Myanmar-China Brotherhood:
Securing the Energy for China
By: Morentalisa Hutapea

On the 2nd and 3rd June 2010 China's Premier Minister, Wen Jiabao visited Myanmar in relation to his visits to several other state visits to Japan, Korea and Mongolia. According to the official press, the visit was related with the 60th anniversary of the establishment of diplomatic relations between China and Myanmar. During the two days visit, Wen Jiaobao announced the Myanmar-China oil and natural gas pipeline project. This announcement supported the public's opinion about an 'energy security agenda' behind his visit to Myanmar.[1]

China-Myanmar Relationship: Some Background Information:

For Myanmar, China has been its most important neighbour. China and Myanmar share 2227 kilometres of border, which makes the border with China, the longest border in Myanmar. Political relations remain strong for Myanmar as Myanmar was the first country that acknowledged the independence of China. This political relation was strengthened in 1954 when the People's Republic of China and Burma signed a joint declaration on the Five Principles of Peaceful Coexistence. These five principles are (1) mutual respect for sovereignty and territorial integrity, (2) mutual non-aggression, (3) non-interference in each other's internal affairs, (4) equality and mutual benefit, and (5) peaceful coexistence in developing diplomatic relations and economic and cultural exchanges.[2]

Just as the China-North Korea relation, China plays its role as a big brother for Myanmar, where China has been so long providing Myanmar with development and security aid. China has been the protector for Myanmar's generals to secure their power. In the economic sector, China is one of the most important trading partners for Myanmar. Currently, China is Myanmar's third largest trading partner and investor after Singapore and Myanmar. Up to January 2010, China has invested $1.848 billion in Myanmar, or 11.5 percent of Myanmar's total foreign direct investment.

Meanwhile, for China the relations with Myanmar are closely related to several issues. The first is about the human security in the line of Myanmar's border with China. Since both of the countries share a long border, the instability of Myanmar will directly impact China, at least the southern part of China. The impact of this vulnerability became obvious when the Myanmar army attacked rebels from the ethically Chinese Kokang minority group in August 2009. This attack forced more than 37,000 refugees to flood into China's Yunnan province and prompting a rare admonishment from Beijing.[3]

In the economic sector trade plays an important role for shaping the relationship. Besides providing a market for China's product, Myanmar also provides special access route for China to reshape the ancient 'Silk Road' to link its trade with countries like Bangladesh and India and Western Asia. This route will enable China to distribute its manufactured product in a cheaper way.

---

[1] More info about Wen Jiao Bao's Visit to Myanmar http://www.srilankaguardian.org/2010/06/wen-jiabo-in-myanmar.html

[2] "The Five Principles of Peaceful Co-existence", acceded from http://www.mofa.gov.mm/foreignpolicy/foreignpolicyview3.html

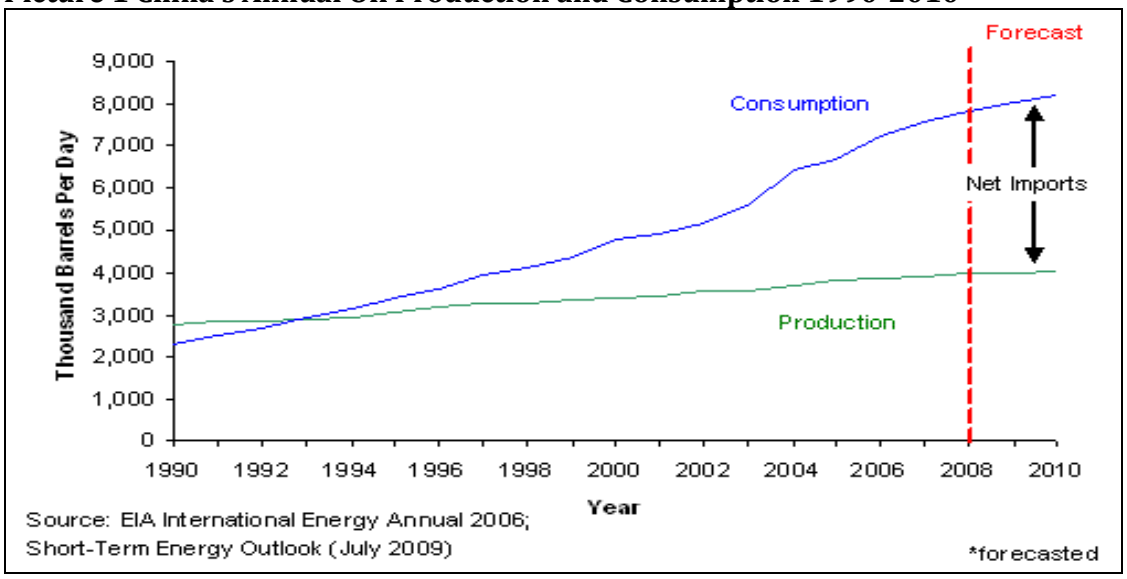
[3] Mitch Moxley, "China Re-Engages Myanmar Ally," acceded from http://www.atimes.com/atimes/Southeast_Asia/LF08Ae02.html

