India's energy security role in Burma and the philosophy these two nations adopt. Second, how the regime in Burma's enjoys some autonomy through its access of energy revenue, and how this relationship characterizes Burma as a rentier state in Southeast Asia. The current literature by scholars interested in the first theme, the dynamics between energy and security, is diverse. Equally prominent is the discourse on the second, that is, specifically concerning the interest of China and India in Burma's natural gas and oil reserves. China is interested in the access to a maritime port that would bypass the heavily commercially congested Malacca Strait between Indonesia and Thailand. Within this context, this thesis examines the effects of an increased oil and gas revenue for Burma and carefully illustrates the consequences on domestic and foreign politics.

### **1. China and India's Energy Security Policies**

It is important to first establish a general definition of energy security as a basis for evaluating the resource relationship between China, India, and Burma. Yergin broadly defines energy security as "simply the availability of sufficient supplies for affordable prices."<sup>18</sup> He further adds that each country "interprets what the concept means to them differently"; highlighting that for China and India energy security "now lies in their ability to rapidly adjust to their new dependence on global markets, which represents a major shift away from their commitment for self sufficiency."<sup>19</sup>

This approach to the definition of energy security is different from others because of its generality and flexibility. Whereas other definitions focus specifically on oil and gas imports or exports, and the balance of the global energy market, Yergin's definition recognizes two important distinctions. First, it acknowledges that energy security is unique to every country and to their overall national policies. Second, it assumes that energy security evolves in reaction to the energy supply, regional relationships, and

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<sup>18</sup> Daniel Yergin, "Ensuring Energy Security" *Foreign Affairs* 85, no. 2 (Mar/Apr 2006): 70.

<sup>19</sup> Yergin, "Ensuring Energy Security," 70.

internal stressors of each country.<sup>20</sup> By utilizing this flexible perspective, this thesis will be able to address the energy security agendas of China and India in Burma.

Both China and India have well-developed policies geared toward enhancing the energy security of their nations. The pursuit of alternative energy supplies is a core component of the Chinese national security agenda. Policies are shaped by core advisors who recommend to the leadership which course of action should be adopted. The current course of action is articulated in the phrase “peaceful rise” which illustrates China’s approach to development and investment in other countries.<sup>21</sup> The core of this philosophy is that “China’s development will not pose a threat to any other country, but instead will be mutually beneficial and sustainable.”<sup>22</sup> The pursuit of alternative energy supplies is a core component of the Chinese national security agenda.

China’s policy on achieving energy security by buying Burmese energy is shaped by their ability to feel “less uncomfortable overlooking the junta’s misrule within its borders.”<sup>23</sup> Thus China, in some instances, has ignored the internal unrest of Burma in order to secure energy contracts. Smith and Htoo, in their Burmese Human Rights article, note that the Chinese actually supported the military junta at the United Nations Security Council in 2007 in their “veto of a (the) United Nations Security Council resolution that would have resulted in UNSC-supported action in Burma prior to the country’s brutal crackdown on monks and prodemocracy activists.”<sup>24</sup>

Indeed, China’s relationship with Burma is assertive and very beneficial for the governments/elites of both countries. Burma has always seemed to view China with a “preferential status” grateful for the “political support in the international community.”<sup>25</sup> As a result, “more than two thirds of FDI has been made in hydrocarbons projects over

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<sup>20</sup> Yergin, “Ensuring Energy Security,” 70.

<sup>21</sup> Smith and Htoo, “Energy Security: Security for Whom?” 252.

<sup>22</sup> Smith and Htoo, “Energy Security: Security for Whom?” 252.

<sup>23</sup> *Economist*. Myanmar’s Pipeline Politics. Mar. 23, 2007.

<sup>24</sup> Smith and Htoo, “Energy Security: Security for Whom?” 252.

<sup>25</sup> *Petroleum Economist*. “Pipeline Strengthens Sino-Burmese Ties.” Aug. 2009.

the last three years” in Burma by Chinese companies.<sup>26</sup> China wants to secure other avenues of oil and gas supply through Burma because it will “lessen its dependence on this route (Strait of Malacca) for its essential energy supplies.”<sup>27</sup> The Sino-Burmese relationship is thus important for both parties: it not only provides some political coverage for Burma, but alleviates China’s energy security concerns.

India also has adopted a policy geared toward increasing not only its regional presence but also focused on establishing energy security. Mohan establishes that India, like China, embraced a “Look East” policy in 1992 whose goal was “not merely an external economic policy; it was also a strategic shift in India’s vision of the world and India’s place in the evolving global economy.”<sup>28</sup> Currently, the Look East policy of India is still a cornerstone of their perspective when managing the relationships in Southeast Asia. With regard to its policy toward Burma, India has taken what can be surmised as a more practical stance with the leadership of Burma since 2003. Smith and Htoo show that India has broken from its “previous support of Burma’s prodemocracy movement, instead opting to engage the junta on several fronts, including an increase in investments in oil and gas.”<sup>29</sup> In 2008, India referred to a “relationship with the junta as close and friendly.”<sup>30</sup> The policy toward Burma is an economic necessity, primarily motivated by establishing Indian energy security. Burma, “with its annual oil production pegged at 50 million barrels—can play a pivotal role in India’s energy security strategy.”<sup>31</sup> India thus focuses on the economic prospects that are beneficial for both countries, choosing not to interfere in the domestic politics of Burma.

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<sup>26</sup> *Petroleum Economist*. “Pipeline Strengthens Sino-Burmese Ties.” Aug. 2009.

<sup>27</sup> *The Christian Science Monitor*. “What Stigma? Burma (Myanmar) draws energy-hungry neighbors.” July 2, 2010.

<sup>28</sup> As summarized by: C. Raja Mohan, “India’s Geopolitics and Southeast Asian Security,” *Southeast Asian Affairs*, (2008): 46.

<sup>29</sup> Smith and Htoo, “Energy Security: Security for Whom?” 256.

<sup>30</sup> The Indian Ministry of External Affairs referred to this relationship: Smith and Htoo, “Energy Security: Security for Whom?” 256.

<sup>31</sup> Saurabh Shukla, “Supping with the Junta; Even as the cry for democracy rings out in Yangon, a pragmatic India sides with the Generals to safeguard strategic interests” *India Today*, Oct.8, 2007.

In many ways, China and India have adopted similar approaches to Burma, and this similarity perhaps heightens their rivalry in the region.<sup>32</sup> These neighboring countries have decided that the pursuit and acquisition of the natural resources in Burma are more important than pushing that country to adopt more moderate policies in governance. The competition over Burma's natural resources is a key component of this thesis. To counteract China's economic presence in the region, "India feels that it needs to improve its relations with Myanmar."<sup>33</sup> India, perhaps in response to China's investment, has invested in Burma "U.S. \$120 million to develop the Arakan capital of Sittwe as an economic center."<sup>34</sup>

## 2. Burma as a Rentier State

The competition over natural resources in contemporary Burma has become an important issue in Southeast Asia. Burma plays a central role within the agenda of China and India's energy security because of the social and political implications of the oil and gas investment in the country. As previously addressed, the increase of oil and gas revenue has led to an increase in autonomy for the Burmese regime. Not only can it pursue its own agenda on a variety of issues without some fear of threat, it can actively use others' dependence on its resources as leverage for that agenda. For instance, Sovacool asserts that Burma supported the Trans-ASEAN Natural Gas Pipeline (TAGP) because "it enhances its ability to influence international and geopolitical relations."<sup>35</sup> Furthermore, Burma has had instances wherein they have used the "natural gas reserves to gain concessions from China, India, and others within ASEAN."<sup>36</sup>

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<sup>32</sup> Marie Lall, "Indo-Myanmar Relations in the Era of Pipeline Diplomacy," *Contemporary Southeast Asia* 28, no.3 (Dec. 2006): 435.

<sup>33</sup> Marie Lall, "Indo-Myanmar Relations in the Era of Pipeline Diplomacy," *Contemporary Southeast Asia* 28, no.3 (Dec. 2006): 435.

<sup>34</sup> Smith and Htoo, "Energy Security: Security for Whom?" 257.

<sup>35</sup> As summarized by: Benjamin K. Sovacool, "Exploring the Conditions for Cooperative Energy Governance; A Comparative Study of Two Asian Pipelines," *Asian Studies Review* 34, (Dec 2010): 506.

<sup>36</sup> As summarized by: Sovacool, "Exploring the Conditions for Cooperative Energy Governance," 506.

Burma, with the increase of oil and gas revenue, can somewhat resist the pressures of the international community. By making alliances with China and India, the Burmese military junta functions in relative autonomy. The military junta realizes the potential of its vast oil and gas reserves, often cited as having “6.5 trillion cubic feet (cf) of gas from the Shwe gasfields in the Bay of Bengal” alone.<sup>37</sup> The relationships between many of the countries in Southeast Asia are already strained by “intensive interstate rivalries over oil with themselves and regional super powers such as China” and often complicated by the regional priorities of China and India.<sup>38</sup> The strong relationship between Burma and China allows them to somewhat resist international pressure and respond to regional security demands.

Domestically, Burma reinvests very little of its oil and gas revenues into the infrastructure of the country. That is, the people of Burma are not benefiting from the immense revenue that pours into the country. It is estimated that some “ninety percent of the people in Arakan and Chin states use candles for light and firewood as their primary source of cooking fuel.”<sup>39</sup> Ironically, this region of Burma has one of the largest reserves of natural gas deposits in the country.<sup>40</sup> Even worse, evidence of human rights abuses, mostly of workers on pipeline projects, has surfaced in Burma. Smith and Htoo illustrate the forced labor conditions associated with the Yadana Pipeline project that has been ongoing since 1991.<sup>41</sup>

The disparity between the revenue of the Burmese state-owned oil corporations and the poverty of Burmese people is a key point in identifying Burma as a possible rentier state in Southeast Asia. Beblawi identifies four general characteristics of a rentier state, one of which fits very well when addressing Burma. While Beblawi concentrates most of his evaluation of rentier states in the Middle East, his principles are applicable to

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<sup>37</sup> *Petroleum Economist*, “China and India battle for Myanmar’s gas,” (May 2006): 17–18.

<sup>38</sup> Benjamin K. Sovacool, “Reassessing Energy Security and the Trans-ASEAN Natural Gas Pipeline Network in Southeast Asia,” *Pacific Affairs* 82, no. 3 (Fall 2009): 483.

<sup>39</sup> Smith and Htoo, “Energy Security: Security for Whom?” 251.

<sup>40</sup> Smith and Htoo, “Energy Security: Security for Whom?” 251.

<sup>41</sup> As detailed in: Smith and Htoo, “Energy Security: Security for Whom?” 230.

the situation in Burma because of the regime's autonomy in domestic and foreign politics. The government of Burma is the principal recipient of the oil and gas revenue. The military junta, in concert with its state run energy corporations, manages that wealth according to its policies. The mere fact that the military junta controls the distribution of rents and the "economic power thus bestowed upon the few" characterizes Burma as a rentier state.<sup>42</sup>

Like Beblawi, Ulfelder correlates the natural resource wealth of a nation with the probability that it will strive for democracy.<sup>43</sup> In explaining this relationship, Ulfelder identifies two categories within the context of the rentier state concept: demand-side effects and supply-side effects.<sup>44</sup> Of the two, the category of supply-side effects explains the situation in Burma the most clearly. In contrast to the demand-side effects wherein a "state reliance on rents reduces popular pressures for government accountability," supply-side effects "allow governments to buy more effective internal security apparatuses...and discourage or squelch efforts to affect political change."<sup>45</sup>

Under the auspices of the Ministry of Energy (MOE), the Burmese regime, like a rentier state in the Middle East, receives a large portion of its revenue from external rent which "accrues directly to the state."<sup>46</sup> Burma's GDP growth is largely due to the oil and gas revenues that it receives from exports. The U.S. State Department estimates that the predicted "2010 growth of 3.1%" is due to oil and gas revenues, which account for "over half of Burma's export receipts and foreign direct investment."<sup>47</sup> Burma's resource wealth and demand-side effect alleviates any pressure on the junta to resolve some of the

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<sup>42</sup> Luciani, ed., *The Arab State*, 88.

<sup>43</sup> Ulfelder, "Natural-Resource Wealth and the Survival of Autocracy," 995.

