



# ORF ISSUE BRIEF

JANUARY 2014

ISSUE BRIEF # 68

## Myanmar and the Geopolitics of the Bay of Bengal

**K. Yhome**

### Introduction

As the world focuses on the rising tensions in the South and East China seas over maritime territorial disputes, there have been significant developments in nearby Asian waters. For a long time the Bay of Bengal has been a backwater. But this is changing. The opening up of Myanmar has added a new strategic value to the Bay. Isolated for decades, Myanmar is actively engaging the world's major players in redefining its geopolitical identity today. This has further encouraged naval exchanges, exploration of energy resources and development of connectivity infrastructure in a vital littoral of the Bay. Within this evolving context, this paper attempts to examine the implications of these changes on the geopolitics of the Bay and argues that Myanmar's balancing policy is in the long-term interest of the region.

Over the years, the interactions in the Bay have been moving towards cooperation as well as competition, driven largely by the recognition of the potential of mutual benefits on the one hand and necessitated by natural disasters on the other. These development and relief-oriented interactions in the Bay suggest a positive trend, though the level of cooperation remains much below its potential, as strategic suspicion among major powers including China and India hinders the prospect. Among other developments, four factors have been transforming the strategic and economic geography of the Bay of Bengal—the growing Chinese southward orientation; Myanmar's opening up; the rich natural resources, particularly oil and gas; and the increasing regional connectivity networks in and around the littorals of the Bay. Other emerging issues that are changing the perception of the Bay are the growing non-traditional security threats including environmental threats, piracy and terrorism.

Located in the northeast of the Indian Ocean between vital sea routes—the Malacca Straits and the Strait of Hormuz—the Bay of Bengal links the Indian and the Pacific Oceans. It also connects two

Observer Research Foundation is a public policy think-tank that aims to influence formulation of policies for building a strong and prosperous India. ORF pursues these goals by providing informed and productive inputs, in-depth research and stimulating discussions. The Foundation is supported in its mission by a cross-section of India's leading public figures, academics and business leaders.

important regions—South Asia and Southeast Asia—with India, Bangladesh and Sri Lanka forming its western littorals while Myanmar, Thailand, Malaysia and Indonesia form its eastern littorals. Given this geostrategic location in the Indo-Pacific region, the Bay is strategically vital for the major powers. In the recent past, Myanmar has been increasing its interactions with regional as well as extra-regional powers in naval activities, energy exploration, regionalism and connectivity.

### **New Naval Focus**

Of all the interactions, the supposed China-India maritime competition and their naval engagements with the littorals including Myanmar have dominated the discourse of the Bay of Bengal for the better part of the past two decades, marked by suspicion and speculation. Today, this is giving way to more transparent naval engagements in the Bay. Although China is not a littoral nation, its southward orientation and interests in the Indian Ocean has made it an emerging player in the Bay of Bengal. Several observers have examined China's Indian Ocean orientation through what has been dubbed the “string of pearls” theory. This framework of analysis viewed Myanmar, Bangladesh and Sri Lanka as forming “pearls” within the Chinese strategy. Beijing's position has been that its interests are in the security of the sea-lane given its huge dependence on it. Over the years, there is a growing recognition that economic interests drive China's southward orientation, though Beijing's political and strategic intentions are still debated. There is a view that India-China naval “rivalry” in the Bay is at a “nascent” stage.<sup>1</sup>

China has been strengthening naval cooperation with Myanmar over the years. It has in the past supplied weapons and military equipment including missiles, fighter planes, radar and warships and also trained Myanmar's air and naval officers.<sup>2</sup> Since Chinese warships started visiting ports in the Indian Ocean in the mid-1980s, unannounced calls at Myanmar ports were made occasionally.<sup>3</sup> The first-ever public visit of two Chinese warships to Myanmar's port took place in August 2010 as part of a multi-country tour. In August 2013, China's first naval hospital ship, *Peace Ark*, visited three littorals (Myanmar, India and Bangladesh) of the Bay of Bengal to provide medical services. According to the commander of the ship, the purpose of the visit was to strengthen mutual understanding, promote cooperation and friendship and to carry forward international humanitarianism.<sup>4</sup>

