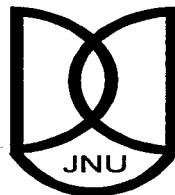


# **CONSTRUCTIVE ENGAGEMENT: A STUDY OF INDIA-MYANMAR RELATIONS**

*Dissertation submitted to Jawaharlal Nehru University  
in partial fulfillment of the requirement  
for the award of the Degree of*

**MASTER OF PHILOSOPHY**

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**DECLARATION**

I declare that the dissertation entitled “**CONSTRUCTIVE ENGAGEMENT: A STUDY OF INDIA-MYANMAR RELATIONS**”, submitted by me in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY** of this University is my own work and has not been previously submitted for any other degree of this or any other University.

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**CERTIFICATE**

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*Dedicated to*

*Dear Parents*

*&*

*Sisters*

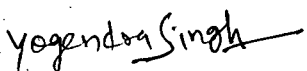
## **Acknowledgement**

In bringing an academically satisfying and fruitful conclusion to my research work I owe my humblest regards to many persons as well as reputed institutions. My heartfelt regards however is reserved none more than my supervisor Dr. Shankari Sundararaman who guided at every step and also at the same time enriched me as a person by her sound advice and learned experience. She introduced me to the challenging topic of Constructive Engagement: A Study of India- Myanmar Relations and made sure that I could justify my research work. I sincerely hope that her blessings are always with me.

Reputed institutions also helped me immensely in my humble pursuit, chief among them JNU Library, IDSA, and Institute of Peace and Conflict Studies. My sincere appreciation is also due to many individuals who had contributed in their respective capacities towards the smooth pursuit of my research work. Certain individuals stand out namely Rajesh Kapoor, Dev, Divya, Robertson, Jyoti and Anjani. Special mention is perhaps needed for Rajesh Kapoor for his brotherly guidance.

Once again I render my humblest regards to my supervisor and other faculty members of the center for South, Central, Southeast and Southwest Pacific studies for all the minute help they had provided.

Date: 4-01-08  
Place: New Delhi

  
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## **List of Abbreviations**

AFPFL	:	Anti Fascist Peoples Freedom League
AFTA	:	ASEAN Free Trade Agreement
APC	:	Armored Personnel Carriers
ARF	:	ASEAN Regional Forum
ASEAN	:	Association of Southeast Asian Nations
ASEM	:	Asia Europe Meeting
BIMSTEC	:	Bay of Bengal Initiative for Multi-sectoral Economic Cooperation
BRO	:	Border Road Organization
CNF	:	Chin National Front
DAB	:	Democratic Alliance of Burma
GAIL	:	Gas Authority of India Ltd
GOI	:	Government of India
IBRF	:	Indo-Burmese revolutionary Front
KIA	:	Kachin Independent Army
KIO	:	Kachin Independent Organization
KNU	:	Karen National Union
KYKL	:	Kanglei Yawol Kanna Lup
MAF	:	Myanmar Air Forces
MEA	:	Ministry of External Affairs
MGCI:	:	Mekang Ganga Cooperation Initiative
MOGE	:	Myanmar Oil and Gas Enterprise
MPE	:	Myanma Petrochemical Enterprise
MPPE	:	Myanma Petroleum Products Enterprise
NAM:	:	Non Aligned Movement
NCB	:	Narcotics Control Bureau

NDA	:	National Democratic Alliance
NNC	:	Naga Nation Council
NSCN (IM)	:	National Socialist Council of Nagaland Issaic and Muivah
NUPA	:	National Unity Party of Arakan
ONGC	:	Oil and Natural Gas Commission
PLA	:	People's Liberation Army
PLA (N)	:	Peoples Liberation Army Navy
PMC	:	Post Ministerial Conference
PTI	:	Press Trust of India
RAW	:	Research and Analysis Wing
SAARC	:	South Asian Assosiation for Regional Coperation
SIGINT	:	Signal Intelligence
SLOCs	:	Sea Line of Communications
SLORC	:	State Law and Order Restoration Council
SPDC	:	State Peace and Development Council
TAGP	:	Trans-ASEAN gas pipeline
ULFA	:	United Liberation Front of Asom
UNLF	:	United National Liberation Front
UNO	:	United Nations Organization



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## PREFACE

It has been seen in international political landscape that the more important actors of world politics say the US and EU have been dealing with the military rule in Myanmar in their own way of isolating and imposing sanctions on the grounds of human rights violations and suppression of democracy in Myanmar. But on the other hand ASEAN felt that it should deal with Myanmar in a different way and evolved the policy of Constructive Engagement, which in a way was more compatible with the ASEAN way of dealing with a country irrespective of the domestic conditions. Though ASEAN justified its policy of constructive engagement on the ground of its principle of non-interference but there were also some politico-strategic compulsions which pushed ASEAN to adopt such a policy. India also followed the ASEAN way of constructive engagement to deal with Myanmar, owing to its own strategic interests in Myanmar. However it has not been smooth sailing for India for the very reason that India being one of the largest democracies in the world had to churn out compatible policies with the brutal military rule of Myanmar. This study endeavors to find out the nature, scope, challenges and the outcome of India's constructive engagement with Myanmar over the years.

The first chapter outlines the background that sets the stage for analyzing the politico- strategic framework of "Constructive Engagement" in India-Myanmar relations. It will take into account the conceptual genesis of Constructive Engagement Policy. The chapter also briefly looks into the other various approaches different countries have adopted in their relations with Myanmar.

The second chapter examines the role of external factors which led India to opt for the policy of Constructive Engagement with Myanmar. Issues such as threat perception from growing Chinese influence in Myanmar and India's quest to integrate itself with the regional economies have been discussed as external strategic factors which motivated India to engage with Myanmar.

The third chapter takes into account the various strategic implications of India-Myanmar security cooperation for the common border areas. The role of mutual cooperation to tackle the emerging non traditional security threats on India-Myanmar borders are being assessed in the chapter.

The fourth chapter analyzes the economic aspects of India-Myanmar constructive engagement such as border trade and Myanmar's strategic significance as a Gateway between India's northeast and mainland Southeast Asia. It will also deal with issue of India's connectivity with Southeast Asian region through Myanmar and the potential of infrastructural development for the same.