<sup>44</sup> Ulfelder, "Natural-Resource Wealth and the Survival of Autocracy," 997.

<sup>45</sup> Ulfelder, "Natural-Resource Wealth and the Survival of Autocracy," 997.

<sup>46</sup> Okruhlik, "Rentier Wealth, Unruly Law, and the Rise of Opposition," 295.

<sup>47</sup> U.S. Department of State, "Burma: Economic," U.S. Department of State, <http://www.state.gov/r/pa/ei/bgn/35910.htm#econ> [accessed June 14, 2011].

domestic and international pressures. With the oil and gas revenue from China and India's investment, the Burmese regime operates in relative autonomy because it does not depend on revenue from civil society.

#### **E. METHODS AND SOURCES**

This thesis will attempt to address gaps in the current literature, specifically when addressing the effects on Burma's domestic politics and foreign policy as a result of the energy security interests of China and India. Using the current information on how China and India are pursuing energy from Burma, this thesis will attempt to show that Burma exhibits the qualities of a rentier state. The current literature utilizes the concept of the rentier state mostly in explaining countries in the Middle East and Central Asia, not Southeast Asia. In this context, the revenue generated through oil and gas resources has allowed the military junta in Burma to somewhat ignore domestic and foreign concerns and operate with relative autonomy.

Using the case study method, this thesis will examine the specific effects on Burma of Chinese and Indian efforts to achieve energy security. A case study method is best suited for this discussion, particularly because of its ability to illustrate elements of the cause and effect. The causes in this case are the strategic rivalry between China and India in an effort to establish energy security and their subsequent disregard of the effects their investments have in Burma. The effect is the impact on the domestic relations and foreign obligations the Burmese regime has chosen to somewhat ignore, such as human rights violations or adherence to strategic or regional security requirements.

#### **F. THESIS OVERVIEW**

This thesis discusses the pursuit of energy security in Burma by China and India and its overall effects on the domestic and foreign politics in Burma. To systematically explore this relationship, this thesis will be divided into four chapters. Chapter I will introduce the main question, China's and India's rivalry in Burma as they seek energy security, and the application of the rentier state model to contemporary Burma.

The subsequent chapters of this thesis will examine these issues in more detail. Chapter II illustrates the current energy demand and energy competition in Asia. It will specifically focus on the energy demands by China and India, and on their current energy export agreements with Burma. Chapter III outlines the consequences for Burma's domestic and foreign policies as a result of the energy interests by China and India. The chapter will describe how Burma qualifies as a rentier state within Southeast Asia and how it is able to somewhat resist domestic and foreign pressure for regime change. The concluding chapter will restate the hypothesis and present what the author surmises are the most important implications of this thesis's findings. The findings will contend that Burma will become more of a security challenge for Southeast Asian nations and its allies. The revenue from China and India's oil and gas investment preserves the Burmese regime. Their political autonomy allows them to somewhat ignore domestic and foreign intervention irrespective of the consequences.



## **II. CURRENT SINO-INDIAN ENERGY SECURITY AMBITIONS AND COMPETITION IN BURMA**

### **A. INTRODUCTION**

In the previous chapter, we saw that energy security is becoming an integral facet of Burma's national security objectives. Specifically, the central hypothesis of this thesis is that the Burmese regime's autonomy will increase as its energy rent increases with Chinese and Indian investment. In this cause and effect relationship, Chinese and Indian energy security ambitions in Burma are the engine of Burmese regime autonomy and stability. For China and India, energy security has not only become a national objective but an additional point of competition between the two countries. Their need to secure energy reserves puts them politically and economically at odds. In the last two decades, China and India's competition for energy security has been focused in Burma.

This chapter attempts to answer the following question: What is the extent of China and India's interest and investment in the extraction of energy resources in Burma? It also identifies some of the root causes of the competition between China and India. Its first two sections illustrate and discuss the type of relationship China and India each have with Burma. These two sections will also map the scope of the Chinese and Indian petroleum investment in Burma. The chapter concludes by discussing Burma's perspective on the competition or cooperation of China and India. The final section also offers some general thoughts concerning the role and extent of the oil and gas export revenue in Burma.

It is worth noting that it is difficult to find specific and reliable figures on China and India's investments in Burma. All three countries are complicit in not disclosing such details. In particular, Burma's regime is highly suspicious of disclosing any investment patterns that might give outsiders any insight into the scope of their operations. Nonetheless, there is indirect information available that can be mined for such insight. I combine information from a variety of general sources to establish a broad baseline for reference.

The demand for energy in Asia is growing exponentially. A 2011 State Department Public Affairs document projects that “if Asia continues its current trajectory, the region will likely account for nearly one-half of the expected growth in the world oil demand between 2008 and 2030.”<sup>48</sup> In particular, the growing economies and populations of China and India are placing an incredible strain on the domestic energy resources of their respective countries. Leaders recognize that diversity in energy supply will strengthen their economic and political stronghold in the region. In general, their consensus is that a country that relies on a few sources of energy risks being at the mercy of those suppliers and comprises the security of its economic, political, and military agendas. Energy security is thus closely tied to national security, and can even be considered an aspect of it.

Merging the elements of security and energy is a concept that has garnered more attention in the last few decades, accompanying the general realization that energy resources such as gas and oil are becoming scarce. But many of the newly discovered gas and oil deposits are in politically tenuous and unstable regions of the world. Increased demand plus restricted supply drives many governments to re-evaluate this heightened risk; they stretch beyond their borders and political comfort zones to secure access to a cheap and diverse supply of oil and gas, thus establishing energy security.<sup>49</sup>

Although the intensity of the dynamic is new, history is peppered with instances in which a country has sought to establish energy security. One of the most notable examples is the decision by Winston Churchill in the early 1900s to replace coal with oil as a fuel for the British Fleet. In his role as the First Lord of the Admiralty for Great Britain, Churchill endeavored in late July 1911 to prepare the British fleet to meet the German navy in a maritime confrontation, an “inescapable day of reckoning.”<sup>50</sup> He

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<sup>48</sup> *Asia's Rising Energy and Resource Nationalism: Implications for the United States, China and the Asia Pacific Region*. United States, Lanham: Federal Information & News Dispatch, Inc, 2011, accessed July 15, 2011. <http://search.proquest.com/docview/864830733?accountid=12702>.

<sup>49</sup> Daniel Yergin, “Energy Security of Markets,” in *Energy and Security: Toward a New Foreign Policy Approach*, ed. Jan H. and Goldwyn, David L. eds. [Baltimore, 2005], 51.

<sup>50</sup> Daniel Yergin, *The Prize* [New York: Simon and Schuster, 1991], 11–12.

reasoned that the risk of pursuing oil in the “distant and insecure oil supplies in Persia” (present day Iran) was outweighed by the oil’s promise of “strategic benefits... of greater speed and more efficient use of manpower.”<sup>51</sup> Moreover, Churchill saw that oil would not only improve the operational ability of the British Fleet, but also diversify the energy supplies of the British Empire.<sup>52</sup>

Churchill’s decision to pursue oil in Persia in 1911 is worth noting for two reasons. First, it is a clear example of how the commodity of oil is “intertwined with national strategies and global politics and power.”<sup>53</sup> Second, it provides some context, albeit in a simplified form, for understanding how more recent leaders integrate their understanding of energy concerns with economic, political, and military security priorities. The challenge that Churchill faced in the early 1900s is not dissimilar to that faced by contemporary China and India. China and India are “two of the fastest growing economies in the world... (and) are expected to consume a substantial share of the world’s energy resources in the coming decades.”<sup>54</sup> The pursuit of energy security is an important component of China’s and India’s national strategies and shapes their political and economic decision making process.

The competition between China and India, specifically over energy, has regional implications for security. These countries have practiced an energy resource tit-for-tat, seeking a competitive advantage in securing energy supplies. They use the full array of their diplomatic and economic “arsenal” in securing energy supplies with the “overall strategy to forge closer strategic and political ties with oil-rich countries.”<sup>55</sup> In most instances, both countries directly compete for energy contracts in which the “winner

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<sup>51</sup> Yergin, *The Prize*, 12.

<sup>52</sup> Yergin, *The Prize*, 11–12.

<sup>53</sup> Yergin, *The Prize*, 13.

<sup>54</sup> Rayadurgam, Indu. *Linkages in Urban and Energy Policies: An Analysis of China and India*. Singapore, Singapore: Institute of Southeast Asian Studies, 2009, accessed July 15, 2011. <http://search.proquest.com/docview/189254692?accountid=12702>.

<sup>55</sup> Mingjiang Li, “Sino-Indian Energy Politics,” in *The Geopolitics of Energy in South Asia*, ed. Marine-Carine Lall [Singapore: Institute of Southeast Asian Studies, 2009], 154.

often has to offer a higher price.”<sup>56</sup> For example, in August 2005, China outbid India by “\$4.18 billion...and successfully bought PetroKazakhstan Inc., the third largest oil producer in Kazakhstan.”<sup>57</sup> China was able, at least in this instance, to outmaneuver India and secure a valuable energy supply.

Sino-Indian competition is not entirely centered on the pursuit of energy, and the geopolitical facet of their overall competition is a clear illustration of the dynamics between the two countries in the region. Politics and economic interests are inseparable and “there are still considerable strategic misgivings between the two countries that hamper bilateral cooperation in the energy sector.”<sup>58</sup> Yet, as Chatterjee contends, both countries have realized that the “lack of energy cooperation...will not only impair their own energy security, but may also have negative implications on regional stability, as has happened in the case of Sino-Japan relations.”<sup>59</sup> The intricate and often despairingly political dynamic between these two countries is best exhibited by their energy interests in Burma.

Burma has always in some sense been a focal point of political and economic interest or contention. Starting in 1820, the British colonial empire absorbed Burma into British India through a series of three expensive and contentious Anglo-Burmese Wars. The British held direct rule over Burma until 1948, when it granted the country independence. During this long colonial period, Burma was squeezed of natural resources, often at the expense of the local populace. The priority for the British in Burma was twofold. First, they sought to benefit from the revenue from the sale of natural resources such as lumber and rice. Second, they hoped that their presence in Burma would provide a regional and strategic counterweight to the expanding French colonial presence in Southeast Asia.

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<sup>56</sup> Mingjiang Li, 154.

<sup>57</sup> For more detail, see: Mingjiang Li, 154.

<sup>58</sup> Mingjiang Li, 157.

<sup>59</sup> Neeladri Chatterjee, “A Political Perspective on Energy Security Cooperation between India and China” [paper presented in 58<sup>th</sup> Political Studies Association Conference, Swansea University, 1–3 April, 2008]: 3.

In contemporary Burma, China and India pursue the same priorities: resource extraction and regional dominance. Their approach toward Burma is both comprehensive and competitive in their political support of the Burmese regime.<sup>60</sup> Their support of the current regime is merely a choice of strategic benefit as they have “supported the Myanmar government’s seven-step roadmap to democracy and strongly opposed Western sanctions against Myanmar.”<sup>61</sup> China and India have chosen in many instances to ignore questionable actions by the Burmese regime, specifically in domestic politics, in order to gain lucrative oil and gas contracts.

China’s specific approach toward Burma is characterized by its “principle of noninterference in the internal affairs of Myanmar.”<sup>62</sup> While their relationship can be described as “multidimensional” in their political and economic policy approach, the focus of the Chinese government on extracting oil and gas reserves out of Burma is singular in nature and has reached an “operational phase.”<sup>63</sup> A recent notable example of this increased engagement is the “March 26, 2006 agreement on the construction of a gas pipeline” through Burma.<sup>64</sup> The construction of the pipeline signals China’s monetary and political investment in the Burmese oil and gas supply.

In contrast, India has throughout the years “gradually adjusted its policies toward Myanmar, shifting from idealism to realism.”<sup>65</sup> The Indian government continues to compete for oil and gas contracts in Burma, but has been frustrated with the progress of agreements with the military junta. For example, “in mid-January 2005 the energy ministers of Myanmar, India, and Bangladesh reached an agreement in principle on constructing the pipeline” from Sittwe (Burma) to Kolkata (India) through Bangladesh,

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<sup>60</sup> Li Chenyang, “The Policies of China and India toward Myanmar,” in *Myanmar/Burma: Inside Challenges Outside Interests*, ed. Lex Rieffel [Washington D.C.: The Brookings Institution Konrad Adenauer Foundation, 2010], 118.