On the other hand, India has a robust relationship with the Myanmar Navy. Exchange of high-level naval officers has become an important part of the ties. During the Myanmar Navy chief's visit to India in July 2013, the two navies proposed “to further strengthen the navy-to-navy cooperation in operations, training and material support and take the existing relationship to another plane and promote capacity building and capability enhancement”.<sup>5</sup> In the backdrop of the decision to deepen defence cooperation between New Delhi and Nay Pyi Taw, Myanmar has sought Indian help in building offshore patrol vessels and supply of naval sensors and other military equipment.<sup>6</sup> For many years the Indian Navy has trained Myanmar naval officers in India and has provided military equipment including islander maritime patrol aircraft, naval gun-boats, electronic equipment and radar. In March 2013, the two navies conducted their first joint exercise in the Bay of Bengal. An

increasingly significant role of the regional navies has been seen in disaster relief operations in the Bay. In the aftermath of Cyclone Nargis that hit Myanmar in 2008, India and China along with Thailand and Bangladesh were the first to reach out with help. India sent two naval ships with relief material. Both India and China supplied emergency aid to Myanmar and sent medical teams to provide medical assistance and equipment.

As seaborne trade increases, threats to important sea lanes have also grown in recent years. Low-intensity threats and maritime criminal activities including piracy, terrorism, the smuggling of arms and narcotics and illegal immigrants are major security challenges in the Bay. The last decade has also witnessed growing naval exercises in the Bay of Bengal involving the littorals and extra-regional players. The multilateral Milan exercises focus on maritime terrorism, piracy, as well as humanitarian and search-and-rescue operations.<sup>7</sup> The Myanmar Navy has participated in these exercises hosted by the Indian Navy. Myanmar has also joined the Indian Ocean Naval Symposium (IONS)—the 35-member group involving all the Indian Ocean littorals—that aims to promote maritime cooperation among the navies of the Indian Ocean littorals. One of the key objectives of IONS is to work towards networking on humanitarian assistance and disaster relief (HADR) operations.

The American interest in the Bay has become more pronounced, particularly since its 'rebalancing' strategy in Asia. There is a view that the US should 'welcome' the expanded naval engagements in the region “as it is a vital part of building strategic trust among governments and maintaining regional stability”.<sup>8</sup> For several years, India and the US have been conducting the bilateral Malabar exercise in the Bay. The beginnings of US military engagement with the armed forces of Myanmar have been made with Myanmar participating in the annual Thai-US Cobra Gold exercise for the first time in 2013 as an observer. But there is a concern that as cooperative exercises between the Burmese and the US grow, this may “raise further Chinese fears of encirclement”.<sup>9</sup> As Myanmar re-engages the international community, the focus on the supposed competition between China and India in Myanmar has lost its sharpness with attention moving to Myanmar's improving relations with the West, particularly the US, and its implications for China and the region.<sup>10</sup> In recent times, Japanese and Russian warships have visited Myanmar's port on separate occasions.

The 1990s reports about Chinese bases in Myanmar's Coco Islands reflected the strategic suspicion that governed India's relations with Myanmar and China.<sup>11</sup> Such speculation has been put to rest after Myanmar assured that there was no Chinese base on its territory and allowed Indian naval officers to visit the islands. India's reading of Chinese naval engagements in the Indian Ocean has also been changing. For instance, commenting on the Chinese warships' visit to Myanmar, Indian strategist C. Raja Mohan noted that “India recognises that unlike the earlier speculation about Myanmar hosting Chinese military bases, the visit of PLAN's warships is an open move that is in tune with naval exchanges around the world.”<sup>12</sup> Referring to the Chinese-built ports in the littorals of the Bay of Bengal, Indian foreign affairs expert S. D. Muni observes that China's activity in the Bay of Bengal is “defensive” in nature.<sup>13</sup> Naval activities in the Bay of Bengal over the years show two significant trends, perhaps as a departure from the past. There is greater transparency in the naval

engagements and an increasing focus on common challenges including humanitarian assistance during natural disasters and countering non-traditional security threats. And Myanmar has increasingly been an active participant in these interactions.