The penultimate chapter draws a sketch on the complimentary nature of interests of India-Myanmar in the energy sector; this chapter makes an attempt to elucidate the evolution of cooperation between both countries in this area. It will also discuss the existing challenges before the India-Myanmar energy cooperation.

The study will conclude that the Constructive Engagement policy that India has adopted over the years is open to debate. And the conclusions that one will draw out of this engagement will rely on the perspective that one holds.

## **Chapter 1**

### **Introduction**

Outlining the various approaches, adopted by international community to deal with Myanmar, the chapter elucidates the conceptual genesis of “Constructive engagement Policy” as a diplomatic tool of ASEAN in this regard. Thereafter, the chapter lays out the frame work to analyze the role of Constructive Engagement in India Myanmar relations. It contains a brief account of all the relevant factors regarding Constructive Engagement in India Myanmar relations. All such factors would be discussed in detail in the following chapters.

#### **US’ Carrot and Stick Policy**

The US has been adopting a policy of isolating to junta in Myanmar which is characterized as a combination of “carrots” and “sticks” to deal with Myanmar since 1988. This policy includes the cutting off all bilateral and multilateral financial developmental assistance, a prohibition on arms sale and downgrading of diplomatic representation in Burma from an ambassador to a Charge’.

Besides Federal Government, state government of Massachusetts<sup>1</sup> including thirty cities barred government purchase from companies that were involved in doing business with Burma (Macarthy 2001). The US used sanctions as a policy instrument to force junta to open constructive dialogue with Aung San Suu Kyi for democratic transition and improve its human rights record. In accordance with this policy the US barred new investments in Burma in April 1997. However, the successes of these sanctions are debatable.

US government claims that “sanctions had affected Burmese economy adversely”. However, according to Brandon, sanctions have not been effective because they could not

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<sup>1</sup> The US Supreme Court found that a sanctions bill against Myanmar that the Massachusetts legislature had passed was unconstitutional because foreign policy was the prerogative of the federal government.

ensure to force junta to initiate political reforms. Ott, on the other hand, argues that isolating Burma merely reinforce the junta's instinctive xenophobia. Sanctions merely encourage the Myanmar to rely more heavily upon Chinese support and its own narcotics revenue (as cited in Macarthy 2001).

However, the US continued its policy of sanctions. The most severe sanctions were imposed on July 2003, following the Depayin incident<sup>2</sup>. These sanctions led to the reduction of all kinds of exports from Myanmar to the US and stopped all US banking transactions including credits cards and inter banking transfers through US banks and even imposed more travel restrictions on Myanmar citizens (Steinberg 2007). While passing the Burmese Freedom and Democracy Act in July 2003 the US has pursued immediate objectives as the release of Aung San Suu Kyi and all political prisoners, and progress towards a genuine dialogue on democratic political reforms.

In January 2005, at her senate confirmation hearing, the US Secretary of State Rice labeled Myanmar one of the several "outposts of tyranny". In November 2003, she also criticized Asian countries for not speaking against the Yangoon regime. In June 2005, Washington tried but failed to place Myanmar on the agenda of the UNSC. At the subsequent ASEAN PMC and ARF meetings US Deputy Secretary of State, Robert Zoellick referred to Myanmar as a "cancer" that could spread to the wider region (Haacke 2006). In January 2007, a US resolution in the UNSC, calling on Myanmar's military government to release all political prisoners, speed up progress towards democracy, and stop attack against ethnic minorities was vetoed by China along with the Russia. Thus, US policy of isolationism to deal with Myanmar could not produce the desired results due to the support of other major international actors to military junta.

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<sup>2</sup> It is believed to be a military government staged incident at Depayin in central Myanmar in which an unknown number of opposition individuals were killed and Aung San Suu Kyi herself was roughed up and taken in to custody.

## Limited Engagement Approach

This approach was adopted by the European Union and Japan to engage with Myanmar. This approach focuses upon fostering democracy as a by-product of encouraging economic development within Burma. Supporters of this approach argued that the government policies that promote economic development would encourage the growth of a “middle class” who will demand a voice in national and local policies and bring about democratic changes within (Macarthy 2001). In accordance with this approach, some European countries had objected to US sanctions over Myanmar in 1997, especially France for protecting the interests of TOTAL<sup>3</sup>. However the UK, the Netherlands, Germany and Scandinavian countries had threatened to impose their own sanctions in an attempt to force the SLORC to compromise with democratic forces. However, due to the lack of any substantial progress towards the objectives set by EU’s “Common Position” on Myanmar EU has tightened the political sanctions but Myanmar has secured EU assistance to address the country’s serious humanitarian situation.

In 2004, EU was Myanmar’s fourth largest trade partner. Existing investment remained unaffected by the EU’s “Common Position” although some European governments exerted pressure on companies to withdraw from Myanmar. (Haacke 2006). The EU “Common Position” which has been modified over times includes the exclusion of military personnel, after the expiration of their assignments from Myanmar in member states and European military attaches in Myanmar. It also includes an embargo on arms, munitions and related equipment and suspension of economic aid with the exception of humanitarian aid. The EU “Common Position” of October 25, 2004 specifically, allows aid for programs on health and education as well as poverty alleviation and the environment<sup>4</sup> (Haacke 2006).

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<sup>3</sup> A French company has been involved in Myanmar’s energy sector and a stakeholder in Yadana gas project.

<sup>4</sup> The European Commission Humanitarian Aid office (ECHO) has since 1994 regularly made available funds for vulnerable people, not only along the Thai-Myanmar border but also within Myanmar itself. From 2001 to 2004 ECHO tripled its annual aid to euro 19.4 million. In 2005 EU declared that it would expand financial assistance to euro 30-35 million to assist Myanmar in relevant areas.

Due to its close relation with Myanmar, Japan had provided about half of all economic assistance to Burma from independence to 1988 (Steinberg 2007). Though, Japan also suspended its Official Developmental Assistance (ODA) for Myanmar in the aftermath of 1988 military coup. However, there is a disagreement between Japan and the United States on a basic policy approach to deal with Myanmar because of their differences over the interpretations of humanitarian assistance.