Maybe one of the most sensitive and crucial aspect that influences China's interest toward Myanmar is the issue of energy security. This issue was highlighted during Web Jiao Bao's visited in early June 2010 with the announcement of the China-Myanmar pipeline project, which is understandable since Myanmar provides some answers for energy security issue in China in terms of energy access and supply.

The Energy Issue in the China – Myanmar Cooperation

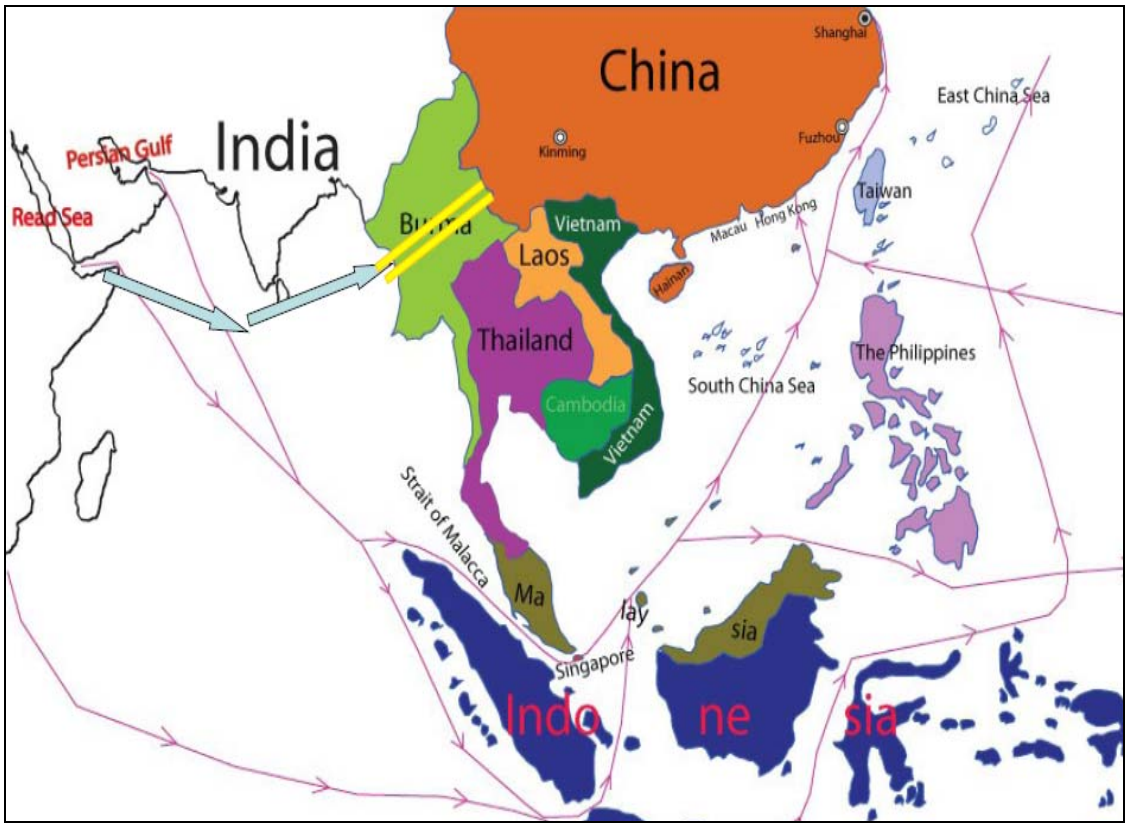
Economic and population growth raised the energy consumption in China and has turned China into a net oil importing country. Even if oil and gas are only a small share in energy consumption in China, the largest share comes from coal, but due to the rapid need of energy supply. China has emerged from being a net oil exporter in the early 1990s to become the world's third-largest net importer of oil in 2006. Natural gas usage in China has also increased rapidly in recent years, and China has looked to raise natural gas imports via pipeline and liquefied natural gas (LNG). (EIA)