### **Rich Hydrocarbon Reserves**

The other important field of interactions in the Bay of Bengal is in the energy sector. The Bay is bestowed with rich natural resources. The discovery of oil and natural gas in Myanmar's offshore blocks since the 1980s and subsequent findings have been redefining the importance of the Bay. The growing demand for energy in the region has triggered a rush to exploit the Bay's energy resources. Since the discoveries of natural gas reserves in the Martaban fields, Total of France and Chevron of the US and the Thai oil company PTT-EP have been involved in the Yadana project. A natural gas pipeline runs from the Yadana and Yetagun gas fields in the Gulf of Martaban to Ratchaburi near Bangkok, supplying natural gas worth \$2 billion per year, making Thailand the biggest import market in the energy sector; this may change as gas from the Myanmar Shwe Gas field flows to China. About 20 per cent of Thailand's electricity is dependent on Burmese natural gas. Since new discoveries of hydrocarbon in Myanmar's offshore Rakhine basin in the early 2000s, global oil and gas companies have been involved in the exploration and production of oil and gas with Myanmar.

Major regional state-owned corporations such as ONGC Videsh Ltd and GAIL of India, CNOOC and CNPC of China and the Thai oil company PTT-EP have participated in the exploration as well as construction of gas pipelines. In July 2013, the China-Myanmar gas pipeline started transporting gas from Myanmar's Rakhine coast in the Bay of Bengal to China's Yunnan capital Kunming. Along with the gas pipeline, the China-Myanmar oil pipeline, expected to be completed soon, will transport imported crude from West Asia and Africa to China. Myanmar has emerged as an important energy exporting nation, earning the much needed revenue for the country and meeting the growing energy demands of the regional economies.

Overlapping claims over some oil and gas blocks in disputed maritime boundary between Bangladesh and Myanmar have caused diplomatic and military tension in the past. There was speculation that the Bay may emerge as yet another centre of energy politics during the crisis between Myanmar and Bangladesh over maritime territorial disputes. However, the longstanding maritime boundary dispute was settled after the International Tribunal for the Law of the Sea gave its verdict in March 2012.<sup>14</sup> A dimension of the Bangladesh-Myanmar maritime boundary settlement that needs to be highlighted is the fact that the peaceful settlement of the dispute has been an important factor in allowing regional and extra-regional actors to play a role in the exploitation of natural resources and development of infrastructure in the Bay of Bengal. This is in complete contrast to the South and East China seas where maritime boundary disputes have become serious security flashpoints in recent years. The littorals of the Bay of Bengal have shown willingness to resolve their maritime disputes through international arbitration where bilateral solutions could not be reached. This was an important indication of respect for international law. The maritime boundary settlement is a model for resolving

overlapping claims for other littorals to adopt in resolving their maritime boundary disputes including the maritime boundary disputes between India and Bangladesh and between India and Sri Lanka. In fact, in October 2009, Bangladesh filed an arbitration case with India over the maritime boundary and the judgment is expected this year. India's willingness to accept international arbitration is completely opposed to China's approach to resolving maritime territorial disputes. If new discoveries are made in the basins of the Bay, regional countries could play a major role in the joint development of hydrocarbon for mutual benefits. In the first offering of offshore licensing since the country's reform process, India's Reliance Industries Ltd has participated in the bidding for three oil and gas blocks and ONGC Videsh Ltd for two.<sup>15</sup> While several global energy giants including Shell, Mitsui Oil Exploration Company, Chevron, ExxonMobil, Total, Petronas, PetroVietnam, PTTEP of Thailand, among others, took part in the bidding, no Chinese energy company participated in this round, perhaps reflecting China's rethink of the pattern of investments in Myanmar after it experienced growing protests against two of its major projects that has led to the suspension of the Chinese-funded mega Myitsone dam project in 2011. Even though settlement of the territorial disputes between Bangladesh and Myanmar have opened up new areas for exploration, new discoveries of oil and gas may lead to competition, and if not managed well, may become a source of conflict.

