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Abstract

A state's endowment in natural resources can often be linked to its choice of policy orientation. As economic growth increases around the world, nations are demanding steadily increasing amounts of oil and gas. Myanmar endows with abundance of oil and gas and occupies a critical geo-strategic position. Myanmar takes the position of political and economic bargain in making relations with her neighbouring countries and enables to reduce political pressure on her through friendly and good relations with regional countries. Moreover the Myanmar government has been trying in the process of reconstructing the country's infrastructure which needs hard currency. Therefore oil and gas are very important for foreign relations; and it is via energy security that Myanmar and energy hungry countries can be bound together politically and economically more closely than other conditions that have influenced Myanmar's choice of policy orientation.

Key words: petro-dollars, contentious issue, strategic tilt, high-stakes, microcosm and indispensable

Aims and Objectives

- To examine how Myanmar Government bargain in making relations with her neighbouring countries by using the role of oil and gas
- To express why oil and gas are indispensable resources in Myanmar foreign relations

Introduction

Myanmar's geostrategic location and its rich natural resources, particularly oil and gas, are of critical significance in its foreign relations. Myanmar occupies a critical geostrategic position at the tri-junction of East Asia, Southeast Asia and South Asia and is endowed with an abundance of natural resources. Myanmar has taken advantage of these circumstances in strengthening its ties with its neighbours. When the State Law and Order Restoration Council (SLORC) took power in 1988, it was eager to advance a state-building project while attempting to take advantage of both its geographical location and resources in attracting external assistance and

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backing. Myanmar's strategic importance declined after 1962, when it withdrew into self-imposed isolation. But since 1988, Myanmar has been diversifying its foreign relations. Myanmar's foreign policy stands in continuity with the past in that the SLORC emphasises the importance of an independent and active foreign policy by its Declaration 3/88 of September 18, 1988. This implies creating and maintaining as much manoeuvrability in its foreign relations with neighbouring powers as possible, while resisting threats to its sovereignty.

The role of oil and gas in Myanmar

The purpose of Myanmar's foreign policy is to respond, to manage and to influence its external environment, and to promote its domestic goals. Officials have identified a clear hierarchy of core foreign-policy objectives: first, to enhance its security; second, to bolster its economic development and prosperity; and, third, to promote a peaceful and equitable world order (Haacke, Jurgen, "The Political Security Imperative and Foreign Policy Goals", p.24). For the second objective, economic development is impossible without energy. Nowadays countries of the world both developed and developing ones need to secure energy supplies in order to maintain their economic growth rates. As economic growth increases around the world, nations are demanding steadily increasing amounts of oil and gas. Therefore competition among countries of the world occurred to get these vital resources of oil and gas while oil and gas exporting countries have used a large amount of the petro-dollars in nation-building endeavours.

Union of Myanmar, a leading natural gas producing country and an important gateway for oil and gas pipelines, will be in no doubt a crucial part on foreign relations. According to 2009 estimate, Crude oil potentials in Myanmar amounts to 8,611.625 million barrels (mmbbl) in onshore and 392.932 mmbbl in offshore and total gas resources are 6.286 trillion cubic feet (tcf) in onshore and 131.967 tcf in offshore. Altogether it has 9,004.557 mmbbl of crude oil and 138.253 tcf of natural gas. Up to 2009, daily production is about 9000 barrels of crude oil, 12,000 barrels of condensate and 1.2 bcf of natural gas (Myint Oo, "Vision for Coming Decades", *Presentation Paper at the 35th ASCOPE Council Meeting*). Therefore Myanmar has the abundance of gas not only for domestic consumption but also for export. Myanmar, however, cannot exploit and explore these natural resources by its own efforts alone. Certainly she needs (1) capital, (2) equipment, (3) skilled technicians and (4) experienced executives.

In order to fulfill those needs, the SLORC has officially thrown away the centrally planned economy in favour of a more market-oriented economy since 1988. With this aim, the Union of Myanmar *Foreign Investment Law (FIL)* was promulgated on 30 November 1988 and the procedures relating to the law were endorsed on 7 December 1988. After the promulgation of *the Foreign Investment Law*, MOGE has entered into production-sharing contracts (PSCs) with several multinational oil and gas companies on exploration and production in both onshore and offshore areas with the attractive incentives. Accordingly, up to 11 January 2010, Myanmar has eighteen companies on thirty six blocks in offshore area and nine companies on fifteen blocks in onshore area (*Summary of Petroleum Activities:2010*, 2010).