To the US, such terminology is closely related to the basic human needs such as health, nutrition, education and agriculture. However, Japan, considering a wider conception of humanitarian needs, also takes into account the development of infrastructure projects such as building of the Beluchang hydroelectricity project and the development of the Yangoon airport (Steinberg 2007). This difference has never been resolved. EU also has started to adopt a more critical approach towards junta in Myanmar since the 15<sup>th</sup> ASEAN-EU Ministerial meeting in March 2005. This new approach has emphasized on a “constructive but at the same time critical,” direct dialogue with junta. Thus, it is referred as “Critical Engagement.” As a part of this Critical Engagement approach, European countries have used the ASEAN-EU and ASEM meetings to engage with Myanmar, but in a critical way (Haacke 2006).

### **ASEAN’s Constructive Engagement Policy**

Unlike the West and US, ASEAN put forward the policy of “Constructive Engagement” to deal with Myanmar which was culminated with the inclusion of Myanmar into ASEAN. Although, the term, “Constructive Engagement” is not the invention of ASEAN itself. It was first coined by the British and American to describe their relationship with South Africa under apartheid. According to Kay Moler (1998),

The Constructive engagement is not an ASEAN invention and has adherents in other parts of the world since the period immediately preceding the end of the cold war. The former West Germany termed its rapprochement with Iran between 1984 and 1997 a “Critical Dialogue” a term later borrowed by the EU when describing its relationship with Yangoon. Washington has been

trying since 1994 to “Comprehensively Engage” China. Taiwan launched what has been described as flexible or unofficial relations irrespective of their diplomatic links with Beijing. Nuances in terminology notwithstanding what are these approaches had in common was the belief (often encouraged by economic or diplomatic benefit) that peaceful change could be promoted in otherwise disreputable regimes by emphasizing economic or diplomatic benefit.

To explain the meaning of Constructive Engagement Ramses Amer (1999) argued that constructive engagement policy towards Burma did not serve the purpose of engaging a potentially threatening and assertive neighbor, as has been the case with ASEAN’s policy towards policy China.

The policy of Constructive Engagement towards Burma seems rather to be characterized by a desire to influence domestic developments in Burma in a positive direction through increased economic and political interaction, as well as through the integration of that country into the mainstream of regional co-operation in South-east Asia.

He further elaborates that ASEAN’s policy towards Burma has officially been termed Constructive Engagement but relations between ASEAN and Burma were not characterized by animosity and confrontation before the expansion of relations in the 1990s.

ASEAN’s Constructive Engagement policy towards Myanmar is based on its doctrine of non-intervention in the domestic affairs of a country. In theory, Myanmar was allowed to enter into ASEAN on the basis of this doctrine. Singapore’s Prime Minister Goh Chok Tong defended ASEAN’s decision to grant membership to Myanmar on the ground of organization’s principle of non-interference. He argued that we have always taken the position that internal situation of a country is that country’s concern. However, it was not the first time that ASEAN ignored the human rights record as and lack of democratic credentials as a standard to engage with a country. ASEAN had chosen not to address the genocidal acts of Pol Pot regime in Cambodia on similar grounds (Acharya 2003).



In case of Myanmar; it was the Thailand which first used the term “Constructive Engagement” (Steinburg, 2007). Due to their vested interests in Myanmar timber and gems trade the Thai General started to engage with Military Junta in Myanmar. While the West and Japan were imposing sanctions on Myanmar after the 1988, Thailand allowed to the Burmese military to use its territory during operations against the Karen minority’s armed resistance and admitted the Burmese refugees only to repatriate them (Moler 1998).

General Chavalit Yongchaiyut, Commander of the Thai Armed forces, was the SLORC’s first senior foreign visitor in 1988 he negotiated bountiful logging and fishing deal with the Burmese regime. In this manner, Thailand unilaterally started to engage the junta for the fulfillment of its commercial purposes. Thailand’s policy towards Myanmar had remained in the hands of Thai security authorities not the foreign Ministry until the advent of Chuan Leekpai government in Bangkok (Steinburg 2007).

In 1993 the new democratic government of Thailand was sympathetic towards the democratic struggle of Myanmar. Although it did not quit the Constructive Engagement policy but new Thai government was also sensitive over the issue of suppression of democratic activists and minorities in Myanmar thus it protested the border incursion by the Burmese army during operations against the armed resistance by ethnic minorities. It also permitted demonstrations for the release of Aung San Suu Kyi. Later on Thailand’s policy towards Myanmar inspired ASEAN to adopt the Constructive Engagement as a diplomatic tool to deal with Myanmar. Although, ASEAN’s first attempt to engage junta was failed when in 1992 then Foreign Secretary of Philippines Raul Manglapus made efforts to represent ASEAN on a visit to Rangoon but was rebuffed by Burmese junta (“Pariah No More” 1994: 27).

However, initially there were also intra-ASEAN differences over the issue of Myanmar. This is evident from the fact that in 1992 when Thai government suggested ASEAN members to invite Myanmar in the ASEAN’s Foreign Minister Meeting in

Manila as an observer state was rejected by some states. Indonesia, Malaysia, Brunei had objected because of Myanmar's treatment of its Muslim Rohingya<sup>5</sup> minority on the border of Bangladesh (Moler 1998). They argued that ASEAN foreign Ministerial Meetings are not the appropriate venue to start a dialogue with junta. Philippines favored to invite Junta because it would provide Myanmar opportunity to interact with the ASEAN and will support the vision of one Southeast Asia.

However, an Indonesian Foreign Ministry Official had given an explicit statement and expressed some positive view towards the ASEAN's expectation from Myanmar. "We are telling them (junta) very quietly in a Southeast Asian way without any fanfare, without any public statement; Look you are in trouble, let us help you .But you have to change, you can not continue like this" (Acharya 2003).

By the time of the ASEAN Foreign Ministers meeting in 1994 in Bangkok most of ASEAN member had convinced that Myanmar would be a promising market and became wary of China's growing influence over Myanmar. As a result ASEAN invited SLORC as a guest in this meeting. Indonesia particularly, was concerned about the Chinese activities in the Andaman Sea and about Thai unilateralism in its relations with Myanmar and China (Moler 1998). Malaysia also turned around from its previous stance because Malaysian businessmen have been quick to exploit opportunity in Myanmar in tourism sector and into the exploitation of primary resources.