### **Connectivity Networks**

Myanmar lies at the crossroads of South, Southeast and East Asia. The geographic location makes it the bridge connecting important regions and countries of Asia. With a long coastline in the Bay of Bengal and having land boundaries with India, China, Thailand and Laos, the country serves as a vital connector in regionalism and connectivity in the region. A new dynamism of the Bay of Bengal in which Myanmar finds itself at the centre is the growth of sub-regional organisations, among and around the littorals of the bay, with the objectives of greater integration and connectivity. One sub-regional grouping that involves all the littorals is the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Established in 1997, the objective of BIMSTEC is to achieve a free trade area by 2017. Apart from BIMSTEC, several regional and sub-regional groupings involving the Bay's littorals with a similar objective of integrating the economies of the region have also been organised. The Bangladesh-China-India-Myanmar Forum (BCIM) involving three littorals and China, as well as the Mekong-Ganga Cooperation comprising the riparian countries of the Mekong and the Ganga, have been pursuing ambitious connectivity projects. The Mekong-India Industrial Corridor, the BCIM Economic Corridor, the India-Myanmar-Thailand Trilateral Highway are some of the connectivity projects being pushed by the sub-regional groupings. Together with these connectivity networks are the emerging infrastructural facilities in the coastal areas of the Bay of Bengal that are reshaping the economic future of the region.

India and China's involvement in the infrastructural developments in Myanmar are driven largely by their self-interests. One factor that drives India and China in Myanmar is the desire to develop their frontier regions. Getting access to the Bay of Bengal through Myanmar can open up India and China's landlocked regions to sea. For China, Myanmar serves as an outlet to reach the Bay of Bengal and

on to the Indian Ocean. Since the adoption of the “Go West” policy, the Chinese strategy has been to open up a sea-route for Chinese south-western provinces through Myanmar for the economic development of the region that has lagged behind the eastern provinces. Since New Delhi launched the “Look East” policy in the early 1990s with the objectives of reaching out strategically and economically to its eastern neighbours, the significance of the Bay of Bengal and Myanmar has been recognised. A domestic interest of New Delhi is to provide sea access to its landlocked North-east region. The Kaladan multi-modal transport and transit project being developed by India aims at linking its north-eastern region with the Bay of Bengal through Myanmar. India and ASEAN have also been pursuing the Delhi-Hanoi railway link that will connect India with Southeast Asia. On the other hand, Beijing has plans to build rail and road links between Yunnan and the Bay of Bengal through Myanmar.

Myanmar has big plans to develop coastal cities facing the Bay of Bengal. The on-going special economic zone (SEZ) projects in Kyaukphyu in Rakhine state, Thilawa near Yangon, and Dawei in Tanintharyi hold immense potential to become major logistics hubs in the Bay. Kyaukphyu is the place from where the China-Myanmar gas pipeline starts and the SEZ is situated on Yanbyae Island off the coast of Kyaukphyu, which also serves as the endpoint for a projected China-Myanmar railway line and where China has built the oil port import terminal. The Kyaukphyu Industrial Zone Project includes construction of a deep-sea port, a petrochemical industrial zone, rail-road complex, logistics centre, export processing industries, multi-purpose terminals and residential areas. In September 2013, the Myanmar government had called for international bidding for the development of the Kyaukphyu SEZ, though an MoU to develop the SEZ had been signed with Chinese and Japanese companies earlier.<sup>16</sup> This project will immensely help China in gaining sea access and connect it with India and ASEAN.<sup>17</sup> A few miles north of Kyaukphyu, India has offered US\$150 million for the development of an SEZ in Sittwe, the starting point of India's Kaladan transport transit project that will link the northeast region with the Bay of Bengal.<sup>18</sup>

Further south in the Bay of Bengal, Thai companies are building the ambitious Dawei SEZ project involving a deepwater port, industrial zone, and highway to connect it with Bangkok. The first phase of the contract is worth an estimated US\$8.6 billion, with the entire project estimated to be at least US\$58 billion.<sup>19</sup> The project will become the logistics hub between the Mekong-India Industrial Corridor and the western gateway of the Southern Economic Corridor. In 2012, Myanmar signed an MOU with Japan for joint development of the Thilawa SEZ. Since the existing capacity of the deep-sea port is inadequate for the longer term, there is a plan to develop an additional deep-sea port to serve the Thilawa SEZ. The Japanese trading houses Marubeni, Mitsubishi Corp and Sumitomo Corp are among the main backers of Thilawa, estimated to cost more than \$11 billion. The opening up of Myanmar has been attracting more players in the development of ports facilities in the country's coastal cities. The entry of other players may have reduced Myanmar's dependence on China for development of infrastructure in its coast, but it may be naive to assume that the setbacks to Chinese investments due to the internal changes in the Southeast Asian nation will form the norm in China-Myanmar economic ties.