Picture 1 China's Annual Oil Production and Consumption 1990-2010



For this reason, China needs to diversify its energy sources, and in this context Myanmar provides some important solution they need to ensure the diversity and stability of energy supply. There are several aspects that established Myanmar's important position for China. The first aspect is Myanmar's position in Southeast Asia. As Middle East and Africa provide oil supply for China, China needs to secure the **access** of its oil and gas supply. Southeast Asia is an important area for China to provide quick & reliable access of oil and gas.

Picture 2 Oil Trade Route from Malacca Strait



Source:
Presentation by Wong Aung, Shwe Gas Movement, "Foreign Investment & Transnational Corporations in Burma" in International Conference on Burma/Myanmar in Jakarta

The map above demonstrates that oil from Africa and Middle East on the way to China mainland, has to pass the Malacca strait. The importance of Malacca Strait toward China ***raises concerns*** for China due to the security of the Malacca Strait despite the cost issue. The Malacca Straits has long been known for its piracy history. Extra guard is needed to ensure the safety of China's tanker fleet, which means extra expense. Besides, the ships have to travel across several countries before the oil finally reaches Mainland China.

If China could build a pipeline from the Bay of Bengal via Myanmar to China, the cost will be cut dramatically. Myanmar's strategic location on a tri-junction between South Asia, Southeast Asia and China is economically and strategically significant.[4] The oil from Middle East and Africa could be transported by this pipeline without passing the Southeast Asian countries, except Myanmar.

[4] Poon Kim Shee, "The Political Economy of China-Myanmar Relations: Strategic and Economic Dimensions" The International Studies Association of Ritsumeikan University: Ritsumeikan Annual Review of International Studies, 2002. ISSN 1347-8214. Vol.1, pp. 33-53

The Myanmar-China Pipeline Project

The Trans Myanmar-China pipeline is a multi billion project for China's state own company, China National Petroleum Company (CNPC), to carry oil and gas to China. The oil and gas pipeline will cover a length of 793 kilometres within the borders of Myanmar while the oil pipeline will cover a length of 771 kilometres from Kyaukpyu, about 400 km northwest of Yangon, to the Yunnan Province in China.

The engagement process begun years before the launching ceremony in early June this year. The progressing of the China-Myanmar cooperation regarding the pipeline can be seen from early 2009, when CNPC Vice President Liao Yongyuan and Myanmar's Ambassador to China U Thein Lwin signed a memorandum of understanding in Beijing.

Box.1 Brief History of the Project

- Petro China signed a gas export Memorandum of Understanding with Myanmar in early 2006 and completed the survey for a 2,389 km pipeline from Kyakphu in Myanmar to China's Yunnan province.
- In April 2007, the Chinese National Development and Reform Commission approved an oil pipeline linking Myanmar's deep-water port at Sittwe with Kunming.
- In early 2009, China announced the construction of oil and gas pipelines through Myanmar into its South-western Yunnan Province
- In November 2009, CNPC said it had started construction of a large-scale oil port in Kyaukpyu as a facility for the planned China-Myanmar oil line project

(OGJ Online, Nov. 4, 2009).

This project is a multibillion dollar project as according to CNPC, the cost of the oil line will reach $1.5 billion and the gas line will be $1.04 billion. This multibillion dollar project will provide a designed transport capacity of 22 million tons per year for oil, while the natural gas pipeline a designed for a transport capacity of 12 billion cubic meters annually. China will also import the crude oil that it brings from the Middle East and Africa via these pipelines, which commence at Burma's Kyaukpyu deep seaport off the country's western coast and cross the country to China's Yunnan Province, enabling it to bypass the sea route through the piracy-prone Strait of Malacca.