The Myanmar Government clearly sees the opportunities afforded by its geographical position in the context of efforts to establish a modern and integrated State. It has largely reacted favourably to its neighbours' interest in enhancing its infrastructure that this will increase its geo-economic and geo-political significance and serve its own interests. The government can also capitalise on its natural resources to attract its neighbours' interest in energy cooperation.

Rivalry between China and India over Myanmar's oil and gas

The geo-politics of energy brings Myanmar closer together through energy cooperation with energy hungry countries. From geo-strategic view, Myanmar is sandwiched between India on the Northwest and China on the Northeast. Myanmar government would play China's and India's interests against each other in order to get political and security benefits, as well as much needed economic and financial assistance from both sides. Both China and India have been extremely competitive regarding the energy stakes in Myanmar due to several strategic reasons. One of the reasons that Myanmar is rich in oil and possesses Southeast Asia's second largest natural gas reserves. It has oil reserves of 648.590 million barrels, and a total gas reserve of 122,539.1 billion cubic feet (bcf), only slightly less than Indonesia (*Energy Security Planning in Myanmar*, 2009). The three gas fields in the Bay of Bengal namely Mya, Shwe, and Shwe Phyu, jointly known as the Shwe project are estimated to hold 12-20 tcf of gas (*The New Light of Myanmar*, 2 March, 2005, p.15). Myanmar's abundance of natural gas has sparked a tension among Bangkok, Beijing and New Delhi, making natural gas from the Shwe field a contentious issue in India-China relations, and an obstacle to Sino-Indian energy cooperation.

As for India, it has serious interest in exploiting Myanmar's energy resources. In January 2003, state and private Indian companies acquired shares and exploration rights in offshore and onshore blocks respectively (*Summary of Petroleum Activities:2010*, 2010). On 11 January 2005, Myanmar and India signed and exchanged notes of the Memorandum of Understanding (MOU) on bilateral cooperation in the oil and gas sector. Moreover Myanmar, India and Bangladesh discussed in Yangon to cooperate in a project to pipe Block A-1's natural gas output to Kolkata (India) across Bangladesh (*The New Light of Myanmar*, 12 January 2005, p.7). By construction of the Myanmar-Bangladesh-India gas pipeline, Bangladesh stands to benefit in a number of ways.

The export of gas to India, including the proposed Myanmar-Bangladesh-India transnational gas-pipeline project, however, is a politically sensitive issue in Dhaka. The process was accelerated by the negative response from Bangladesh regarding gas exports to India, as Bangladesh wants to cover for its own needs first. The project reached a diplomatic stalemate when India rejected these conditions (Bose, Srinjoy: "Energy Politics: India-Bangladesh-Myanmar Relations", July 2007, p.1). Thus, for India, forging strategic ties - including plans to build a network of gas pipelines from Myanmar to India, constructing a trans-Asian highway through India and Myanmar and strengthening military ties- are important steps in India's new "Look East" policy. If successful, it will mean gaining geopolitical ground in Myanmar. For Myanmar government, this indicates a reverse in strategy-rather than side with China.

Myanmar is forming balanced and equally important relations with both of its neighbours. While India and Bangladesh deliberated to a standstill, Myanmar seized the opportunity to sign a Memorandum of Understanding with China National Petroleum Corporation (CNPC) on 21 February, 2008 for the sale of gas from the A-1 and A-3 Block to China through an overland pipeline through Kyaukphyu (Myanmar) to Kuming, the capital of China's Yunnan. MOGE and CNPC launched the construction of Myanmar- China oil and gas pipeline and workboat wharf on 31 October, 2009 (*The New Light of Myanmar*, 5 November 2009, p.7). From this project, Myanmar estimates to get US\$ 29 billion from 2013 to 2043 (*The Voice Weekly*, March 1-7, 2010, p.8). This indicates that India has lost an important diplomatic initiative in an attempt to counter Chinese influence in Myanmar, illustrating the depth of the relationship currently enjoyed by China and Myanmar.

Myanmar wants to deepen its relationship with China. The government's resolution is to consider supplying China with enormous gas reserves from Block A-1 off the Rakhine coast. This decision indicates that the SPDC believes it disposes of and may need to rely on potentially fungible economic assets to secure China's full diplomatic support in future. As yet, China has been very clear that Myanmar does not pose a threat to international peace and security. While China, not India, can continue to provide Myanmar with protective cover at the UN, the Myanmar government evidently believes it is also prudent to signal to Chinese leaders that its relationship with India is strong and getting still stronger, not least to maintain China's incentive for constructive and supportive relations with Myanmar (*The New Light of Myanmar*, 14 January, 2007, p.1). At the same time, apart from its commercial function, Myanmar's declared willingness to sell gas from Block A-1 to China amounted to a signal that India only has opportunities to miss.