<sup>61</sup> Li Chenyang, 118.

<sup>62</sup> Li Chengyang, 118.

<sup>63</sup> Li Chengyang, 113, 115.

<sup>64</sup> For more detail see: Li Chengyang, 114.

<sup>65</sup> Li Chengyang, 115.

but once again lost the bid to China.<sup>66</sup> Aside from these incremental setbacks, India's "pipeline diplomacy" remains a core facet of their foreign policy in Burma.<sup>67</sup>

### **1. Chinese Energy Security Interests in Burma**

China's appetite for energy has significantly grown throughout the recent years. In late 2010, "China's energy import dependency had already amount(ed) to 50% of its total consumed energy, and according to some sources, even 60% or higher."<sup>68</sup> Steady increase in population and staggering economic growth has "produced voracious energy-gobbling industries which devour electricity and fuels...and automobiles and modern apartment buildings that consume growing quantities of gasoline and heating oil."<sup>69</sup> The importance of establishing a consistent and reliable supply of energy is intricately tied to the infrastructure of the Chinese economy. The economy depends on this growing infrastructure, which in turn depends on a consistent and reliable supply of energy.

An increase in economic growth and consumption thus forces the Chinese leadership to weigh the importance of energy security, adopting a strategy to combat the potential shortfalls of a dwindling energy supply. "Zheng Bijian, a senior advisor to Chinese President Hu Jintao, listed the shortage of resources as the first of three fundamental challenges to China's peaceful rise in the twenty-first century."<sup>70</sup> By shifting from a "net petroleum exporter to a net importing country" in the early 1990s, China has attempted to narrow the "gap between domestic supply and demand."<sup>71</sup>

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<sup>66</sup> Li Chengyang, 117.

<sup>67</sup> Marie Lall, "India's Gas Pipeline Efforts: An Analysis of the problems that have Prevented Success," in *The National Bureau of Asian Research, NBR Special Report #23* [Seattle, Washington: The National Bureau of Asian Research, Sept 2010], 45.

<sup>68</sup> Jose Roberto Concha Velasquez and Berhard Pichler, "China's increasing economy and the impacts on its energy strategy," *Estudios Gerenciales* 26, no.117 (Oct-Dec 2010): 133.

<sup>69</sup> Suisheng Zhao, "China's Global Search for Energy Security: cooperation and competition in Asia-Pacific," *Journal in Contemporary China* 17, no.55 (May 2008): 208–209.

<sup>70</sup> Suisheng Zhao, 208.

<sup>71</sup> Suisheng Zhao, 209.

China's demand for energy has been estimated to "reach 11 million barrels a day, (and) natural gas consumption will more than triple, to 3.6 trillion cubic feet annually."<sup>72</sup>

The Sino-Burmese relationship arose when Burma sought stronger relations with its neighbors, particularly after a series of sanctions by the West that lasted until 1988 when the threat of communism became lower.<sup>73</sup> The Burmese Prime Minister Ne Win visited China and "began working to improve diplomatic relations with China in October 1970," solidifying a border trade agreement in 1988.<sup>74</sup> A series of factors contributed to the inception of the growing relationship between China and India, including similar challenges from prodemocratic and anti-communist movements.<sup>75</sup> Their similar approaches to governance illustrated to the Chinese that Burma was a possible ally in the region.

The Chinese characterize the relationship with Burma as close and strong. It has been referred to with "*Paukphaw*, a Myanmar word for siblings," a term the Burmese reserve for their relationship with the Chinese.<sup>76</sup> But the International Crisis Group's Asia Report on China's Myanmar Dilemma notes that "the relationship between China and Myanmar is best characterized as a marriage of convenience rather than a love match."<sup>77</sup> The Sino-Burmese relationship can be summarized as a cordial business and political relationship, with both parties understanding that the "dependence is asymmetric."<sup>78</sup> In the eyes of the international community, the Sino-Burmese relationship is not appropriate because of China's lack of engagement with Burmese politics and foreign relations; outsiders think that China should instead use its leverage to challenge the regime on human rights issues. China instead continues to insert venture

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<sup>72</sup> Suisheng Zhao, 209.

<sup>73</sup> International Crisis Group, 1.

<sup>74</sup> International Crisis Group, 1.

<sup>75</sup> International Crisis Group, 1.

<sup>76</sup> Toshihiro Kudo, "Myanmar's Economic Relations with China: Can China Support the Myanmar Economy?," *IDE Discussion Paper*, no.66 (2006):3.

<sup>77</sup> International Crisis Group, *Asia Report No. 177: China's Myanmar Dilemma* [Beijing/Jakarta/Brussels: ICG, 14 Sept. 2009], i.

<sup>78</sup> For more detail of this relationship see: International Crisis Group, i.

capital into Burma, adopting a “gradual adjustment of policy by a strong central government.”<sup>79</sup> China is thus able to “protect its economic and strategic interests in the country.”<sup>80</sup>

China’s initial investment in Burma corresponded with the “September 18, 1988, State Law and Order Restoration Council (SLORC) seiz(ure) of power in a stage-managed coup d’etat.”<sup>81</sup> The new military junta leadership in Burma opened up the “economy to foreign business” and China was a principal benefactor.<sup>82</sup> Throughout the years, China has increasingly invested in Burma in the form of oil and gas infrastructure such as pipelines. “One study by the Burma Project published in September 2007 found more than 26 Chinese multinational corporations involved in more than 62 hydropower, oil and gas, and mining projects in Burma.”<sup>83</sup> The number of Chinese companies in Burma illustrates the degree of investment that China has in Burma.

Chinese oil and gas investment in Burma represents a significant amount of revenue for Burma. As mentioned in the introduction of this chapter, the exact amount of oil and gas revenue and investment in Burma by China is difficult to ascertain. “Chinese economic assistance and cooperation programs are usually tied to Chinese state-owned enterprises, and are therefore often indistinguishable from state commercial investments.”<sup>84</sup> This arrangement is perhaps an effort to hide the strategy or intentions of the Chinese and their relationship with the Burmese regime from the international community and regional competitors such as India.

David O. Dapice, Thomas J. Vallely, and Ben Wilkenson, in Appendix B of their report on *Revitalizing Agriculture in Myanmar* estimated the revenue from natural gas production. The revenue figures that the report presents are estimates that take into

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<sup>79</sup> International Crisis Group, i.

<sup>80</sup> International Crisis Group, i.

<sup>81</sup> Donald M. Seekins, “Burma-China Relations: Playing with Fire,” *Asian Survey* 37, no.6 (June 1997): 525.

<sup>82</sup> Seekins, 525.

<sup>83</sup> Suisheng Zhao, 218.

<sup>84</sup> International Crisis Group, 17.



account the general price per thousand cubic feet (tcf), the price of production associated with royalties and tariffs, and the transit fees.<sup>85</sup> The report shows that gas exports to China from Burma are an estimated “\$3 billion a year” with the price of production “\$1.28 billion more in two years” and additional revenue for transit fees hovering between “\$100 million and \$170 million,” depending on capacity.<sup>86</sup> According to this report’s estimates, we can surmise that the average total revenue for natural gas exports from Burma to China is \$2.27 billion per year.

The revenue and investment figures illustrated in the National Bureau of Asian Research Report, *Pipeline Politics: The Intersection of Demand, Energy Markets, and Supply Routes*, shows investment from the perspective of pipeline infrastructure and investment. Bo Kong, in his article on the geopolitics of Myanmar-China energy relationship, cites a number of figures that hint at the extent of investment in Burma by China.<sup>87</sup> Kong notes that “by September 2008, Chinese (national oil companies) NOC had acquired twelve hydrocarbon projects in Myanmar.”<sup>88</sup> It also acquired a total of twelve offshore and onshore blocks, or groupings of tracts of land or sections leased for excavation.<sup>89</sup> In the Burmese case, the Chinese were able to secure leases for blocks that will give access to vast gas reserves estimated to be “from 10.1 to 17.5 trillion cubic feet.”<sup>90</sup>

This revenue is significant in its potential for the development of infrastructure. The Chinese NOC’s will need to invest a considerable amount in Burma in order to harness the natural gas reserves. Pipelines, port facilities, and deep water drilling

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<sup>85</sup> David O. Dapice, Thomas J. Vally, and Ben Wilkenson, *Revitalizing Agriculture in Myanmar: Breaking Down Barriers, Building a Framework for Growth* [Boston, Mass.: Harvard Kennedy School Ash Center for Democratic Governance and Innovation, July 21, 2010], 56.

<sup>86</sup> David O Dapice, 56.

<sup>87</sup> Bo Kong, “The Geopolitics of the Myanmar-China Oil and Gas Pipelines,” in *The National Bureau of Asian Research, NBR Special Report #23* [Seattle, Washington: The National Bureau of Asian Research, Sept 2010], 55.

<sup>88</sup> Bo Kong, 62.

<sup>89</sup> Bo Kong, 62–63.

<sup>90</sup> Bo Kong, 61.

platforms will be some of the infrastructure required. Both China and Burma stand to benefit from this investment. Burma in particular will receive a “handsome and stable source of income.”<sup>91</sup> Kong estimates that the pipelines will “likely generate about \$1 billion or more in annual revenue for Myanmar’s government over 30 years, which is an annual payday equivalent to one-third of the country’s existing foreign exchange reserves.”<sup>92</sup> In turn, China will continue to absorb almost “11% of Myanmar’s total exports” and the oil and gas component will ease China’s demand for energy.<sup>93</sup>

Recently, the Burma Environmental Working Group (BEWG) published a report on environmental issues concerning Burma.<sup>94</sup> Of particular interest was the impact of multi-national companies on the environment; because those companies often represent the interests of various host governments, the report contains useful data on Chinese investment in energy resources. The authors concluded that “Chinese companies have invested \$8.2 billion USD in the resource sector in March 2010 alone, including \$5 billion in hydropower, \$2.15 billion in oil/gas sector, and nearly \$1 billion in mining.”<sup>95</sup> Additionally, Burma has benefited from a “30-year interest-free loan (from China) in September 2010 amounting to 30 billion Yuan (4.2 billion USD)...for economic development.”<sup>96</sup> In short, the revenue and investment figures presented by the Harvard Kennedy School Ash Center for Democratic Governance and Innovation, the National Bureau of Asian Research, and the Burma Environmental Working Group (BEWG) show a trend of significant investment and energy associated revenue in Burma by China.

This investment reflects China’s growing concern about “overall dependence on the Strait of Malacca” and the security pitfalls associated with reliance on a single

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<sup>91</sup> Bo Kong, 64.

<sup>92</sup> Bo Kong, 64.

<sup>93</sup> Bo Kong, 64.

<sup>94</sup> Burma Environmental Working Group (BEWG), *Burma’s Environment: People, Problems, Policies* [Thailand: BEWG, June 2011] accessed on Aug. 31, 2011 <http://www.shwe.org/campaign-update/burma-environment-working-group/>].

<sup>95</sup> BEWG, 45.

<sup>96</sup> BEWG, 45.

source.<sup>97</sup> The relationship between China and Burma also reflects China's growing concern that energy resources are rapidly dwindling, and their decision that diversity in energy supply is an important national security objective. In this Sino-Burmese relationship, China is able to mitigate the potential energy depletions and the Burmese regime benefits from the increase in revenue and investment in their country. With oil and gas revenue and investment estimated between \$1.2 billion to \$8 billion, the military junta is able to ignore outside pressures and remain autonomous in its domestic and foreign policy decisions.<sup>98</sup>

## 2. Indian Energy Security Interests in Burma

India's recent relationship with Burma on energy policies has developed in a gradual and measured fashion. The colonial history India and Burma share brings to the surface mixed feelings on how to act politically and economically in the modern era. In November 2011, Suu Kyi, one of Burma's most respected prodemocracy leaders and harsh critic of the current military regime, commented that she was "saddened" by India's recent energy contract dealings with the Burmese regime.<sup>99</sup> Suu Kyi invoked historical post-colonial dynamics, indicating to the Indian Express newspaper that she thought "India would be standing behind us (Burma)...that it would have followed in the tradition of Mahatma Gandhi and (India's first prime minister) Jawaharlal Nehru."<sup>100</sup>

India's energy security is a critical component of its national strategy. The population of India amounts to an estimated "16% of the world's population."<sup>101</sup> But the country only has "0.4% of the world's oil reserve" to support the energy consumption of

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<sup>97</sup> Bo Kong, 60.