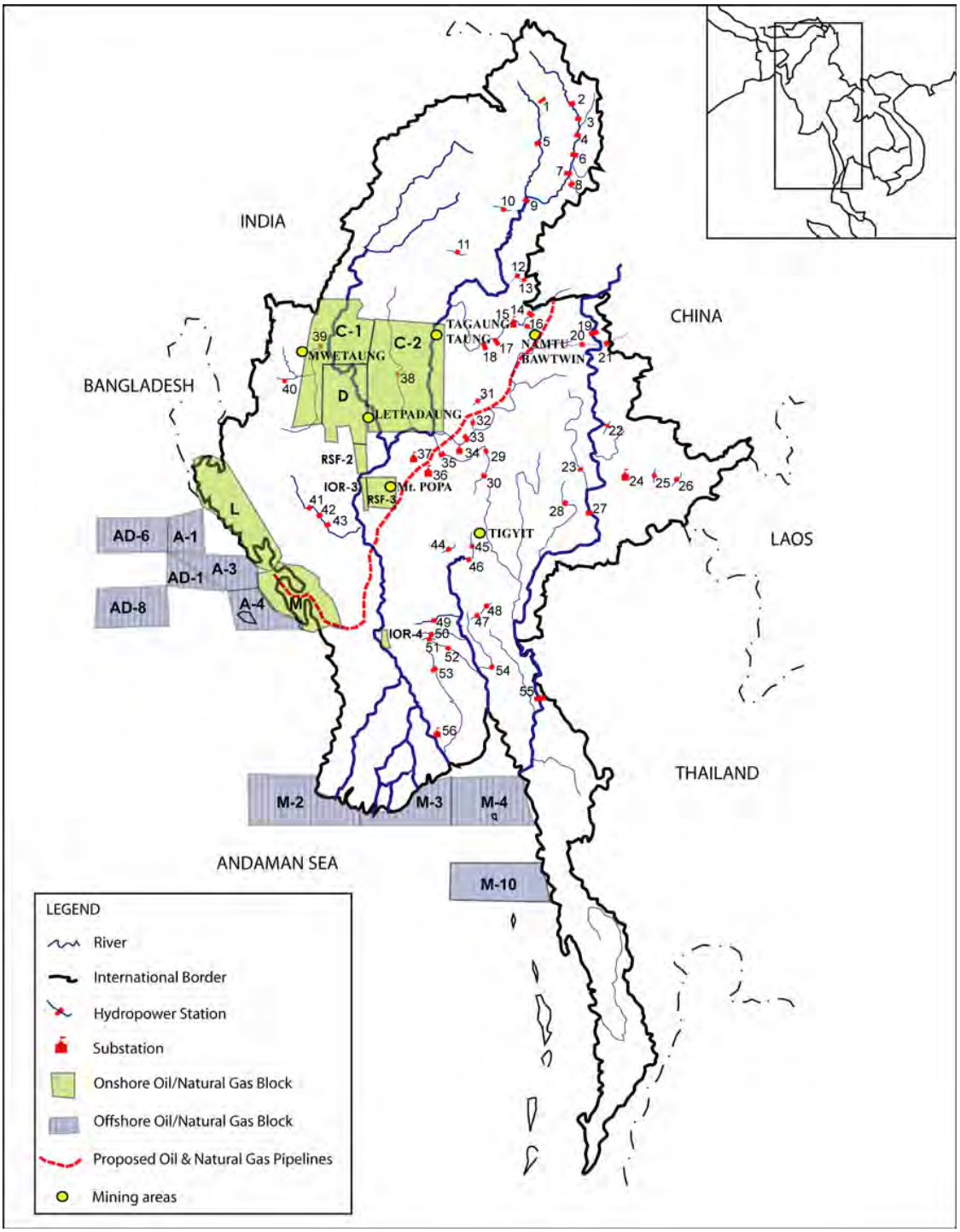
The gas line will help to meet rapidly expanding demand in southern China and also open the fourth route for Beijing's oil and natural gas imports, after ocean shipping, the Sino-Kazakhstan crude oil and natural gas pipelines, and the Sino- Russian oil pipeline. It will further increase China's gas import, which is projected to exceed 100 billion cubic meters over the next few years.[5]