India's setback in the field of energy, however, is unlikely to lead to a decrease in its attempts to compete with China in other fields. India will undoubtedly make more overt efforts to establish a stronger presence in Myanmar. In terms of Myanmar's energy stakes, India will improve its relations with the resource-rich Myanmar on exploration and production in oil and gas sector. From the Myanmar side, the Government is aware of the advantages it can reap from negotiating prices when selling gas from the same field to more than one country at a time. Myanmar has sufficient gas reserves to meet the needs of both China and India. Though Myanmar has been selling gas from A-1 and A-3 blocks to China, Indian companies (GAIL, ONGC Videsh Ltd., Essar and Sun Group) were permitted on onshore and offshore exploration of oil and natural gas in Myanmar (*Summary of Petroleum Activities:2010*, 2010). This means that the Myanmar government seems to have satisfied the Indian government. Myanmar can successfully manage its diplomatic relations with its two largest neighbours, China and India.

Resource Diplomacy between Myanmar and Thailand

Myanmar's oil and gas are highly attractive not only for India and China but also for Thailand. Thailand's economic growth has fuelled a rapid rise in electricity demand, which is increasing by 6 to 7% a year. Around 70% of power generation in Thailand is gas-fired, using local gas resources supplemented by gas from Myanmar's Yadana and Yetagan fields. The Myanmar government signed gas sale agreement with the

Thailand Public Company Limited (PTT) from Yadana and Yetagun gas fields on 2nd February 1995 and 17th March 1997 respectively (*Script on VCD Presentation for ASCOPE 2005*, Manila, the Philippines, 2005). Gas from Yadana is transported via a 346 km subsea pipeline and a 63 km onshore pipeline from the Yadana field to the border between Myanmar and Thailand at Nat- Ein-Taung (Ban-E-Tong). Gas from the Yadana field covers an estimated 15-20% of Thailand's demand for natural gas. Furthermore, PTT Group has received permission to sign a memorandum of understanding to purchase natural gas from Myanmar's Zawtika Block. The Thai PTTEP has also signed with MOGE to explore and exploit blocks M-3, M-4, M-7, M-9 and M-11 since 2003 (*Summary of Offshore Activities:2010*, 2010).

The bilateral relations have been managed on the basis of personal diplomacy with the support of resource diplomacy. The Myanmar government tried to apply resource diplomacy in regulating Myanmar-Thailand relations as de facto mechanism. Thailand is Myanmar's traditional enemy but she is always backing when Myanmar reaches restrictions on the international sphere. Thailand stood with ASEAN to invite Myanmar to the ASEAN-EU Ministerial Meeting, which took place in December 2000. Similarly, on 24 March 2000, at the discussion between the Thai Army and the National Security Council (NSC), Mr. Kachadpai Burusphat, Secretary General of the NSC, defended the constructive engagement towards Myanmar.

The reciprocal advantages of Myanmar and Russia

Myanmar has been diversifying its foreign relations and expanding its diplomatic space, allowing it to be courted by Russia and other big countries, so as to reduce its reliance on China. One of the key advantages of cooperating with Russia is to reduce Myanmar's dependence on China. For Myanmar, the significance of its ties with Russia derives from its hope for support from powerful countries in international forums and from its desire to balance its ties with regional powers. Myanmar's location in a region increasingly important in the geopolitical competition over strategic resources has also drawn Russia into the region. Viewed from this strategic perspective, Russia's interest in Myanmar is to gain greater access to a country which is strategically located between China and India. Moscow also expects to expand its presence into Southeast Asia to watch China's activities more closely and "take advantage" of China's and India's "rivalry" in Myanmar.

Moreover, Myanmar's oil and gas are important to Russia's broad geostrategic designs. Russia, which is currently one of the world's leading exporters of natural gas, is on the path to achieving a near monopoly on the fuel source throughout Europe. It is most likely utilizing its growing access to Myanmar's oil and natural gas deposits to drive forward its apparent aim of monopolizing Europe's energy industry and possibly expanding its economic and political interest further into Asia. It is clear that Russia has extended its economic interests into Myanmar and has a vested interest in maintaining friendly relations. Russia's move in Southeast Asia seems compatible with Myanmar's own interests. Nay Pyi Taw sees Russia as a "potential alternative" to pursue its balancing strategy. Russia's presence in the region may upset the strategic calculus of the regional powers considering the basic nature of the ties between Myanmar and Russia. However, whatever the implications of this relationship for the regional powers, the current ties between Myanmar and Russia are unlikely to be affected by such factors. Further cooperation between the two countries may be expected in the future.