<sup>98</sup> The figures annotated in this sentence, \$1.2 billion to \$8 billion, is an average of the figures presented in this paper by the Harvard Kennedy School Ash Center for Democratic Governance and Innovation, the National Bureau of Asian Research, and the Burma Environmental Working Group (BEWG). The average is meant as a generalization as to the extent of investment in Burma by China.

<sup>99</sup> "Suu Kyi criticises India's ties with Myanmar Junta." *The Financial Express (Dhaka)*, Nov. 25, 2010.) accessed 7 July 2011, <http://search.proquest.com.libproxy.nps.edu/docview/808579600?>

<sup>100</sup> "Suu Kyi criticises India's ties with Myanmar Junta." *The Financial Express (Dhaka)*, Nov. 25, 2010) accessed 7 July 2011, <http://search.proquest.com.libproxy.nps.edu/docview/808579600?>

<sup>101</sup> Mingjiang Li, 153.

the high population.<sup>102</sup> India must therefore import a considerable amount of its oil which currently is estimated at 75 percent and according “to an estimat(e) by the International Energy Agency, by 2030, India will need to import 91 percent of its total oil demand.”<sup>103</sup> India relies heavily on its ability to secure energy reserves and supplies outside of its borders.

Yet even with this demand for import oil, India was still initially hesitant in its engagement with Burma. The relationship started to become focused in 1988 and is characterized by scholars and policy makers to have evolved from “more pragmatic to less moralistic.”<sup>104</sup> Initially, that is, India was quick to condemn the domestic policies of the neighboring Burmese regime. As a result, the relationship between the two countries suffered and long standing disagreements concerning border disputes, the treatment of the Indian diaspora population in Burma, and trade were aggravated.<sup>105</sup> However, India’s “state socialism gave way to economic liberalism” and national policy became more focused on establishing itself as a regional influence in Southeast Asia.<sup>106</sup>

It was not until the 1990s that the Indian government started to court the Burmese generals and jockey with China for resources in Burma.<sup>107</sup> It is important to note that India engaged with Burma in part because the Indian elite saw that China was gathering a significant foothold in Burma. The historical tie India has with Burma, as well as the strategic location of Burma in Southeast Asia, precipitated India’s engagement policy with the military junta. Countering China’s oil and gas investment and interest in Burma is reflected by the 2003 comments of the former Indian foreign secretary Shyam Saran that India’s “closer political, economic, and other ties with our neighbors in South Asia is

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<sup>102</sup> Mingjiang Li, 153.

<sup>103</sup> Mingjiang, LI. 153.

<sup>104</sup> Gurmeet Kanwal, “A Strategic Perspective on India-Myanmar Relations,” in *Myanmar/Burma: Inside Challenges Outside Interests*, ed. Lex Rieffel [Washington D.C.: The Brookings Institution Konrad Adenauer Foundation, 2010], 134.

<sup>105</sup> Gurmeet Kanwal, 134–149.

<sup>106</sup> C. Raja Mohan, “India and the Balance of Power,” *Foreign Affairs* 85, no.4 (Jul-Aug 2006): 19.

<sup>107</sup> Renaud Egretreau, “India and China Vying for Influence in Burma—A New Assessment,” *Indian review* 7, no.1 (Jan-Mar 2008): 41–43.

a high priority.”<sup>108</sup> Oil and gas investment and interest in Burma is one vehicle by which India is able to not only increase its oil and gas import supply and diversity, but provide a counterweight to the growing Chinese presence in South Asia.

India’s investment in Burma has been derailed in a number of instances by Chinese counteroffers, and by the failure of Indian and Burmese bureaucracy and negotiation. Indian and Chinese energy security policy is very similar.<sup>109</sup> India, in its quest to fulfill the tenants of its Look East policy, intends to satisfy its thirst for energy while remaining an important partner for engagement in Southeast Asia. Unfortunately, the results of many of its energy investments in Burma have been opaque and not very fruitful. One notable example was the memorandum of understanding in 2005 by the energy ministers from Burma, India, and Bangladesh.<sup>110</sup> The ministers agreed to work closely “pledging to cooperate in a project to pipe (gas deposit) Block A1’s natural gas output to India across Bangladesh.”<sup>111</sup> However, the “negotiations stalled” and an agreement could not be solidified specifically because India refused to concede on a number of Bangladesh requirements, one of which focused on the placement of the pipeline.<sup>112</sup> The gas deposits at the A1 site identified as Sittwe are significant and would have eased the current energy demand by India.

The loss of the A1 pipeline project in 2005 was a negative milestone for India and often referred to as a failure in regional engagement by many Indian policymakers. India’s refusal of many of Dhaka’s requirements for pipeline locations symbolized a key challenge India faces in securing energy resources in Burma: “governmental and

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<sup>108</sup> Gurmeet Kanwal, 135.

<sup>109</sup> Stein Tonnesson and Ashild Kolas, *Energy Security in Asia: China, India, Oil and Peace* [Oslo (PRIO): International Peace Research Institute: Report to the Norwegian Ministry of Foreign Affairs, April, 2006], 45.

<sup>110</sup> Tuli Sinha, *China-Myanmar Energy Engagements Challenges and Opportunities for India* [New Delhi: Southeast Asia Research Program: Institute of Peace and Conflict Studies Issue Brief, No. 134, December 2009], 2.

<sup>111</sup> Tuli Sinha, 2.

<sup>112</sup> Tuli Sinha, 2.

ministerial failure to coordinate and cooperate.”<sup>113</sup> In this instance, the internal disagreement between the ministries of External Affairs, Defence, Commerce, and Development of the North Eastern Region concerning the priority and security of the India-Myanmar pipeline delayed any timely final decision to proceed and provided an opportunity for China to secure a quick deal with Burma.<sup>114</sup> India’s engagement with Burma, although positive in aspects such as military exercises and joint counter extremist operations, is severely hindered when it comes to energy security initiatives.

Therefore, India’s oil and gas investment in Burma is small compared to the Chinese investment. Currently, a third attempt at accessing Burma gas reserves has been agreed upon between the Burma’s state energy companies and their Indian counterparts and “India has been given the right to build, operate, and use an offshore hub” connecting “Mizoram in India and Sittwe in Myanmar.”<sup>115</sup> The northeastern portion of India will benefit from acquiring energy from this offshore hub and will gain increased “access to international trade and bilateral trade.”<sup>116</sup> Through state-owned energy companies, Oil and Natural Gas Corporation (ONGC) and the Gas Authority of India Limited (GAIL), India currently has a “30% stake in the exploration of and production from the offshore natural gas fields in Sittwe.”<sup>117</sup> This is an important step for India: the investment in Burma will not only strengthen ties between the two countries but also alleviate some of India’s energy concerns.

Indian investment in the oil and gas industry in Burma has been increasing recently. Xinhua News reported that “the ONGC and GAIL companies will add 832.54 million dollars and 664.7 million dollars in block A-1’s Shwe field and Shwe Phyu field and block A-3’s Mya field projects respectively in addition to the present 115.77 million

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<sup>113</sup> Marie Lall, “India’s Gas Pipeline Efforts: An Analysis of the problems that have Prevented Success,” 54.

<sup>114</sup> Marie Lall, “India’s Gas Pipeline Efforts: An Analysis of the problems that have Prevented Success,” 54.

<sup>115</sup> Gurmeet Kanwal, 138.

<sup>116</sup> Gurmeet Kanwal, 138.

<sup>117</sup> Gurmeet Kanwal, 139.

dollars and 56.79 million dollars.”<sup>118</sup> Additionally, the report indicated that this was part of “the gas exploration and production in the two blocks are undertaken by a consortium led by the Daewoo International with 51 percent of stake, also shared by ONGC of India with 17 percent, GAIL of India with 8.5 percent, Korea Gas Crop with 8.5 percent and Myanmar Oil and Gas Enterprise (MOGE) with 15 percent.”<sup>119</sup> The total revenue and investment for Burma by India is estimated to be approximately \$1.6 billion.<sup>120</sup>

Indian investment and relationship with Burma nonetheless remains behind that of China because India started to politically and economically engage Burma at a later date than China. Therefore, much of the current agreements and oil and gas investment India has with Burma is still in the developmental stages and small scale. However, India does have a significant bilateral trade relationship with Burma. Currently, India is the “fourth-largest trading partner with Myanmar” and the “second-largest export market for Myanmar.”<sup>121</sup> The revenue generated by Burma from the bilateral trade agreements with India in general are regarded as “in favour of Myanmar.”<sup>122</sup> The current investment phase and relationship with Burma illustrates the pragmatic approach.<sup>123</sup> India chooses to ignore some of the oppressive civil policies of the Burmese government. In turn, India has gradually eased itself into the current resource grab in Burma adding themselves to the mix along with China and Thailand. The outcome will prove fruitful for India, but India must continue to adhere to its goal of “constructive engagement” with Burma.<sup>124</sup>

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<sup>118</sup> Arakan Oil Watch, *Indian Companies to Invest more in Myanmar Offshore Gas Projects* [Yangon: Feb. 28, 2010], , accessed on Sept. 5, 2011. [http://www.arakanoilwatch.org/index.php?option=com\\_content&view=article&id=98:indian-companies-to-invest-more-in-myanmar-offshore-gas-projects&catid=39:featured-news&Itemid=74](http://www.arakanoilwatch.org/index.php?option=com_content&view=article&id=98:indian-companies-to-invest-more-in-myanmar-offshore-gas-projects&catid=39:featured-news&Itemid=74).

<sup>119</sup> Arakan Oil Watch, *Indian Companies to Invest more in Myanmar Offshore Gas Projects* [Yangon: Feb. 28, 2010, accessed on Sept.5, 2011, [http://www.arakanoilwatch.org/index.php?option=com\\_content&view=article&id=98:indian-companies-to-invest-more-in-myanmar-offshore-gas-projects&catid=39:featured-news&Itemid=74](http://www.arakanoilwatch.org/index.php?option=com_content&view=article&id=98:indian-companies-to-invest-more-in-myanmar-offshore-gas-projects&catid=39:featured-news&Itemid=74).

<sup>120</sup> The figure annotated in this sentence, \$1.6 billion, is an average of the figures presented in the article posted by the Arakan Oil Watch. The average is meant as a generalization as to the extent of recent investment in Burma by India.

<sup>121</sup> Gurmeet Kanwal, 138.

<sup>122</sup> Gurmeet Kanwal, 138.

<sup>123</sup> Gurmeet kanwal, 134.

<sup>124</sup> Gurmeet Kanwal, 146.

## B. CONCLUSION

This chapter illustrates the specific energy security relationships China and India each have with Burma. As the chapter shows, China and India each have a different role and level of success in their respective dealings with Burma. What can be generally surmised from the revenue figures in this chapter is that China, of the pair, has a better and more productive relationship with Burma. The oil and gas revenue and investment by China amounts to \$1.2 billion to \$8 billion, whereas India's contribution is conservatively estimated as \$1.6 billion.<sup>125</sup> This contrast is due to the cordial relationship between China and Burma. The relationship affords China unprecedented access to the oil and gas contracts, energy reserves, and infrastructure in Burma.

The intent of this chapter was also to provide a causal basis for testing the hypothesis of this thesis: as energy rent grows in Burma from Chinese and Indian investment the military junta's autonomy increases with respect to domestic and foreign politics. With energy rent from China and India alone reaching upwards of \$8 billion, the military junta in Burma is benefiting very much from the energy resources organic to their country. The amount of investment in Burma by China and India also points to another key dynamic in Burma: China's and India's relationship in the region. China and India continue to compete for natural resources in order to offset their growing domestic demand for energy. The bidding for contracts between Chinese state run oil and gas companies and Indian state run oil and gas companies in Burma are key indicators of this competition.