Thus, due to existing lucrative investment opportunities in Myanmar Malaysia softened its previous stance and allowed contact with junta. Malaysian government said that it saw a lot of improvement in Myanmar and was encouraged by the situation. Singapore was also excited to engage junta because of the investment opportunities in Myanmar. A Singaporean diplomatic Official said that if businessmen are convinced about the political stability in Myanmar so we (ASEAN) should not hesitate to engage junta ("Pariah No More" 1994: 27).

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<sup>5</sup> Malaysia was critical to Rangoon's expulsion of 300000 Rohingyas in 1992.

Thereafter, Burma had been brought closer to ASEAN through a process of "Constructive Engagement". It acceded to the Treaty of Amity and Cooperation in 1995, became an ASEAN observer in 1996 and was granted full membership in 1997. However, Myanmar's integration with ASEAN was not a smooth process because of external resistance and continuing intra-ASEAN differences. Nevertheless, ASEAN managed the pressures from both sides and defined Myanmar's admission into ASEAN as a continuation of its Constructive Engagement policy which emphasizes economic cooperation and downplays political issues. ASEAN Officials also insisted that their decision to embrace junta had nothing to do with giving Rangoon a good housekeeping seal of approval (Leahey 1996).

Over the issue of granting full membership to Myanmar in 1997, there was no consensus among ASEAN. Indonesia and Vietnam supported the early inclusion of Myanmar in ASEAN. Singapore also supported however, it was little suspicious about the readiness of Myanmar to join ASEAN.

Thailand and Philippines were clearly not enthusiastic to provide Myanmar the member of ASEAN as early as in 1997 just one year after becoming the observer state. They were concerned about the internal condition of Myanmar and wanted to pressurize junta to change them. Philippines president was in the favor of delay and proposed to have achieved a consensus on this issue. He was in favor of gradual extension of membership to Myanmar. Thailand also argued to postpone the process of expansion for 2-3 years. Thailand's then Foreign Minister, Prachaub Chaiyasan stated that the country's internal politics is an important factor to consider (Acharya 2003).

It is believed that Thailand and Philippines were articulating the US concerns. Thailand's turn around to its previous stand could be understood by the statement of the Thai Prime Minister Chaovlit Yongchaiyut who had invented the Constructive Engagement in 1998. He wanted to tell Myanmar that the world has changed and it is the time to change with it (Moler 1998).

In contrast to Thailand and Philippines, it was the Malaysia which played a very active role to extend the ASEAN's membership to Myanmar. It is rumored that due to Mahathir Mohamad's pressure as a chairman of ASEAN despite military junta's poor human rights record was granted full membership while Cambodia's membership was postponed indefinitely due to Hun Sen's coup against the Prince Ranariddh, his co-Prime Minister in 1997 (Than 2005).

In 1996 when Myanmar was granted the observer status in ASEAN, Malaysia assumed the ASEAN presidency and Malaysian Prime minister Mahathir Mohamad unilaterally announced to pre-pone Burma's accession date from 2000 to 1997. For facilitating Myanmar's inclusion into ASEAN, Malaysian Foreign minister sent to Myanmar as a chairman of the ASEAN Standing Committee to Myanmar to caution Junta that its crackdown on pro-democracy activists' in 1996 could jeopardized its early membership (Moler 1998).

On evaluating the process of Myanmar's integration in to ASEAN it appears that it was not a smooth process due to some intra-ASEAN differences over this issue but at last, all the members agreed to extend membership to Myanmar. Although, theoretically ASEAN's Constructive Engagement policy is justified on the ASEAN's principle of non-intervention but there were also some strategic factors which forced ASEAN to put forward this policy. These factors could be illustrated under following points.

### ***The China Factor***

ASEAN's policy of Constructive Engagement was based on the consideration about the China's expansion into Burma by the way of unofficial interest free loans, arms aid and direct investment in business and infrastructure (Macarthy 2000). Emerging China-Myanmar nexus was seen by ASEAN as a destabilizing factor for regional security. Therefore, it went ahead towards constructive engagement with Military Junta to prevent it being a satellite state of China. Aderemi Isola Ajibewa (1998) put it as

Symbolically one of the reasons why ASEAN accepted Myanmar is to prevent Yangon becoming too dependent on Beijing with the end of the cold war, the Military withdrawal of US bases from Philippines and the disintegration of Soviet Union, the regional security lies much in the hand of China given China's presence in the region which is made possible through its close ties with Myanmar coupled with the former's assertiveness over Spratly Islands, the ASEAN leaders have to take a concerted effort to see to Myanmar's admission.

The issue of South China Sea was discussed in the ASEAN Regional Forum (ARF) meeting in Jakarta in 1996. In that meeting few ASEAN's leaders, during their conversations with reporters expressed their concerns about China's move to extend its maritime boundaries to include the neighboring parcel islands and accused China of basing its claim on laws applicable only to nations classified as archipelago. They said China is a continental nation and feared that if China is able to establish the validity of its parcels base line, it might extend the same principle to claim the Spratlys (Leahey 1996).

Ramses Amer identifies a correlation between the ASEAN's security concern from China and the speed with which Burma was integrated into ASEAN framework for regional co-operation. He argues that "Burma acceded to Bali treaty in 1996, was granted ASEAN observer status the same year and ASEAN membership in 1997". According to him this speed was different from the speed of the inclusion of the two Indo-China countries of Southeast Asia, Laos and Cambodia.

### ***Economic Rationale***

This new military regime under the leadership of SLORC adopted a new economic policy to transform the moribund Burmese economy from a planned socialist system to an open market economy. ASEAN leaders looked this development as an opportunity to invest and exploit the natural resources of Myanmar. Thus, an economic rationale behind ASEAN's policy of constructive engagement is also cited by some scholars. According to Ajibewa, Myanmar's inclusion in ASEAN will promote further economic development not only in Myanmar but also in the region. As he puts the significance of admission of Myanmar into ASEAN

By admitting Myanmar, opportunities to establish closer rapport between ASEAN members and Myanmar government can be enhanced. When these were accomplished, the realization and achievement for full implementation of AFTA will become smoother. Myanmar is rich in mineral resources such as petroleum, lead silver and tungsten. For instance manufacturing and snatching the economic opportunities in Myanmar by Singapore, Malaysia and Thailand are moving into high tech investing millions of dollars especially in building infrastructure. As the Myanmar regime seems to be practicing a more open policy in trade and business, thus enhancing more economic development activities. ASEAN through "Constructive engagement" might be able to influence the Myanmar government to follow the "ASEAN way" in a more acceptable manner in the eyes of the Myanmar citizen and international community. This would enable ASEAN to address the domestic problems in Myanmar which have under regional implications such as political instability in Myanmar creates a refugee problem for its neighboring states with inclusion of Myanmar.