Exchange of high-level visits between Myanmar and Russia has increased since the mid-1990s and the two countries have strengthened their ties in the defence and energy areas. During the visit of Vice Chairman General Maung Aye to Moscow on 4 April, 2006, Russian Prime Minister Mikhail Fradkov said that Russia and Myanmar were to develop strategic cooperation, particularly in the oil and gas sector. They signed the MOU on Strategic Cooperation in Petroleum Sector. While General Maung Aye called on Russian entrepreneurs to invest in Myanmar's economy, Russia's oil company Zarubezhneft and the Myanmar's Oil and Gas Enterprise (MOGE) signed a production sharing contract(PSC) for oil and gas exploration and production in Block M-8 of Mottama offshore fields in Southern Myanmar (*The New Light of Myanmar*, 8 April 2006, p.9). Moreover, on 15 March 2007, the oil and gas ministry of Kalmykia (a constituent republic of the Russian Federation) signed an agreement with MOGE to explore from the B-2 onshore block (*Summary of Onshore Activities:2010*, 2010). And also on September 6, 2008, the Closed Joint Oil Company "Nobel Oil" of the Russian Federation signed production sharing contract (PSC) with MOGE for the exploration and production of petroleum in Hukaung region (*The New Light of Myanmar*, 6 September 2008, p.9).

Discussion

In 1997, blocks A1-A7 has been released by United States Companies amidst a massive pull out by mainly western companies. However the withdrawal of Western oil companies operating in Myanmar, the Myanmar economy has been negligible, since countries such as Thailand, China, India and Russia are expanding their ties with Myanmar. ASEAN also is seeking to constructively engage Myanmar, and this, as well as China's close cooperation with the SPDC, is regarded as undermining sanctions imposed by the USA and the EU. For instance, within the EU negotiations on the Common Position, France has objected to the current use of sanctions and called for more lenient sanctions or the replacement of sanctions with active engagement.

Myanmar, on her side, is using oil and gas as indispensable resources for political relations with those countries. This can be clearly seen when China and Russia in 2005 challenged US Burma policies, using the threat of a veto to block a US move in the UN Security Council to implement recommendations on Myanmar. Moreover, during 2006 meeting of the ASEAN Regional Forum (ARF), Chinese Foreign Minister Li Zhaoxing chose to skip the security point on the agenda, and travelled to Myanmar instead to express solidarity with the government. Both Russia and China on 10 January 2007 again used its veto at the United Nations Security Council over a draft resolution tabled by the US and the UK on the ground that the issues faced by Myanmar were internal matters. Therefore, resource diplomacy has given the SPDC powerful political protection in international governing sector.

Moreover, in the aftermath of the September 2007 uprising, Myanmar strengthened its ties with its neighbours primarily to counter the Western pressure. India stepped up its investment in Myanmar. In fact, in the midst of international condemnation of the Myanmar government, India sent Union Petroleum Minister Murlis S. Deora to Myanmar on 24 September, 2007 and signed exploration deals in three blocks off the Rakhine Coast. Moreover India is one of the 14-member "Group of Friends" set up by the UN Secretary General to develop international support for UN's envoy to Myanmar Ibrahim Gambari's efforts. India has played a role in facilitating Gambari's second visit to Myanmar after the uprising. It shows that India has played a restrained role in promoting political reforms in Myanmar. Myanmar's oil and gas can be regarded not only a major source of revenue for the government but also an important aspect of avoiding from western pressure.

Conclusion

Thailand's heavy investment in the Myanmar gas sector as well as the escalating Sino-Indian rivalry over Myanmar's oil and gas have no doubt made it easier for Myanmar government to withstand pressure from the US and EU countries. The US and many EU countries are heavily dependent on oil and gas for their energy needs. Therefore they have been trying to neglect their sanction on Myanmar because Myanmar has an abundance of oil and natural gas. Despite the European Union's sanctions on Myanmar, TOTAL, a French company and UNOCAL of the United States have invested in Yadana natural gas project, a block off the Mottama coast, and are carrying out exploration work. The Myanmar government, on her side, has been trying in the process of reconstructing the country's infrastructure which needs hard currency. Therefore oil and gas are indispensable resources in Myanmar foreign relations, and it is via energy security that Myanmar and energy hungry countries can be bound together politically and economically more closely than other conditions that have influenced Myanmar's choice of policy orientation.

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