The geopolitics between China and India, within the context of Burma, brings up an important concluding question: Does it matter to the Burmese military regime whether there is competition or cooperation between China and India when it comes to energy security in Burma? Just as energy security is crucial to each country's national security, "energy cooperation between China and India can never be separate from the political

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<sup>125</sup> The figures annotated in this sentence, \$1.2 billion to \$8 billion, is an average of the figures presented in this paper by the Harvard Kennedy School Ash Center for Democratic Governance and Innovation, the National Bureau of Asian Research, and the Burma Environmental Working Group (BEWG). The average is meant as a generalization as to the extent of investment in Burma by China.



relations between the two countries.”<sup>126</sup> Therefore, the evolution of their relationship can affect, for better or for worse, the amount of investment and revenue generated for the Burmese military junta. Egreteau asserts that the Sino-Indian competition in Burma is a “mere quiet rivalry.”<sup>127</sup> I agree with this contention and assert more specifically that the Burmese regime will still benefit regardless of whether China and India cooperate or compete, and that the degree of their rivalry is not a deciding factor.

The relationship between China and India has “improved significantly in the past few years, but there are still considerable strategic misgivings.”<sup>128</sup> Their competition, within the context of energy security, has been relatively one sided but not without instances of cooperation. For instance in the Sudan, China and India agreed on a joint venture to extract resources from Chinese operated Sudan Greater Nile oil field wherein India “bought a 25 percent stake in this Chinese operation in 2002.”<sup>129</sup> In Burma, the 2005 venture to extract resources from offshore gas hubs was initiated by a consortium of stakeholders that included both China and India.<sup>130</sup> In this instance, the two countries cooperated and the military junta benefited as well. In some instances, “oil companies of both countries have opted for cooperation in investing in (a) third country as a step for risk minimization.”<sup>131</sup>

Likewise, when Sino-Indian energy interests compete, the Burmese regime still benefits in some form. In the December 2005 case, when negotiations stalled between India and Bangladesh over the specifics of the proposed pipeline project, the Burmese regime was patient and awaited the outcome.<sup>132</sup> When the negotiations fell through, Burma was able to sell the rights to PetroChina and reinforce their already positive

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<sup>126</sup> Mingjiang Li, 157.

<sup>127</sup> Renaud Egreteau, 39.

<sup>128</sup> Mingjiang Li, 157.

<sup>129</sup> Mingjiang Li, 156.

<sup>130</sup> Mingjiang Li, 156–157.

<sup>131</sup> Neeladri Chatterjee, 4.

<sup>132</sup> Ashild Kolas, “Burma in the Balance: The Geopolitics of Gas,” *Strategic Analysis* 31, no.4 (2007): 634.

bilateral trade relationship.<sup>133</sup> The Burmese regime was naturally “aware of the advantages they can reap from negotiating prices when selling gas from the same field to more than one country at a time.”<sup>134</sup> In Sino-Indian competition and cooperation alike, the Burmese regime benefits in revenue and investment.

The Burmese welcomed their neighbors’ interest in their oil and gas. “Natural gas is (represents) Myanmar’s single most valuable export commodity.”<sup>135</sup> In the absence of direct information, we can evaluate the amount of revenue that the Burmese regime enjoys in terms of foreign exchange reserves.<sup>136</sup> It is estimated that the current reserves “have jumped at a rate of over \$1 billion a year...and this is the same amount of net gas revenues now coming in each year.”<sup>137</sup> Foreign exchange reserves could be “lent out in commercial terms” and improve the domestic infrastructure and production.<sup>138</sup> Moreover, we can see that revenue from the oil and gas interests in Burma by China and India empower the military junta, providing a sizable portion of their GDP and export percentages. The cooperation or competition by China and India do little to hinder the Burmese regime. Rather both allow the regime to “diversify its foreign relations” and not be “drawn even deeper into the Chinese sphere of influence.”<sup>139</sup>

Chinese and Indian interests in Burma have evolved throughout the decades at different speeds. The unique relationship the Chinese has with Burma has allowed the state run oil companies unfettered access to oil and gas reserves and contracts in Burma. India in contrast was hindered by its political opinions of the military junta, but their economic liberalization increased their political approach to the Burmese junta. India was able to become part of the consortium of neighboring countries seeking favor of the Burmese rulers. The competition or cooperation between China and India pose two key

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<sup>133</sup> Ashild Kolas, 634.

<sup>134</sup> Ashild Kolas, 634.

<sup>135</sup> Ashild Kolas, 627.

<sup>136</sup> David O. Dapice, 57.

<sup>137</sup> David O. Dapice, 57.

<sup>138</sup> David O. Dapice, 57.

<sup>139</sup> Ashild Kolas, 634.

positive points for Burma. First, Burma is able through its relationships with India provide a counterweight to the growing Chinese influence. The added political actor of India alleviates any concerns and paranoia that Burma has about being overrun by Chinese interests and infringing on their sovereignty.<sup>140</sup>

Second, the Burmese rulers are able to diversify their export revenue and benefit from the long term investment and revenue which typifies any oil and gas projects. The Burmese regime is confronted on a regular basis with sanctions and requirements for democracy by the international community. With the diversity of revenue, the oil and gas component the most important, the regime is able to enjoy relative autonomy. Additionally, the regime is able to leverage the influence and standing of its powerful neighbors, China and India, in order to provide a political buffer between itself and the international community. High oil and gas revenue in Burma's case encourages a longstanding regime somewhat immune to outside pressures.

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<sup>140</sup> Andrew Selth, "Even Paranoids Have Enemies: Cyclone Nargis and Myanmar's Fears of Invasion," *Contemporary Southeast Asia* 30, no.3 (Dec 2008): 379-402.

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### III. THE EFFECTS OF SINO-INDIAN ENERGY RENT ON BURMESE POLITICS

#### A. INTRODUCTION

In Chapter II, my intent was to describe Sino-Indian energy interests and the revenues they produced for the Burmese government. I showed that China and India have made significant energy investments in Burma.<sup>141</sup> Gaining energy security is an integral component of China's and India's domestic politics and national strategies. Most notably, in the last decade, each country's policy toward Burma has evolved politically (increasing in degree of engagement) and economically (increasing in frequency of investment and commercial trade). Through their individual political policies, they seek to maintain positive and productive relationships with the military junta in order to retain access to oil and gas resources in Burma. Their desire to extract energy resources from within Burma, in turn, is an important and valuable tool for the Burmese military junta as it pursues its political policies. Specifically, the Burmese regime has been able to resist, repress, and otherwise defeat some of the domestic and foreign challengers who object to its oppressive policies.

This chapter attempts to answer the following question: How, more specifically, does energy rent from China and India affect the military junta's decisions in domestic and foreign politics? I argue two core points in this chapter. First, Burma is able to resist some of the domestic and foreign pressure for regime change because of the vast amount of energy rent reported to be "account for 40% of the total exports in ten years."<sup>142</sup> Second, the military junta has leveraged the oil and gas investments by China and India in order to fend off some of the foreign pressure to undertake domestic political change.

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<sup>141</sup> The figures referred to in this sentence, \$1.2 billion to \$8 billion, is an average of the figures presented in this paper by the Harvard Kennedy School Ash Center for Democratic Governance and Innovation, the National Bureau of Asian Research, the Burma Environmental Working Group (BEWG), and Arakan Oil Watch. The average is meant as a generalization as to the extent of investment in Burma by China and India.

<sup>142</sup> As summarized in: Koji Kubo, "Natural Gas Export Revenue, Fiscal Balance and Inflation in Myanmar," *IDE Discussion Paper*, no.225 (March 2011): 3.

Deploying the rentier state model, I show how the oil and gas relationship with China and India has greatly influenced the military junta on its domestic actions and strengthening its autonomy from international pressures.

The first section of the chapter will provide insight into the evolution of Burmese politics starting from its independence in 1948. Since 1962, the Burmese regime has faced two main political opponents: prodemocracy groups and ethnic armies. These groups have sought to affect the junta's policy decisions, specifically those concerning Sino-Indian energy security ambitions in Burma. The second section of the chapter introduces the rentier state model, and synthesizes three prominent behaviors I contend illustrate a rentier state. Section three and four will show specific instances of when the military junta leveraged its energy relationship with China and India in order to resist internal and external pressure to change its domestic and foreign politics. I apply my three core rentier symptoms to each of the instances in order to show the extent of Burma's rentier-like qualities, and then use the symptoms to understand Burma better. The chapter concludes with some overall thoughts considering the implications of the relationship of China and India with Burma.

## **B. EVOLUTION OF THE BURMESE REGIME**

The current regime's approach to governance is a shift away from those embraced by the leadership shortly after achieving its independence from the British colonial empire on January 4, 1948. The first Prime Minister, U Nu, set a nonalignment policy that attempted to protect Burma from outside intervention. U Nu "sought to evade becoming enmeshed in the Cold War big power confrontation" and to preserve Burmese identity.<sup>143</sup> The period of his rule (1948–1962) was also the period when the leadership came to understand that a political and bilateral trade relationship with China was important, particularly "because of its revolutionary policies and a border controversy."<sup>144</sup>

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<sup>143</sup> Jurgen Haacke, "The political-security imperative and foreign policy goals," *The Adelphi Papers* 46, no. 381 (2006): 15.

<sup>144</sup> Jurgen Haacke, 16.

General Ne Win took power in a coup in 1962, and while he continued the political tradition of nonalignment, he also shifted the national discourse to the need for a “resurrection of traditional Burma.”<sup>145</sup> Haacke attributed many of the challenges that Ne Win encountered during his leadership to unresolved conflicts with under-represented ethnic groups in Burma and a communist insurgency that challenged the authority of the regime.<sup>146</sup> The Saffron Uprising in August 8, 1988, followed by the September 1988 coup, was the population’s response to the poor and ineffectual political and economic policies of the previous two decades. International distrust of the Burmese military junta and its political and economic policies had culminated in 1987, when Burma was “reclassified (by the United Nations) as a least-developed country.”<sup>147</sup>

In a sense, the regime prior to 2010 embodied the philosophy and political evolution of the Burmese government since its independence in 1948. Mark Farmaner, in his article for the Democratic Voice of Burma, argues that a March 2011 speech that President Thein Sein made to Parliament indicates that this junta’s political and economic course is “recycled from his predecessors, Than Shwe and Ne Win.”<sup>148</sup> Thein Sein asserted that the “motivation for economic change is strengthening the military and consolidating power, not tackling poverty.”<sup>149</sup> Under all of these dictators, “no genuine reforms followed” new economic policies.<sup>150</sup> The pattern that has been developing in the last few decades under military rule is that the government voices promises and intentions for economic and political reform but adopts only small concessions.

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<sup>145</sup> Jurgen Haacke, 16.

<sup>146</sup> Jurgen Haacke, 16.

<sup>147</sup> Jurgen Haacke, 17.

<sup>148</sup> Mark Farmaner. “Promises for a ‘new Burma’ echo past dictators.” *Democratic Voice of Burma* (Sept. 8, 2011) accessed on Sept. 9, 2011, <http://dvb.no/analysis/promises-for-a-new-burma-echo-past-dictators/17525>.

<sup>149</sup> Mark Farmaner, “Promises for a ‘new Burma’ echo past dictators.”

<sup>150</sup> Mark Farmaner, “Promises for a ‘new Burma’ echo past dictators.”

The military junta has contended politically with two main political pressure groups in the country: the National League of Democracy (NLD) and ethnic armies.<sup>151</sup> In general, the discourse and relationship between the NLD and the military junta has been poor and unproductive. From the perspective of the NLD, “the political deadlock remained unresolved simply because of the military junta’s refusal to honor the results of the election in 1990.”<sup>152</sup> For the military junta, the prodemocracy activists represented “the biggest mischief makers in the country.”<sup>153</sup> At an impasse, both opted for a “zero-sum approach.”<sup>154</sup> Their lack of agreement periodically stalled domestic politics, often with violence and demonstrations.

Conflict between “the (ethnic) Burman-dominated government” and other marginalized ethnic groups, such as the Karen and Shan, has played an influential role in domestic politics, and has done so since “immediately after independence.”<sup>155</sup> The junta agreed to a ceasefire in the 1980s largely out of a realization that the external threat of communism had dissipated and successive military operations against revolting ethnic groups were pointless. Since then, the ethnic groups of Burma have sought to participate in the decision-making process concerning domestic politics. Their insistence on representation and meaningful participation, while a shift from earlier armed revolt, nonetheless continues to present a challenge to the military regime, obsessed as it is with maintaining internal security.