Regarding the energy security issue, Myanmar does not only act as an access route for China, Myanmar also provides China with oil and gas supplies. According to Earthright International, Myanmar provides energy supply for China from its wide ranging project,

[5] (More info about the Myanmar-China Pipeline Project: (http://www.irrawaddy.org/opinion_story.php?art_id=18770 and www.ipcs.org/pdf_file/issue/IB134-SEARP-Tuli.pdf)

from oil and gas on and offshore, coal mining, and hydropower projects in across the country.

Picture 2. China's energy related project in Myanmar.



Source: **China In Burma: The Increasing Investment Of Chinese Multinational Corporations In Burma's Hydropower, Oil And Natural Gas, And Mining Sectors.** http://www.burmalibrary.org/docs5/China_in_Burma-ERI.pdf. The detailed project list can be seen in the appendix.

Recent gas discoveries by Daewoo in the Bay of Bengal have attracted major Chinese operators to carve out a share of the significant gas and petroleum potential, and plans are being finalized for a petroleum pipeline linking south-western China to the Bengal coastline of Myanmar. The project, which is known as the Shwe Field project, comprises several large blocks, containing about 200 billion cubic metres of gas. This is a sharing project between Daewoo International and KOGAS (South Korea), GAIL and ONGC Videsh (India), and CNPC/PetroChina (China). According activist from Shwe Gas Movement, the revenue for the Burmese Regime from this project is up to 18 Billion US Dollars. China itself takes Shwe field as an important source for oil and gas, as Petro China signed a Memorandum of Understanding with Myanmar Oil and Gas Enterprise (MOGE) to buy gas from the Shwe fields for 30 years starting from 2009.

Box 2. CNPC, China's state own company and its engagement with Myanmar's Block Bagan

In November 2001, CNPC purchased the Bagan project, including Block IOR-3, TSF-2 and RSF-3, from TG World. In December 2001, CNPC entered into a contract with Myanmar's Ministry of Energy on Block IOR-4. CNPC currently has 100% holdings in these two projects.

Block Bangan in the southern part of the country is at the pilot experiment stage to increase the recovery factor, while Block IOR-4 in the centre of the country is at its exploration stage. In 2005, a high-yield gas flow was obtained from well PSC-1 during a production test in Block IOR-4.

On January 15, 2007, CNPC entered into a contract with Myanmar Oil and Gas Enterprise (MOGE) and acquired oil and gas exploration and exploitation licenses for three deep-water blocks -AD-1, AD-6 and AD-8. The three blocks are located in offshore Rakhine, covering an area of 10,000 square kilometres.
http://www.cnpc.com.cn/en/cnpcworldwide/myanmar/

All of these activities raise serious concern for the international civil society. The lack of transparency and available information on land acquisition, environmental impact and displacement caused by Chinese hydropower and mining projects as well as oil and gas explorations underscore the concerns of environmental and human rights groups. Chinese companies that operate abroad often do not conduct the required assessments that are standard for international operations. The other concern is the widely known habit of Chinese companies which pay little attention to the sustainability of Myanmar's environmental impact.

The other issue is raised by the uneven benefits that are distributed to the local people in the mining area**.** For the most part, large construction and infrastructure projects within Myanmar are carried out by bringing in thousands of labourers from China. Few benefits accrue to the local population. Occasionally, locals are employed as short-term workers, but they are warned not to report any information about project activities to others.

For the Burmese generals, the pipeline deal is more than just a massive cash cow; it has strategic value as well. While the military junta in Naypyidaw frequently faces condemnation and sanctions from the international community for its gross violations of human rights, the pipeline guarantees that Beijing will continue to protect Burma and veto calls for sanctions against the junta. (http://www.irrawaddy.org/opinion_story.php?art_id=18770&page=1)

The visit of Wen Jiao Bao provides strong signal of the countries interest toward Myanmar. Remembering the wide ranging interests of China to Myanmar, starting from energy to military and from security to economy, it is no wonder China will take any step that is deemed necessary to ensure an ongoing cooperation with Myanmar. Promoting transparency and human right protection, is none of them.