Even though the regional integration process has been slow, there is lot of interest among the Bay of Bengal's littorals to re-connect their economies. It has been rightly observed that Myanmar's opening up can “liberate” Asia as it connects South Asia with Southeast and East Asia. The growing connectivity corridors and ports will transform the economic geography and further help regional integration and intraregional migration. These will increase interdependence and create common stakes among the countries.

## Conclusion

As the Bay of Bengal's strategic and economic value acquires new importance, accommodating the competing interests of major powers will be a critical challenge for the littorals. Myanmar's opening up has drawn in several players in the country having far-reaching implications on the geopolitics of the Bay of Bengal. India has been taking steps to take advantage of the emerging opportunities and to deal with the potential challenges. Even though the Bay is undergoing drastic changes, it is still a natural sphere of influence for India and New Delhi's concerns and interests in the Bay will to a great extent shape the evolving geopolitical dynamics of the Bay. Recognising the strategic importance of the Bay, New Delhi has been strengthening its naval build-up in the area. India set up the first tri-service command called the Andaman and Nicobar Command in 2007. The land and maritime connectivity networks through Myanmar being pushed by India as part of its Look East policy to reach out to Southeast Asia and beyond will form important strategic routes for New Delhi to promote and protect its interests in the East at a time when China has been deepening its ties with the Southeast Asian nations. Moreover, with the growing Chinese interests in the Bay of Bengal as it develop oil terminals in the coastal cities and pipelines to transport oil and gas from the Bay to its southern provinces, Chinese naval presence is bound to increase in the Bay to protect these economic assets in future. In the context of the strategic competition between the two countries and as China's naval capabilities grow; this may pose a strategic challenge for India though such a scenario looks remote in the immediate future. The time has perhaps come for the region to think of whether there is a need for a regional mechanism to deal with challenges that might threaten the security and stability of the Bay—whether from state or non-state actors.

In the short term, the focus will be on the changes in Myanmar and its impact on the geopolitics of the Bay of Bengal. As Myanmar assumes ASEAN chairmanship in 2014, the focus on the country's foreign policy orientation will come under further scrutiny. As chair of ASEAN, Nay Pyi Taw has an opportunity to demonstrate its “independent” foreign policy and provide a path for the country's future policy direction. Washington's growing ties with Nay Pyi Taw may further intensify the rivalry between China and the US in the Bay of Bengal as Beijing's fear of “containment” is unlikely to wane at a time when it is confronting the US in other Asian waters. Myanmar will continue to strengthen ties with the US and other western powers as it seeks to increase strategic options and new investments for economic development in its catch-up game with neighbours. Even so, the existing economic linkages and geographical proximity to India, China and ASEAN will make Myanmar play a balancing act with all the major players, a pre-requisite for prosperity, security and stability of the Bay of Bengal region.

Having said so, the balancing role of Myanmar is limited to the economic interactions. For the stability and security of the Bay, Myanmar's navy today cannot play the role of a stabiliser. As the preponderant regional naval power with proximity to the Bay, India's role in the stability and security of the Bay of Bengal will continue to remain the most important factor in the foreseeable future.

#### ABOUT THE AUTHOR

K. Yhome is a Fellow at Observer Research Foundation, New Delhi. He has published a book on Myanmar that examines its contemporary politics and foreign relations.