In addressing Chinese and Indian energy security ambitions within Burma, the military junta continues to place a high priority on its priorities for regime stability with the goal of increasing revenue from oil and gas resources. Essentially, the regime exerts the same authoritarian control over energy contracts that they do over their citizens. It

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<sup>151</sup> Kyaw Yin Hlaing, “Problems with the Process of Reconciliation,” in *Myanmar/Burma: Inside Challenges Outside Interests*, ed. Lex Rieffel [Washington D.C.: The Brookings Institution Konrad Adenauer Foundation, 2010], 42–43.

<sup>152</sup> Kyaw Yin Hlaing, 42–43.

<sup>153</sup> Kyaw Yin Hlaing, 43.

<sup>154</sup> Kyaw Yin Hlaing, 43.

<sup>155</sup> Kyaw Yin Hlaing, 44.



controls and benefits from all aspects of energy contracts with the Chinese and Indian governments, including the revenue they bring. This has been the arrangement since the “Burmese oil industry was nationalized” in 1962 under Ne Win, and it excludes the NLD and ethnic groups from benefitting from energy rent.<sup>156</sup> In structure, the “Ministry of Energy set up Myanma Oil and Gas Enterprise (MOGE) in 1963, and later established Myanma Petrochemical Enterprise, which operates refineries and processing plants, and Myanma Petroleum Products Enterprise, which handles the distribution of petroleum products.”<sup>157</sup> Again, all of these produce energy rent which flows directly into the coffers of the military junta. The Ministry of Energy is still the only Burmese player securing energy rent from China and India. As the recent 2010 report by Arakan Oil Watch makes clear, the joint Indian, Korean, and Burmese gas exploration contract was agreed upon by several state-owned oil corporations; of note, state-owned Myanmar Oil and Gas Enterprise (MOGE) absorbed 15% of the project stake.<sup>158</sup>

External to Burma, the core actors are China, India, Thailand, and the Association of Southeast Asia Nations (ASEAN). ASEAN as an organization is eager to gain legitimacy, and hoped to achieve it by incorporating Burma within its membership. But instead, Burma was one of the symbols of the ineffectiveness of ASEAN. Individual members, while outwardly condemning Burma for its lack of a civil society, has made concessions to Burma in the form of lucrative trade agreements. For instance, Thailand’s primary interests in Burma are to secure oil and gas deposits regardless of the policies of ASEAN or pressures from the international community. In the case of Thailand, a recent “\$8.6 billion Italian-Thai development project in Dawei (Tavoy) in eastern Myanmar close to the Thai border has been agreed upon.”<sup>159</sup> This is counter to ASEAN’s collective

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<sup>156</sup> Ashild Kolas, “Burma in the Balance: The Geopolitics of Gas,” *Strategic Analysis* 31, no.4 (2007): 627.

<sup>157</sup> Ashild Kolas, 627.

<sup>158</sup> Arakan Oil Watch, *Indian Companies to Invest more in Myanmar Offshore Gas Projects* [Yangon: Feb 28, 2010] accessed on Sept. 5, 2011, [http://www.arakanoilwatch.org/index.php?option=com\\_content&view=article&id=98:indian-companies-to-invest-more-in-myanmar-offshore-gas-projects&catid=39:featured-news&Itemid=74](http://www.arakanoilwatch.org/index.php?option=com_content&view=article&id=98:indian-companies-to-invest-more-in-myanmar-offshore-gas-projects&catid=39:featured-news&Itemid=74).

<sup>159</sup> David Steinberg, “Burma/Myanmar: The Triangulation of Strategic Interests,” *PacNet* 53, Pacific Forum CSIS, Sept. 15, 2011.

hardline stance with Burma. Burma, unlike other countries in the region, has used the benefit of energy rent and exploration to ignore some of the international condemnation of their domestic policies.

### C. BURMA AS A RENTIER STATE

Does Burma, through its reliance on natural resource revenues and use of authoritarian measures to maintain political control, exhibit the major characteristics of a “rentier state”? This theoretical model offers a way to analytically connect Burma’s energy policy with its domestic policies. Within the disciplines of political science and international relations, the term “rentier” names a state which relies on a “substantial external rent” that contributes a sizable percentage to the overall Gross Domestic Product (GDP) of the country.<sup>160</sup> Beblawi contends that the rentier economy is one in which “the creation of wealth is centered amongst a small fraction of the society.”<sup>161</sup> Likewise, the degree of involvement of the state in the economy is extreme: the state “plays the crucial role of the prime mover of the economic activity.”<sup>162</sup>

The close and intertwined relationship between energy rent and state control is a key component of a rentier economy. Indeed, the term “rentier state” is often associated with oil and gas rich countries in the Middle East. Burma seems to fit this definition of a rentier state. The military junta enjoys a significant amount of energy rent from China and India, as well as Thailand, through the state-owned Ministry of Energy. There has been a significant increase in natural gas exports since 1998-1999 when revenue from gas exports was “nil.”<sup>163</sup> Natural gas exports “rose to account for 40 percent of total exports within ten years, with an export value of USD 2.5 billion in 2007-2008.”<sup>164</sup> The steady

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<sup>160</sup> Luciani, ed., *The Arab State*, 87.

<sup>161</sup> Luciani, ed., *The Arab State*, 87.

<sup>162</sup> Luciani, ed., *The Arab State*, 89.

<sup>163</sup> As summarized in: Koji Kubo, “Natural Gas Export Revenue, Fiscal Balance and Inflation in Myanmar,” *IDE Discussion Paper*, no.225 (March 2011): 3.

<sup>164</sup> As summarized in: Koji Kubo, “Natural Gas Export Revenue, Fiscal Balance and Inflation in Myanmar,” *IDE Discussion Paper*, no.225 (March 2011): 3.

increase in natural gas export revenue has allowed the junta to remain somewhat autonomous from its domestic detractors and international pressure.

Furthermore, in an 2008 report by the International Monetary Fund (IMF) the investments in the energy sector of Burma has steady increased from \$200 million in 2001-2002 to a high of \$450 million in 2007.<sup>165</sup> Additionally, there has been a steady increase in the percentage of natural gas exports since 2001 of nearly 5% to 40% in 2005, leveling off at 15% in 2008.<sup>166</sup> The percentage of natural gas exports represented 40% of the total share of exports in 2008.<sup>167</sup> The Burmese junta remains somewhat autonomous from its citizens because it does not need to rely on revenue from them in order to govern.

But some scholars view a rentier state as an “abstract notion.”<sup>168</sup> The academic community has offered a range of different definitive characteristics of a rentier state and its overall effects on the political process of a country. Beblawi, James, Moore, Schwartz, and Ulfelder each evaluate the rentier state from a different perspective, all in an effort to establish a theoretical norm. In general, authors agree that resource wealth negatively influences a country’s political development, and particularly retards the development of democratic institutions and processes.

Ulfelder, in his article on the correlations between natural resource wealth and regime stability, seeks to identify “causal pathways ...in the effects of resource rents on the durability of autocracy.”<sup>169</sup> He contends that states that derive a significant portion of their rent from natural resources, or rentier states, are “less likely to transition to

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<sup>165</sup> International Monetary Fund Report: Myanmar. January 7, 2009. Figure 3, p.20, accessed Nov. 30, 2011 <http://www.earthrights.org/sites/default/files/documents/IMF-Leaked-Myanmar-2008-Art-IV-Consultation.pdf>.

<sup>166</sup> International Monetary Fund Report: Myanmar. January 7, 2009. Figure 3, p.20, accessed Nov. 30, 2011 <http://www.earthrights.org/sites/default/files/documents/IMF-Leaked-Myanmar-2008-Art-IV-Consultation.pdf>.

<sup>167</sup> International Monetary Fund Report: Myanmar. January 7, 2009. Figure 3, p. 20, accessed Nov. 30, 2011, <http://www.earthrights.org/sites/default/files/documents/IMF-Leaked-Myanmar-2008-Art-IV-Consultation.pdf>.

<sup>168</sup> Luciani, ed., *The Arab State*, 87.

<sup>169</sup> Ulfelder, “Natural-Resource Wealth and the Survival of Autocracy,” 997.

democracy.”<sup>170</sup> Ulfelder focuses his research on comparing quantitative indicators - such as regime duration, and the civil liberties index - to determine the likelihood that an autocracy will survive.<sup>171</sup>

Burma’s statistics suggest that it might fit this definition of a rentier state. According to the Economic Intelligence Unit country report on Burma in January 2011 the percentage of natural gas exports was 32.8% in 2009.<sup>172</sup> Energy rent from China and India is estimated between \$1.6 billion to \$8 billion annually and is a sizable portion of the national income.<sup>173</sup> Additionally, the democracy index referenced in the report, which takes into account civil liberties and political rights, estimates that Burma is only 1.77 (authoritarian regime) on a scale of 1-10.<sup>174</sup> While these figures may not directly correlate to the quantitative markers that Ulfelder presents in his research, they do provide a general baseline wherein some of his insights and conclusions can be used to identify rentier characteristics in Burma. The figures at the very least show some commonalities between Burma and the rentier states in the Middle East.

Not unlike Ulfelder, Schwartz attempts to clarify the “intrinsic link between politics and economics in rentier states.”<sup>175</sup> James also seeks to understand the connection between the revenue from natural resources and “nondemocratic political reforms.”<sup>176</sup> James contends that issues such as “low levels of citizen participation in public life and widespread abuse of power by the autocratic state” are common among resource-

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<sup>170</sup> Ulfelder, “Natural-Resource Wealth and the Survival of Autocracy,” 1012.

<sup>171</sup> Ulfelder, “Natural-Resource Wealth and the Survival of Autocracy,” 997.

<sup>172</sup> Economist Intelligence Unit, “Burma Country Report,” (January 2011) accessed Oct. 21, 2011 <http://www.scribd.com/fullscreen/46171147>.

<sup>173</sup> The figures annotated in this sentence, \$1.2 billion to \$8 billion, is an average of the figures presented in this paper by the Harvard Kennedy School Ash Center for Democratic Governance and Innovation, the National Bureau of Asian Research, the Burma Environmental Working Group (BEWG), and Arakan Oil Watch. The average is meant as a generalization as to the extent of investment in Burma by China and India.

<sup>174</sup> Economist Intelligence Unit, “Burma Country Report,” (January 2011) accessed Oct. 21, 2011, <http://www.scribd.com/fullscreen/46171147>.

<sup>175</sup> Schwartz, “The political economy of state-formation in the Arab Middle East: Rentier states, economic reform, and democratization,” 600.

<sup>176</sup> Helen James, “Resources, Rent-Seeking, and Reform in Thailand and Myanmar (Burma),” 431.

dependent states.<sup>177</sup> Like Ulfelder, James employs social indicators such as the degree of “general education attainment” of the country’s citizens to gauge the effect of natural resource revenue on civil society.<sup>178</sup> She concludes, in the case of Burma, that reform will only come from within the country and cautions that this is unlikely given the “geopolitical realities” that were in place.<sup>179</sup>

Likewise, Moore attempts to describe how a rentier state behaves because of its dependence on rents and discerns seven pitfalls or “political pathologies” often associated with the behavior of rentier states.<sup>180</sup> Some of the most glaring categories are: autonomy from citizens, absence of incentives for civic politics, nontransparency in public expenditure, and ineffective public bureaucracy.<sup>181</sup> Moore posits that these seven categories are “strong indicators that oil rents tend to generate politics in which ordinary citizens have little influence, and enjoy less of the benefit from those revenues than one would expect.”<sup>182</sup>

Many of the behaviors of typical rentier states illustrated by Beblawi, James, Moore, Schwartz, and Ulfelder overlap. Synthesizing this literature, I submit that there are three prominent political behaviors of rentier states: state autonomy from citizens, state immunity to external intervention, and a lack of incentives to democratize. I highlight these symptoms because they are the most useful in explaining the situation in Burma; they complete the equation between substantial energy rent (40 percent of total exports in ten years) and a regime’s political behavior (slow liberalization and democratization).<sup>183</sup>

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<sup>177</sup> Helen James, “Resources, Rent-Seeking, and Reform in Thailand and Myanmar (Burma),” 432.