Appendix 1.

HYDROPOWER
1. Nam Hkam Hka Dam (5 MW)
2. Khaunglanphu Dam (1700 MW)
3. Phizaw Dam (1500 MW)
4. Lakin Dam (1400 MW)
5. Laiza Dam (1560 MW)
6. Pashe Dam (1600 MW)
7. Chibwe (Chibwi) Dam (2000 MW)
8. Chibwe Nge (Chibwi Nge) Dam (99 MW)
9. Myitsone Dam (3600 MW)
10. Ching Hkran Dam (2.52 MW)
11. Hopin Dam (1.126 MW)
12. Tarpein I Dam (240 MW)
13. Tarpein II Dam (168 MW)
14. Shweli I Dam (600 MW)
15. Shweli I Substation
16. Nam Myaw Dam (4 MW)
17. Shweli II Dam (460 MW)
18. Shweli III Dam (360 MW)
19. Upper Thanlwin/Kunlong Dam (2400 MW)
20. Kunlon Dam (0.5 MW)
21. Chinshwehaw Dam(0.2 MW)
22. Mepan (Meipan) Dam (1.26 MW)
23. Kunhein (Kunheng) Dam (0.15 MW)
24. Mongsan Substation
25. Kyaing Ton (Kengtung) Dam (0.48 MW)
26. Nam Wop Dam (3 MW)
27. Tasang Dam (7100 MW)
28. Kengtawng Dam (54 MW)
29. Zawgyi I Dam (18 MW)
30. Zawgyi II Dam (12 MW)
31. Kyaukme Dam (4 MW)
32. Watwon Dam (0.5 MW)
33. Yeywa Dam (790 MW)
34. Yeywa Substation
35. Dattawgyaing Dam
36. Belin Substation
37. Shwesaryan Substation
38. Thapanseik Dam (30 MW)
39. Zi Chaung Dam (1.26 MW)
40. Laiva Dam (0.96/0.6 MW)
41. Kyeeon Kyeewa Dam (75 MW)
42. Buywa Dam (60 MW)
43. Mone Creek Dam (75 MW)
44. Nancho Dam (40 MW)
45. Upper Paunglaung Dam (140 MW)
46. Paunglaung Dam (280 MW)
47. Thaukyegat I Dam (150 MW)
48. Thaukyegat II Dam (120 MW)
49. Kapaung Dam (30 MW)
50. Phyu Dam (20 MW)
51. Kun (Kunchaung) Dam (60 MW)
52. Yenwe Dam (25 MW)
53. Zaungtu Dam (20 MW)
54. Kyauk Naga Dam (75 MW)
55. Hat Gyi Dam (1200 MW)
56. Rangoon Dagon Substation

TRANSMISSION LINES
Belin-Meikhtila-Taungtwingyi-Monywa
Kengtawng
Myaungdagar-Hlaingthagar-Yekyi
Rangoon-Yegyi
Shweli I-Rangoon/Niyou River (China)
HYDROPOWER LOCATIONS UNKNOWN
Kyauk Dam (Pegu Division)
'Songpu' Dam* (7.5 MW)
'Piaoliang' Dam* (400 MW)

ONSHORE OIL AND NATURAL GAS
C-1 Block

C-2 Block
D Block
IOR-3 Block
IOR-4 Block
L Block
M Block
RSF-2 Block
RSF-3 Block
Natural Gas Pipeline
Oil Pipeline

OFFSHORE OIL AND NATURAL GAS
A-1 Block
A-3 Block
A-4 Block
AD-1 Block
AD-6 Block
AD-8 Block
M-2 Block
M-3 Block
M-4 Block
M-10 Block

MINING
Letpadaung Copper Deposit
Mount Popa Pozzolan Mine
Mwetaung Nickel Deposit
Namtu-Bawtwin Mineral Deposit
Tagaung Taung Nickel Deposit
Tigyit Coal Fired Power Plant and Mine