Ramses Amer also cites an economic rationale for adopting the policy of constructive engagement. According to him, inclusion of Myanmar and Indo-China states was necessary to facilitate and create conducive conditions for an expanded ASEAN Free Trade Agreement (AFTA) which was agreed upon in 1992 (Amer 1999).

However, some ASEAN countries such as Singapore, Thailand, and Philippines were skeptical about the Myanmar's ability to pursue the financial obligation of the membership. Thus they support a step wise inclusion of Myanmar into ASEAN. However, Mya Than argued about the economic readiness of Myanmar to join ASEAN as

Myanmar met the financial obligation for the membership such as equally sharing the cost of running secretariat and subscribing the various ASEAN funds and covering costs for attending some 300 ASEAN meetings every year. It was also in a position to become the member of the AFTA. Because, Myanmar would have no problem to grant the Most Favored Nation (MFN) status to other member due to being a founder member of the WTO. Myanmar was prepared to national treatment to ASEAN products on a reciprocal basis. As one of its AFTA membership obligations, Myanmar has to bring down its tariffs to 0 to 5% by the year of 2008. Unlike the other new members, country has less problems since more than half its tariffs are already 5% or less. A tariff list presented by the ASEAN Economic Ministers Meetings in Kuala Lumpur in October

1997 confirmed this. This delegation said about 68% of products and services had a tariff rate of between 30% and 40% as the government was trying to discourage certain activities, which included gambling businesses, liquor, the export of antiques, imported cars and others. Of the 5400 tariff lines (in Myanmar's list for AFTA), about 2400 products are in the temporary exclusion list, 108 are in the general exception list and 21 in the sensitive list. Secretary General of ASEAN, Ajit Singh remarked that ASEAN could enter the AFTA member group even before its stipulated deadline of 2008.

### *ASEAN's Quest to Preserve Regional Autonomy*

It is believed that ASEAN's quest to evolve a Southeast Asian identity led it towards the integration of Myanmar into ASEAN. Acharya (2003), considers that US decision to impose sanctions against Myanmar was one factor that helped ASEAN to overcome intramural differences over Myanmar. He put it as

The US and West pressure made it impossible for ASEAN to delay Myanmar's admission, since that would imply caving in to US pressure and thereby compromise its goal of regional autonomy. It is clear that the US sanctions were meant to discourage ASEAN from granting membership to Myanmar. ASEAN policy of Constructive Engagement towards Myanmar and its decision to admit Myanmar into the organization was consistent with the ASEAN vision of One Southeast Asia, a regional community. The key aim of this policy was to reject interference by the outside powers, especially the western countries in Myanmar's internal affairs. Further, Constructive Engagement was also moulded in the belief that the possibility of regional implications stemming from the crisis in Myanmar was a Southeast Asian issue to be handled by the regional countries themselves. The Myanmar episode showed that ASEAN was very much cherished the attribute of a security community.

In order to pressurize ASEAN over the issue of Myanmar's membership, Nicholas Burns, the State Department spokesman told reporters on April 25, 1997 that "we are trying to use our influence to make the point that Myanmar should be given a stiff message that it is not welcomed". His words provoked a strong criticism from ASEAN prompting Washington to soften the wording of its opposition by admitting that membership was a matter for ASEAN to decide. According to Mr. Razak of the

Malaysian Strategic Research center that the attempt by US to pressure ASEAN got opposite result and ASEAN become resolved to unite.

EU also tried to pressurize ASEAN over the issue Myanmar before the 1996 ARF summit in Jakarta Manuel Marin, the Vice President of EU set the tone that Burma's membership could pose problems for EU's relationship with the body. However, EU itself came under pressure when Indonesian Foreign Minister Ali Alatas responded negatively and said that this is our organization not theirs. He went to the extent of saying that "It is impossible for ASEAN to apply criteria and condition for Myanmar's entry which have never been applicable for other members in the past" (Vatikiotis 1997). Some ASEAN members also questioned the EU's membership of ARF on the ground that all members of EU do not have stake in the regional security. Thereafter, during the ARF summit EU changed its tone over the issue of Myanmar's membership and an EU official said that relationship between ASEAN and EU is still developing and any issue should not be allowed to get in its way.

In this manner, ASEAN succeed to manage pressure from the West and US on the issue of Myanmar's membership. However, as time progressed, Myanmar's worsening domestic political conditions have created problems in ASEAN relations with its dialogue partners, which are very critical to Myanmar's military regime. Due to their pressure some voices within ASEAN for ensuring political stability in Myanmar, have been raised. Thus, it would be difficult to consider that Constructive Engagement policy has been strictly compatible with ASEAN's principle of noninterference because, a strict policy of non-interference means taking a neutral position towards Myanmar internal politics.

However, from time to time, ASEAN has compromised with its principle of noninterference in the domestic matters of member states. The member states have been trying to practice some measures to protect the ASEAN collective image and interests in Myanmar. As a result, in 1998, during ASEAN's ministerial meeting in Manila, the Philippines and Thailand had proposed a new model for ASEAN's dealing with Burma,



called “Flexible engagement”. Former Thai foreign minister Surin Pitsuwan called on members of ASEAN to adopt the concept of “Flexible Engagement” as a corporate policy. “Flexible engagement” was to allow ASEAN governments to publicly comment on the collectively discussed fellow members domestic policies when these would have cross border implications. (Haacke 2005).

According to McCarthy this proposal presented by the Philippines and Thailand indicated that both had bowed to the pressure of the US or IMF/World Bank to raise human rights issues with Burma. He also argues that perhaps Philippines was viewing China’s expansionist tendencies and her alliance with Burma, far more seriously than its ASEAN neighbors because of China’s seizure of the formerly Philippine-occupied Mischief Reef (Macarthy 2001). However, according to Jurgen Haacke the serious diplomatic disagreement between Myanmar and Thailand, along with Asian economic and financial crisis as two factors which created the background for this proposal (Haacke 2005).