<sup>178</sup> Helen James, “Resources, Rent-Seeking, and Reform in Thailand and Myanmar (Burma),” 432.

<sup>179</sup> Helen James, “Resources, Rent-Seeking, and Reform in Thailand and Myanmar (Burma),” 445.

<sup>180</sup> Mick Moore, “Revenues, State Formation, and the Quality of Governance in Developing Countries,” *International Political Science Review* 25, no.3 (Jul 2004): 306–308.

<sup>181</sup> Mick Moore, “Revenues, State Formation, and the Quality of Governance in Developing Countries,” *International Political Science Review* 25, no.3 (Jul 2004): 306–308.

<sup>182</sup> Mick Moore, “Revenue, State Formation, and the Quality of Governance in Developing Countries,” 308.

<sup>183</sup> As summarized in: Koji Kubo, “Natural Gas Export Revenue, Fiscal Balance and Inflation in Myanmar,” *IDE Discussion Paper*, no.225 (March 2011): 3.

#### D. RESIST DOMESTIC OPPOSITION

How has the military junta behaved like a rentier state, resisted domestic opposition, and maintained regime stability? The Burmese regime is focused on retaining power and increasing its stability through its relationships with its powerful neighbors. At the same time, it places importance on the domestic stability of the regime. Their efforts have therefore been geared toward preventing their two main opponents, prodemocratic groups and ethnic groups, from gaining any traction in the political environment. I apply my three core behaviors of a rentier state to show the effect on domestic policy actions of the military junta and its connection to the energy relationship with China and India. In this way, I show that Burma exhibits the behaviors of a rentier state.

The three examples are visits by Burmese junta members to China and India, the ongoing construction of a series of gas pipelines, and a Sino-Burmese railway project. In all three instances, the domestic actions of Burma have been influenced by the relationship between the military junta and China and India. The first example occurred in 2010, when China and India both invited the Burmese leadership to their countries for a four-day state visit. The visit to India that July involved “80 junta ministers and their wives,” showing substantial Burmese interest in India.<sup>184</sup> The general intent was for India to solidify its relationship with Burma and “counter China’s general regional influence.”<sup>185</sup> The general consensus of the Indian government, the military junta, and the international community was that the Indians sought to increase energy project engagement with Burma and “to massively boost its investment in the country.”<sup>186</sup> For

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<sup>184</sup> “Than Shwe seeks Chinese support for junta elections,” (Mizzima News, 13 Sept. 2010) accessed Sept. 9, 2011, <http://www.mizzima.com/news/election-2010-/4350-than-shwe-seeks-chinese-support-for-junta-elections.html>.

<sup>185</sup> Andrew Buncombe, “India rolls out the red carpet for its pariah friend Than Shwe.” *The Independent (Delhi)*, 20 July 2010. accessed Sept.9, 2011, [http://www.lankanewspapers.com/news/2010/7/58665\\_space.html](http://www.lankanewspapers.com/news/2010/7/58665_space.html)).

<sup>186</sup> Andrew Buncombe, “India rolls out the red carpet for its pariah friend Than Shwe.” *The Independent (Delhi)*, 20 July 2010.

example, India earlier that year had announced an investment of “\$1.35 billion in gas projects in Burma” and their welcome to the Burmese visitors reinforced that initial investment.<sup>187</sup>

Likewise, Burmese leaders visited China in October 2010 and focused on “boost(ing) economic ties,” particularly those concerning oil and gas projects.<sup>188</sup> This visit, along with previous high level visits to China, culminated in a “total of 31 agreements” regarding energy resource extraction in Burma.<sup>189</sup> China also sought to counter the successful visit of the junta to India earlier in the year. The competition between the two countries to garner favor with the military junta manifests itself in close meetings and visits showing the importance each country places on Burma.

The junta’s double visits to China and India had ramifications for Burma’s domestic actions on two fronts. First, it sought to “cement friendly” ties with both countries ahead of the November 2010 general election.<sup>190</sup> It was “looking for China’s support for the junta’s (its) contentious nationwide polls” domestically, while India’s support was part of Burmese foreign policy’s “widespread diplomatic effort...across Asia.”<sup>191</sup> China and India, recognizing the importance of their oil and gas investments in Burma, were eager to support the junta. It is significant to note that the international community condemned India for its relationship with Burma during this time. India responded that it could “certainly talk to a dictator in the east (who) is willing to look at

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<sup>187</sup> Andrew Buncombe, “India rolls out the red carpet for its pariah friend Than Shwe.” *The Independent (Delhi)*, 20 July 2010.

<sup>188</sup> “Than Shwe seeks Chinese support for junta elections,” (Mizzima News) 13 Sept. 2010. accessed Sept. 9, 2011, <http://www.mizzima.com/news/election-2010-/4350-than-shwe-seeks-chinese-support-for-junta-elections.html>.

<sup>189</sup> “Than Shwe seeks Chinese support for junta elections,” (Mizzima News) Sept. 13, 2010.

<sup>190</sup> “Than Shwe seeks Chinese support for junta elections,” (Mizzima News) Sept. 13, 2010.

<sup>191</sup> “Than Shwe seeks Chinese support for junta elections,” (Mizzima News) Sept. 13, 2010 and Andrew Buncombe, “India rolls out the red carpet for its pariah friend Than Shwe.” *The Independent (Delhi)*, 20 July 2010.

India's strategic and economic interest."<sup>192</sup> For India and China, the oil and gas relationship with Burma outweighed international condemnation.

Second, for Burma, the visits to China and India "cemented" their resistance to internal appeals by prodemocracy groups to hold legitimate elections in the country.<sup>193</sup> Despite pressure from the prodemocracy groups in the country such as the National League of Democracy (NLD), led by Aung San Suu Kyi, the junta showed that there is a "lack of pressure to exchange political power for the right to tax, because revenue to run the state is readily derived from other sources."<sup>194</sup> Because the junta does not rely on the revenue from its citizens and has secured long-term funding from India and China, it was able to remain autonomous from its citizens and had little incentive to democratize. In 2010, a nationwide election had not been held in almost two decades. The military junta did allow them in 2010 in an effort to persuade the international community that it had democratic aspirations. The junta put on a comprehensive public affairs campaign throughout Asia, dangling the promise of additional energy contracts to motivate the leaderships of China and India to affirm in the international venue their support for the elections. But the junta discarded the results. The voters had no recourse, and the regime remained somewhat immune to external pressure.

The next two examples of Chinese and Indian energy investment ambitions affecting Burmese domestic policy actions are a series of pipelines that China and India are building in Burma, and a Sino-Burmese railway project. Construction of approximately 3,900 km in pipelines was started in June 2011. "The project involves state-owned China National Petroleum Corporation, India's ONGC Videsh, and South Korea's Daewoo International."<sup>195</sup> Additionally, the Chinese led construction of the \$20

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<sup>192</sup> Andrew Buncombe, "India rolls out the red carpet for its pariah friend Than Shwe." *The Independent (Delhi)*, July 20, 2010.

<sup>193</sup> "Than Shwe seeks Chinese support for junta elections," (Mizzima News) Sept. 13, 2010.

<sup>194</sup> Helen James, "Resources, Rent-Seeking, and Reform in Thailand and Myanmar (Burma)," 432.

<sup>195</sup> "Pipelines in Burma won't help locals," (Bangkok Post, Sept. 7, 2011) accessed Sept. 9, 2011, <http://library.pressdisplay.com/pressdisplay/viewer.aspx>.



billion rail link between the Chinese border and the west coast of Burma could begin in December 2011. That project will be over 850 km and will follow the same pathway as a proposed gas pipeline.<sup>196</sup>

In both the pipeline project and the railway project, the military junta was forced to contend with domestic opposition. In fact, the project provoked that opposition: “the decision to build the pipelines close to the rebellious border states of Kachin and Shan presented high risk of protracted conflict and severing energy supplies.”<sup>197</sup> The junta deployed “more than 6,000 Burmese troops ... to provide security” to protect its investment with China. But it also reignited a protracted conflict with ethnic groups. According to various NGO and press reports, in the construction of the pipeline the junta committed a range of “human rights violations, from beatings, forced labor and rape to unlawful imprisonment and forced eviction.”<sup>198</sup>

The two domestic pressure groups, prodemocracy alliances and ethnic groups, became problems for the Burmese regime specifically with the pipeline project. The regime has focused its efforts on maintaining stability by using the energy investment from China and India to reinforce their efforts. Rentier-state symptoms such as regime autonomy indicate the capacity of a rent-strengthened regime, such as Burma, to be able to resist some of the pressure for democratization.

The infrastructure revenue from this project, estimated to be \$30 billion, enables the government to arm the Burmese military and acquire technology to monitor its opponents.<sup>199</sup> The extensive energy revenue from China and India in general allow the regime to deploy its substantial military capabilities against the ethnic groups, forcing them to comply with the state wishes.<sup>200</sup> It is important to note that “while exact figures

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<sup>196</sup> “Burma Rail,” (The Indian Express, Sept. 1, 2011) accessed Sept. 7, 2011, <http://library.pressdisplay.com/pressdisplay/viewer.aspx>.

<sup>197</sup> “Pipelines in Burma won’t help locals,” (Bangkok Post) Sept. 7, 2011.

<sup>198</sup> “Pipelines in Burma won’t help locals,” (Bangkok Post) Sept. 7, 2011.

<sup>199</sup> Per article, estimated at \$1 billion over a 30 year period: “Pipelines in Burma won’t help locals,” (Bangkok Post) Sept. 7, 2011.

<sup>200</sup> “Pipelines in Burma won’t help locals,” (Bangkok Post) Sept.7, 2011.

are difficult to come by, economists estimate that nearly 60% of the state budget is allocated towards military expenditures.”<sup>201</sup> Much of the state budget, while difficult to discern, is being provided by the energy revenue from China and India. Protecting the pipeline projects benefits not only the junta but the military infrastructure. In contrast, the ethnic groups do not have comparable revenue from energy rent and military resources; “poverty remains an overwhelming life experience for most people.”<sup>202</sup>

Because the junta benefits from the extensive revenue from energy rent it was able to ignore many of the objections the ethnic groups have concerning the placement of the pipeline. The junta operated within its own political frame of reference. It uses some of the revenue from Chinese and Indian energy projects specifically to protect those energy projects and their ongoing revenue. Its ability to move troops indiscriminately throughout the country without regard to the effects on citizens shows not only its autonomy as a regime but its immunity to some extent from external pressures to grant more freedom to civil society.

#### **E. RESIST FOREIGN OPPOSITION**

How has the military junta been able to generate diplomatic support and use its relationship with China and India as leverage in the international community? Paralleling these examples in domestic politics, there are two instances wherein the Burmese regime has leveraged its oil and gas relationship with China and India to delay pressure for change by the international community. In this section, the most glaring rentier-like behavior is the regime’s ability to be somewhat immune to external intervention. To some degree in both cases, Burma is able to escape pressure for political change because of the support from its energy rent partners, China and India. The two instances are: China and India’s cautioning of the United Nations against their war crimes probe in Burma in October and November 2010, and the joint Chinese and Russian veto of the UN Security Council Resolution against Burma in 2007.

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<sup>201</sup> “Burma: Improving Revenue Transparency and Civil Society Capacity,” (Revenue Watch Institute) accessed Nov. 30, 2011, <http://www.revenuwatch.org/grants/burma-improving-revenue-transparency-and-civil-society-capacity>.

<sup>202</sup> Helen James, “Resources, Rent-Seeking, and Reform in Thailand and Myanmar (Burma),” 432.

In the first instance, China and India cautioned the United Nations not to pursue an official UN investigation into possible war crimes by the Burmese military junta.<sup>203</sup> The general consensus of the international community is that both China and India objected to the UN investigation on Burma's behalf because of its extensive trade relations with the military junta. In particular, news reports in 2010 covering the issue indicated that China has a "vested interest in Burma's natural gas reserves, being its number one beneficiary" and India "vies for the same natural gas resources as China."<sup>204</sup>

The second instance occurred on 12 January 2007 when China and Russia vetoed a UN Security Council resolution that would have required the Burmese government to adopt a democratic process, release political prisoners, and provide access to their country for humanitarian organizations.<sup>205</sup> The double veto was the "first time since 1989 that multiple votes have been used in the Council."<sup>206</sup> China in particular had a vested interest in defending Burma at the United Nations. During this time period, China had a well-developed bilateral trade relationship with Burma and defending Burma reinforced their cordial relationship.