#### Endnotes:

1. Nilanthi Samaranyake, "The Long Littoral Project: Bay of Bengal: A Maritime Perspective on Indo-Pacific Security", CNA Analysis and Solutions, September 2012.
2. Li Chenyang and Lye Liang Fook, "China's Policies towards Myanmar: A Successful Model for Dealing with the Myanmar Issue", in Li Chenyang and Wilhelm Hofmeister (eds.) *Myanmar: Prospect for Change*, (Singapore: Select Publishing, 2010), p. 186.
3. John Garver, "China's increasingly assertive navalism", *China Research Center*, April 20, 2011, vol. 10, no. 1.
4. "Chinese naval hospital ship 'Peace Ark' leaves Myanmar", *People Daily*, September 4, 2013 at <http://english.peopledaily.com.cn/90786/8388317.html>
5. "Myanmar Navy Chief visits India," Indian Navy Release at <http://indiannavy.nic.in/print/1864>
6. "Myanmar Navy seeks arms from India", *The Indian Express*, July, 30, 2013 at <http://newindianexpress.com/nation/Myanmar-Navy-seeks-arms-from-India/2013/07/30/article1708731.ece>
7. "Navy to host 14-nation 'Milan' exercise from Feb 1", *The Times of India*, January 31, 2012 at [http://articles.timesofindia.indiatimes.com/2012-01-31/india/31008894\\_1\\_indian-navy-routes-and-energy-lifelines-maritime-terrorism](http://articles.timesofindia.indiatimes.com/2012-01-31/india/31008894_1_indian-navy-routes-and-energy-lifelines-maritime-terrorism)
8. Phuong Nguyen and Brittany Billingsley, "China's growing Military-to-Military Engagement with Thailand and Myanmar", September 12, 2013, CSIS Asia Policy Blog at <http://cogitasia.com/chinas-growing-military-to-military-engagement-with-thailand-and-myanmar/>. Also see John Blaxland, "Reflection on Thailand, Myanmar and the US pivot", *The Strategist*, Australian Strategic Policy Institute, at <http://www.aspistrategist.org.au/reflections-on-thailand-myanmar-and-the-us-pivot/>
9. Tim McLaughlin, "The Evolving Role of the Navy", *The Myanmar Times*, May 9, 2013.
10. David I. Steinberg, "Myanmar sits on the corner of an international triangle", *Global Times*, December 9, 2013 at <http://www.globaltimes.cn/content/831311.shtml#.UqcRiNIW2RM>
11. See Andrew Selth, "Chinese Military Bases in Burma: The Explosion of a Myth", *Regional Outlook Paper*, Griffith Asia Institute, No. 10, 2007.
12. C Raja Mohan, "In a first, Myanmar port hosts Chinese Navy ships", *The Indian Express*, August 31, 2010.
13. S. D Muni cited in "The Bay of Bengal: New Bay Dawning", *The Economist*, April 27, 2013 at <http://www.economist.com/news/asia/21576721-harbours-eastern-lobe-indian-ocean-could-transform-economic-geography-asia-new>
14. Jared Bissinger, "Bangladesh-Myanmar Maritime Border Fix Puts Bay of Bengal on Play", *Briefing*, World Politics Review, September 29, 2011.
15. "Reliance, OVL bid for oil blocks in Myanmar", *The Times of India*, December 1, 2013 at <http://timesofindia.indiatimes.com/business/india-business/Reliance-OVL-bid-for-oil-blocks-in-Myanmar/articleshow/26683729.cms>
16. William Boot, "Chinese and Indian Firms Tipped for Kyaukphyu SEZ Bidding Race", *The Irrawaddy*, September 12, 2013 at <http://www.irrawaddy.org/india/chinese-and-indian-firms-tipped-for-kyaukphyu-sez-bidding-race.html>
17. Nalin Viboonchart, "China in the lead", *The Bangkok Post*, May 20, 2013 <http://www.bangkokpost.com/print/350963/>
18. "India Offers US\$ 150 Million for SEZ in Sittwe", Press Information Bureau, Government of India, June 9, 2013 at <http://www.pib.nic.in/newsite/erelease.aspx?relid=96493>
19. Pavin Chachavalpongpan, "Thailand set to profit from Burma's new Dawei port project", *East Asia Forum*, February 24, 2012 at <http://www.eastasiaforum.org/2012/02/24/thailand-set-to-profit-from-burma-s-new-dawei-port-project/>



**Observer Research Foundation,**  
20, Rouse Avenue, New Delhi-110 002  
Phone: +91-11-43520020 Fax: +91-11-43520003  
[www.orfonline.org](http://www.orfonline.org) email: [orf@orfonline.org](mailto:orf@orfonline.org)