However, the overwhelming majority of ASEAN countries rejected this proposal. But the recent developments reflect that despite having rejected the “Flexible engagement” proposal ASEAN members have informally agreed to allow a practical diplomacy vis-à-vis to Myanmar which is referred as “Enhanced Interaction”. As a compromise “ Enhanced interaction” de facto condoned efforts of individual ASEAN leaders to take their colleagues to task on matters heretofore perceived as “domestic affairs” if the issue at hand had cross-boundary implications, while still ruling out the legitimacy of such endeavors being undertaken under ASEAN’s auspices (Haacke 2005).

Negating the argument that Enhanced Interaction vis-à-vis Myanmar is a symbol of abandoning the ASEAN’S principal of non interference, Singapore the then foreign minister S. Jayakumar puts it as-

I would not view this as interference in the internal affairs because the principle of non-interference continues to be a principle- not only for ASEAN, I mean it is a principle of international law and is in the

United Nations charter. But what happened here was that ASEAN has developed to a point where we feel comfortable talking about each other concern on a matter which might have taken place in one of our countries (as quoted in, Haacke 2005: 197).

However, ASEAN's diplomacy towards Myanmar is best reflected from its approach over the question of Myanmar's chairmanship of ASEAN in 2006-07 despite of pressure from the US and the West, ASEAN governments did not publicly call on Myanmar to surrender the chairmanship and left the decision to chair ASEAN in 2006-07 up to Myanmar.

### ✓ **Constructive Engagement in India-Myanmar Relations**

Political developments in Myanmar in 1988 and SLORC's refutation to transfer political power to NLD, led India to strongly criticize Myanmar. However, in the beginning of 1993, due to existing ground realities India decided to avoid criticizing Myanmar and adopting ASEAN pattern of Constructive Engagement to deal with Myanmar. To analyze the Constructive Engagement policy of India towards Myanmar it is imperative to cite an overview of India-Myanmar relationship.

#### ✓ *An Overview of India- Myanmar relations*

Four phases can be identified in the evolution of the post-independence India Myanmar relations, that is from 1948-1962; 1962-1988; 1988-1992 and 1992 to the present. During the first phase from 1948-1962 Myanmar witnessed the democratic government under the leadership of U Nu, of the Anti Fascist peoples Freedom League (AFPFL). The first phase was marked by a close personal relationship at the political level and a shared vision about international affairs between India and Burma. According to Uma Shanker Singh (1979) main characteristics of Burma's policy towards India were as follows-

- To seek help from India to reconstruct its war devastating economy

- To control Indian immigration and solve the issues of Indian immigrants in Burma in accordance with its policy of socialist pattern of economy
- To suppress the ethnic insurgency in the peripheral areas of Burma, coordination with India was very necessary.
- Burma was also looking for Indian diplomatic support in international and regional fora such as UN

Subhir Bhoumik adds another factor in this regard. According to him India along with Myanmar has also posed a threat from communist China. However, India was not in favor of any military pact against China despite the willingness of Burma therefore Nehru opposed U Nu's proposal that India Pakistan and Sri Lanka (Colombo powers) should enter into a pact with Burma for mutual aid or defense in case of aggression or of encroachment on their sovereignty (Boquerat 2001). The landmark achievement in India Burma relationship in this period was the signing the Treaty of Peace and Friendship in July 1951. The treaty emphasized the desire of the both governments to strengthen and develop many ties that have bound the two countries (Chowdhary 2004)

#### ✓ *India- Myanmar Relations- (1962-1988): Era of Isolation and Strained Relationship*

The second phase in India-Burma relations started with the arrival of General Ne Win in 1962 and continued for almost twenty years with the bilateral relationship becoming distant and strained (Bhaskar 2001).

According to J N Dixit (2001)

A perceptible shift in the India-Myanmar ties was discerned following the seizure of power through a coup d 'etat' in March 1962 by General Ne Win who presided over the military dictatorship up until 1988 when he stepped down. Ne Win government's utter disregarding for democratic institutions, assiduous pursuit of the policy of isolation from rest of world , withdrawal from premier international forums such as the UNO, the British commonwealth and the NAM prodded India into maintaining a low profile relationship with Yangoon, which otherwise should have been multifaceted and substantial.

The ousting of U Nu, as a friendly democratic leader and establishment of Tatmadaw (the military rule) in Burma was a setback for India. Despite of being critical of undemocratic rule, India extended recognition to the new regime because the presence of a hostile regime in the neighborhood was not in favor of India. However, the warmth of the 1950's was absent in India- Burma relations during this period.

However, Burma could not also become a close ally of China due to China's support to the communist party of Burma. Burma-China relations also deteriorated to the lowest point when anti -Chinese riots have taken place in Myanmar in 1967 (Bhaskar 2001). Beijing appreciated the strategic location of Myanmar and from an early period targeted it as an area through which it could influence the wider region. As a consequence, support to communist party of Burma was the central element of China's policy towards Myanmar during 1960s and 1970s (Banerjee 1996).

As a result, Burma realized slowly that being a buffer state between two Asian giants it was not possible for Burma to take side. Therefore, during Ne Win's period although relations between India and Burma was not dynamic but was cordial on the whole.

#### *India- Myanmar Relations (1989-1992)*

India had started making its efforts to rapprochement with Myanmar during 1987. In order to melting the ice from the bilateral relations which had been frosty since the 1962 military takeover, Indian Prime Minister Rajiv Gandhi paid a visit to Myanmar in 1987 (Pakem 1992). Discussions regarding security issue were high on his agenda. The other reason that prompted India to engage with Myanmar was growing Sino-Myanmar relationship during the Deng Xiao Ping period when India remained estranged from Myanmar.

However India's efforts to rapprochement with Burma suffered a set back in 1988 when happenings in Myanmar escorted India to criticize Burma's military rulers. On a august 8, 1988, hundreds of the demonstrators who were protesting for freedom and

democracy, were killed and imprisoned by the military rulers. Thereafter the Tatmadaw headed by General Saw Maung took over power under martial law and redesigned itself as State Law and Order Restoration Council (SLORC) and Burma was renamed as Myanmar.