Indeed, China's defense of Burma on the UN Security Council did not go unnoticed by the military junta. News sources and NGOs reported that oil and gas contracts were awarded to China "three days after" the vote and China used these contracts over a year later in the development of 900 mile pipeline "to take gas from the

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<sup>203</sup> "China blocks UN War Crimes Probe on Burma and India Supports the Move," November 1, 2010, accessed on Sept. 9, 2011, (<http://www.beinformedjournal.org/beinformed-journal/2010/11/1/china-blocks-un-war-crimes-probe-on-burma-india-supports-the.html>).

<sup>204</sup> "China blocks UN War Crimes Probe on Burma and India Supports the Move," November 1, 2010, accessed on Sept. 9, 2011 (<http://www.beinformedjournal.org/beinformed-journal/2010/11/1/china-blocks-un-war-crimes-probe-on-burma-india-supports-the.html>).

<sup>205</sup> "Burma Resolution in Security Council, vetoed by Russia and China: Implications for RtoP," accessed Sept. 9, 2011 (<http://www.responsibilitytoprotect.org/index.php/crises/128-the-crisis-in-burma/793-burma-resolution-in-security-council-vetoed-by-russia-and-china-implications-for-r2p>).

<sup>206</sup> "Burma Resolution in Security Council, vetoed by Russia and China: Implications for RtoP," accessed Sept. 9, 2011.

coast of Burma to China.”<sup>207</sup> Once again, the Burmese military junta was able to use China as a political buffer between themselves and the international community.

Despite calls for Burma to adopt democratic principles, the regime has been able to ignore some international or external intervention. The military junta is able to do this because Chinese and Indian energy security strategies make them willing to provide diplomatic support for the regime in exchange for access to Burma’s energy resources. Burma is a key component of achieving this goal and Chinese and Indian investment in the oil and gas infrastructure is significant, roughly \$1.2-\$8 billion USD.<sup>208</sup> The level of investment by these two countries indicates a financial and strategic commitment that cannot be casually discarded.

Burma leveraged this desire by Chinese and Indian desire to extract natural resources in order to somewhat resist external intervention. By encouraging China and India to intervene on Burma’s behalf against the United Nations (UN) the military junta did not need to directly engage the international community. Instead it voiced its objections to external intervention through the actions of China and India. China and India are powerful forces in the international community and their objections to international issues are noted.

## **F. CONCLUSION**

This chapter illustrates the effects of energy rent from China and India on the domestic and foreign politics of the Burmese military junta. The military junta in Burma leverages the desire by China and India to extract resources as a method of resisting domestic and foreign pressures for change. The junta’s aim is to mitigate the effect of two core pressure groups in the country: prodemocracy parties and ethnic opposition groups, which disagree with the overall political and social course of Burma and the type of rule

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<sup>207</sup> “Burmese junta profits from Chinese pipeline,” 14 January 2008) accessed Sept. 9, 2011, (<http://www.telegraph.co.uk/news/uknews/1575571/Burmese-junta-profits-from-Chinese-pipeline.html>).

<sup>208</sup> The figures referred to in this sentence, \$1.2 billion to \$8 billion, is an average of the figures presented in this paper by the Harvard Kennedy School Ash Center for Democratic Governance and Innovation, the National Bureau of Asian Research, the Burma Environmental Working Group (BEWG), and Arakan Oil Watch. The average is meant as a generalization as to the extent of investment in Burma by China and India.

that has been employed by the military junta. The energy rent from which the military junta benefits gives it an advantage in dealing with its opponents.

The specific components and principles of what constitutes a rentier state are often debated in academic forums. In the second section of this chapter I presented a variety of approaches as to what constitutes rentierism. In general, the authors agree that resource- dependent states all share to some extent common political and social challenges such as a nonadherence to democratic principles, and a lack of a stable civil society.<sup>209</sup> Based on their perspectives I gleaned what I contend are three prominent behaviors of a rentier state: state autonomy from citizens, immunity to external intervention, and lack of incentives to democratize.

In that last two sections of this chapter I illustrated a number of instances wherein the military junta's resistance to domestic and foreign policy stressors was mitigated by the oil and gas relationship it has with China and India. Because of the significant oil and gas investment both countries have in Burma, China and India are both eager to support the military junta regardless of international condemnation. What is at stake for China and India are the lucrative contracts for gas deposits in Burma that would meet their own domestic energy demands. For Burma, leveraging two influential regional powers provides political protection aimed at keeping the military junta in power. Chinese and Indian energy interests in Burma provide a fiscal basis for the military junta's efforts to extend its regime survival and presence in the region.

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<sup>209</sup> Helen James, "Resources, Rent-Seeking, and Reform in Thailand and Myanmar (Burma)," Mick Moore, "Revenue, State Formation, and the Quality of Governance in Developing Countries," and Schwartz, "The political economy of state-formation in the Arab Middle East: Rentier states, economic reform, and democratization."

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## IV. CONCLUSION

In this study, I have sought to show how Sino-Indian energy security ambitions slow liberalization and democratization in Burma. I first showed that China and India have, in the last decade, invested in projects that generate revenue for the Burmese government. I explained that China has a close relationship with Burma and has benefited in the last decade from easy access to its energy resources. In contrast, I show, India's relationship with Burma has evolved in the last two decades from, as Kanwal puts it, "more pragmatic to less moralistic."<sup>210</sup> I noted that determining the exact amount of energy investment by China and India in Burma is difficult, as all three countries are complicit in concealing the exact figures of their investments. However, there is some indirect information available which can be compiled to gain such insight. I was able to determine that China and India have invested \$1.6 to \$8 billion in energy related projects.

Their mutual interest in Burma's energy resources also points to another facet of their relationship in the region: rivalry. Each country seeks to alleviate demand in their country for energy resources, and must compete with the other for the resources in Burma. This competition is one aspect of the greater strategic rivalry between the two countries. Nonetheless, whether China and India cooperate or compete, Burma benefits. In the December 2005 India-Bangladesh pipeline case, for example, Burma patiently waited for the outcome, and when negotiations fell through was able to secure a contract with China.<sup>211</sup>

The intent of Chapter III was to answer the following question: How, more specifically, does energy rent from China and India affect the military junta's decisions in domestic and foreign politics? I argued that Burma has been able to leverage its oil and gas relationship with China and India to slow liberalization and democratization, and to increase regime stability. I also argued that Burma behaves like a rentier state. From the literature on rentierism, I synthesized three prominent behaviors of rentierism that I

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<sup>210</sup> Gurmeet Kanwal, 134.

<sup>211</sup> Ashild Kolas, 634.

contend Burma exhibits: state autonomy from citizens, state immunity from external intervention, and a lack of incentives to democratize. The significant increase in natural gas exports has risen from virtually nothing in 1998–1999 to 40 percent of the total exports for Burma.<sup>212</sup> As noted, “when converted into the local currency at the prevailing market exchange rate, this natural gas export revenue amounted to 12.4 percent of GDP in 2007–2008.”<sup>213</sup> The Burmese regime is able, because of the vast amount of energy rent; remain somewhat autonomous from its citizens and the international pressures.

The Burmese regime achieved stability through two primary approaches. First, because it benefits from a significant amount of revenue from Chinese and Indian oil and gas projects in Burma, the regime is able to resist some of the domestic pressure to change. Throughout the last two decades, the military junta has had to contend with two primary pressure groups: prodemocracy groups and ethnic armies. But those groups have not been able to exert financial pressure on the government. Whereas citizens in other nations have power in part because their taxes give their government operating revenue, Burmese citizens have no such connections with their regime.

Second, the military junta generates diplomatic support and has leveraged its relationship with China and India to fend off international pressure for political change in Burma. In the case cited in Chapter III, both China and India intervened on Burma’s behalf to halt or preempt an action by the United Nations. In both instances, the military junta rewarded China and India with lucrative oil and gas projects and contracts. The Burmese regime understood that China and India had to have continued access to the gas resources in Burma. The regime leveraged that need in order to remain internationally autonomous and maintain regime stability.

It is important to recognize that some recent developments in Burma have changed the picture. During the course of researching and drafting this thesis, the Burmese regime’s actions have resulted in some notable milestones. First, in September,

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<sup>212</sup> As summarized in: Koji Kubo, “Natural Gas Export Revenue, Fiscal Balance and Inflation in Myanmar,” *IDE Discussion Paper*, no.225 (March 2011): 3.

<sup>213</sup> As summarized in: Koji Kubo, “Natural Gas Export Revenue, Fiscal Balance and Inflation in Myanmar,” *IDE Discussion Paper*, no.225 (March 2011): 3.



Burmese President Thein Sein halted the Chinese-backed construction of the Myitstone Dam on the Irrawaddy River “because it was against the will of the people.”<sup>214</sup> This decision is significant because it not only alleviates some of the prodemocracy and ethnic groups concern over the junta’s close relationship with the Chinese in Burma, but it also signals to the international community that the regime is attempting to allow the development of a more civil society.

Second, within the international arena, Burma was recently awarded the 2014 ASEAN chair. After the organization passed over Burma for the chair in 2006 because the international community condemned its repressive policies, it nonetheless scheduled for Burma to assume it in 2016; but the Burmese regime requested to be considered for the chair in 2014.<sup>215</sup> The organization granted this request, signifying to some extent that ASEAN as an organization recognizes that the military regime has made some progress in adopting more moderate stances of governance.

Equally significant is the visit to Burma by United States Secretary of State Hillary Clinton in December 2011; she is the first U.S. Secretary of State to visit the country in more than five decades.<sup>216</sup> The general intent of the visit by Secretary of State Clinton is to “explore whether the United States can empower a positive transition in Burma.”<sup>217</sup> The United States’ interest in gaining traction within Burma perhaps is a way of offsetting the considerable influence China has in the region and in Burma. Burma, geographically, is in a strategic part of the region. I submit that the burgeoning engagement between the United States and Burma is not dissimilar to the relationship India and Burma started in the late 1980’s. Perhaps the United States is saying, as India did then, that any engagement is more beneficial than keeping the junta at arm’s length.

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214 “Victory for Burma reformers over dam project,” (The Guardian, 30 September 2011) accessed Nov. 28, 2011, <http://www.guardian.co.uk/world/2011/sep/30/victory-burma-reformers-dam-project>.

215 “Burma Awarded 2014 ASEAN Chair,” (The Irrawaddy, 17 November 2011) accessed Nov. 28, 2011, [http://www.irrawaddy.org/article.php?art\\_id=22480](http://www.irrawaddy.org/article.php?art_id=22480).

216 “U.S. Secretary of State Hillary Clinton to visit Burma,” (BBC Online, 18 November 2011) accessed Nov. 28, 2011, <http://www.bbc.co.uk/news/world-asia-15787052>.

217 “U.S. Secretary of State Hillary Clinton to visit Burma,” (BBC Online, 18 November 2011) accessed Nov. 28, 2011, <http://www.bbc.co.uk/news/world-asia-15787052>.

These recent domestic and international developments bring up an important concluding question: what is the projected impact of the continued Chinese and Indian energy investments on the Burmese regime? It is clear that China and India will continue to invest heavily in Burma's natural resources. I predict that the Burmese regime will continue to make small incremental concessions concerning civil society and international engagement. The recent engagement with the United States indicates, at least at a small level, the military junta's recognition that engagement with the United States is beneficial in counter-balancing the influence of China and India. We can see this dynamic at play within the region as well: while the regime has focused on developing ties with China and India, it has also benefited from the relationship it has with Thailand and other regional partners.

Energy security is rapidly becoming an important consideration for many governments in the world as energy resources dwindle. The scope of this thesis is to not only illustrate the amount of energy investment in Burma by China and India, but also to evaluate how their pursuit of energy resources affects the Burmese regime. As access to energy rents continues to grow for the Burmese regime, it will likely limit the regime's susceptibility to foreign and domestic pressure for further change, and therefore progress on democratization is likely to occur more slowly.

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