Furthermore, New Delhi offered refuge to anti-SLROC dissidents and openly sided with democracy activists. Burmese army chief and vice chairman of the ruling State Law and Order Restoration Council (SLORC) Than Shwe, in a secret circular dated February 2, 1991 described India as a country, which interferes in Burma's internal affairs".

However, Subhir Bhoumik(2006) raises an interesting point that India's support to pro- democracy movement in Myanmar was not only motivated by the idealist desire to help to depose a repressive military dictatorship but also provoked by a realist desire to change a military regime which was under the Chinese influence. Thus, India was fuelling a pro-democracy movement at that time. He put it as:

India was not only cultivating the pro democracy opposition led by Daw Aung Sang Suu Kyi, but was also forging covert ties with the Democratic Alliance of Burma (DAB). India's external intelligence outfit Research and Analysis Wing (RAW) forged particularly close ties with the Kachin Independent Organization (KIO) and even supplied the rebels with a lot of weapons and ammunitions from an Indian army base at Vijaynagar just before the Burmese army launched a massive offensive against the KIO held areas. The KIO was allowed to maintain a liaison office in Delhi and a particularly trusted confidante of the KIO chief Maran Brangsein was sent to Delhi to liaise with the Research and Analysis Wing (RAW) (Bhoumik 2006).

However, he also accepts that India's support to KIO was very limited in comparison to India's support to Shanti Bahini rebels in Bangladesh. Thus India's support to pro democracy movement in Myanmar could not be considered as a realist dimension of India's policy towards Myanmar.

### *India-Myanmar: Constructive Engagement*

Moving apart from idealism India's Myanmar Policy took a realist turn around during 1992-93 and followed the ASEAN model of Constructive Engagement vis a vis Myanmar. India Myanmar policy started to shift gradually in 1992 when India reviewed its relationship with its neighbors as a part of its post cold war review and embarked upon a Look East Policy (Bhaskar 2001).

India first time demonstrated its policy of Constructive Engagement towards junta during the 1992 NAM Summit in Jakarta when it did not oppose the re-admission of Myanmar into NAM. However, India had already given signal of its changing policy towards Myanmar when in 1991 it stopped the broad-casting of the anti-junta programs from the All India Radio (AIR) Burmese service. (Dixit JN 1996). By 1993 India had begun to engage constructively with Myanmar. Following factors were responsible for this shift in India's policy. This policy of Constructive Engagement was propelled by the following factors.

- The theory of possible Chinese encirclement of India through Myanmar, Bangladesh and Pakistan was one of the most important factors that forced India to adopt a policy of Constructive Engagement with Myanmar. As a consequence, it was not possible for India to leave the field open for China in Myanmar.
- To counter the emerging security issues relating to insurgency in Northeast region of India, coordination with Myanmar was essential.
- To take the advantage of Southeast Asia's booming economy, India launched the Look East Policy in 1991. Myanmar is the only Southeast Asian country which shares a border with India and is seen as a "Road-link to ASEAN" by Indian policy makers.

Apart from these factors ASEAN's own policy of Constructive Engagement to deal with Myanmar was another significant factor which motivated India to follow the path of Constructive Engagement in its foreign policy orientation toward Myanmar (Singh, Udai Bhanu 2006).

As a combined result of the above mentioned factors India took some initiative to constructively engage with Myanmar and changed its previous stance which advocated the radical isolation of Myanmar. Hence, to initiate a Constructive Dialogue, the then Foreign Secretary of India, J. N. Dixit paid a landmark visit to Myanmar in 1993 just about a month after the official visit of the Chinese Foreign Affairs Minister, Qian Qichen to Myanmar. The visit was a preliminary indication of India's new policy towards Myanmar that it was ready to engage with the existing regime in Myanmar (Egreteau, Renaud 2003)

However, India's decision to honor Aung San Suu Kyi with the India's prestigious Jawaharlal Nehru award for international understanding reflected that India's Myanmar policy was still facing a dilemma between idealism and realism Myanmar. Not unexpectedly the military junta in Yangon, promptly responded by withdrawing from the "Golden Bird" operation, a joint military exercise targeting insurgent groups having bases in the northeastern part of India (Bhaskar 2001).

Myanmar's reaction generated the pressure over India consequently with in a year India's foreign affairs minister Pranab Mukherjee openly accepted that Myanmar's movement for democracy an internal matter (Haacke 2006). In August 1998, India indirectly confirmed its new policy towards the Burmese junta when Europe, the US and some ASEAN countries strongly protested against the infringement on Aung San Suu Kyi's freedom but India remained silent by refusing to offer its support publicly to Aung San Suu Kyi (Egreteau 2003).

In 2001, during the visit of the then Indian External Affairs Minister, Jaswant Singh to Myanmar, India clearly indicated that it is ready to foster close links with Myanmar (Yahya 2003). His visit was concluded with the signing of a treaty to combat cross border drug trafficking and separatist insurgencies. It also has boosted the trade and economic links between India and Myanmar. Both have agreed to open four border check points. India also assured Myanmar to develop its infrastructure especially ports.

Thereafter, on the invitation of Maung Aye, Vice, Chairman of SPDC, India's Vice President paid a goodwill visit to Myanmar in 2003. However, it was more than a goodwill visit; it was a part of India's policy to offer Myanmar a counterweight of China. (James 2004). His visit was reciprocated by the visit of Than Shwe, the Chairman of SPDC to India. His visit, shortly after the departure of the Prime Minister Khin Nyunt, a pro Chinese member of SPDC, had assumed a special significance for India. During his visit, Than Shwe reassured India to check Cross border terrorism, drug trafficking and arms smuggling (Joint Statement issued on the occasion of the State Visit of the HE Senior General Than Shwe, Chairman of the Union of the Myanmar to India on 25-29 October 2004).

Indian President APJ Abdul Kalam paid a return visit to Myanmar in March 2006, the first ever visit to Myanmar by an Indian head of state (India-Myanmar Relations, Country Brief, prepared by the embassy of India in Myanmar, MEA, GOI). Taking bilateral cooperation to a new horizon, during his visit, India and Myanmar signed three agreements in Petroleum, Space and Education sectors. India also announced a total of US\$ 34.5 million credit and financial assistance to Myanmar for the purchase of heavy duty water pumps, development of a multimodal transport project upgrading remote sensing ground receiving station in Yangon (UNI, March 9, 2006).

His visit concluded the signing of an India Myanmar bilateral agreement on visa exemption for official and diplomatic passports and a MoU between the Myanmar Ministry of Education and the Indian Ministry of Human Resources Development to increase the numbers of scholarships provided by India to enable Myanmar students and teachers to gain the qualification needed to assist the country in its development. During this visit the former Indian Vice President made available to Myanmar a US\$ 57 million line of credit for Assistance in upgrading the Yangon-Mandley road as which will enhance the countries efforts in economic developments, as well as planning further development of the India Myanmar Thailand highway.

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These high level bilateral agreements concluded during these visits indicate that India-Myanmar cooperation is growing in to various areas. Recently after the verification of some world class natural gas reserves in Myanmar, energy also has emerged as another factor that motivates India to establish closer ties with Myanmar.

In terms of the oil reserves Myanmar is not so attractive option for India as the Gulf and Central Asia. However, its geographical proximity is an additional advantage that makes Myanmar's energy sources significant for India (Muni 2005). However, India is facing a difficult competition from China in its efforts to tap the energy potential of Myanmar. India's energy diplomacy faced a major blow in Myanmar when it refused to export gas to India and instead cleared its intentions that it would lay a pipeline to China to sell natural gas found in A-1 and A-3 blocks of its offshore area (PTI News, March 22, 2007). An assessment of progress of India-Myanmar cooperation in various relevant areas after the implementation of Constructive Engagement policy will be discussed in detail in the following Chapters.

## **Chapter 2**

### **India's Constructive Engagement Policy: Role of External Factors**

#### **Introduction**

In order to study the Constructive Engagement in India-Myanmar relationship it is imperative to understand the circumstances in which India adopted the diplomatic model of Constructive Engagement vis-à-vis Myanmar. This chapter deals with external circumstances and strategic environment which motivated India to decide on this policy. Two main factors are taken into account while analyzing India's policy in this regard. First, the role of China and second, the role of existing strategic regional environment.

#### **The China Factor**

To elucidate the neorealist theory of international politics Joseph Grieco argues that states are interested not only increasing their influence (absolute gain) but they are also concerned with how much power and influence (relative gain) a rival state might achieve (Lamy 2005). In designing its foreign policy agenda towards Myanmar India also takes into account Chinese relative gains in Myanmar along with its own absolute gain. Therefore, the China factor always has been a key factor in India's policy towards Myanmar.

India's concern over the growing Chinese influence in Myanmar was also shared by the ASEAN. After the withdrawal of the US and USSR from the Southeast Asia at the end of cold war, ASEAN perceived China as a future hegemonic power in the region. China also had exposed its hegemonic aspirations in 1979 during the clashes with Vietnam and again in 1988 over the issue of Spratly islands. China intensified the level of ASEAN's concerns by passing the "Territorial Waters Act" in February 1992, claiming the entire South China Sea (Singh 1995). Against this backdrop, Chinese growing influence over Myanmar was seen by ASEAN as a threat to regional security and stability. Concern over the growing Chinese influence was one of the important factors

which push forward the ASEAN to extend its membership to Myanmar in 1997 (Batabyal 2006).

India's policy of Constructive Engagement towards Myanmar was also influenced in a great extent by the relative gains that China has made by developing its own ties with Myanmar. Gilles Boquerat (2001) traces the evolution of Sino-Burma honeymoon after the end of the Maoist era in China as follows-

With the end of the Maoist era, Sino-Burma relations started to improve especially after Ne Win's visit to China in April 1977, followed by a visit to Rangoon by Deng Xio Ping in January 1978. While Beijing distanced itself gradually from the Burmese Communist Party, Rangoon, largely shared China's stand on the Kampuchean issue-before and after the Vietnamese invasion (Ne Win had been in, December 1977, the first foreign Head of States, to visit Phnom Penh after the Khmer Rouge take-over). In a move which could obviously please China, Burma withdrew from NAM in September 1979 as it was perceived as tilting in the favor of the Soviet Union. As a fallout relations with India were less than cordial since New Delhi was seen as playing Moscow's game on the Vietnam invasion of Cambodia and on the Soviet intervention in Afghanistan.

The foundation of rapprochement in Sino-Myanmar relations had been laid in 1978 after the arrival of Deng Xio Ping but the relations between both countries could not be developed in a cordial manner prior to 1988 because China's continued its support to the ethnic insurgents and Communist Party of Burma. However, after 1988 both came closer to each other because of facing a degree of global isolation. The 1988 suppression of pro democracy activists in Burma and 1989 Tiananmen massacres led both autocratic regimes close to each other (Bhaumik 2006).

It is assumed by several scholars that India's U turn from its previous policy of isolating Military junta in Myanmar was motivated to a great extent by growing Sino-Myanmar nexus India. Apprehensions regarding growing Myanmar-China ties forced India to start dialogue with Military junta (Batabyal 2006).

Growing China-Myanmar relationship and its linkages with some strategic developments in the regional security environment were perceived by India as potential threat to its security. These developments could be illustrated as

***Theory of Encirclement of India by China through pro-Chinese regime in Pakistan, Bangladesh and Myanmar***

After the 1962 India-China conflict Pakistan and China started to coming closer and during the years of 1990's China also attempted to take the Myanmar and Bangladesh in its embrace. China's strategy to maintain strategic network of relations with Myanmar, Pakistan and Bangladesh especially, in the field of military, was seen as a possible encirclement of India, by China (Egreteau 2003).

Tatmadaw in Myanmar robustly sought to acquire not only small arms and ammunition but also major armaments from abroad for strengthening its army to tackle the insurgency problems despite a western embargo. The most significant move was the 1990 deal with China involving weapons and military equipments worth an estimated value of US\$ 1.2 billion (Than 2003). Myanmar signed a second defense contract in November 1994 with China worth \$400 million for the supply of helicopters, armored vehicles, field guns, assault rifles and patrol boats. China was also agreed in principle to consider the Myanmar's requests for seeking Chinese assistance in military technology in order to produce its own weapons to strengthen its defense base (Udai Bhanu Singh 1995).

The improvement in military capabilities of Myanmar is evident from the fact that the strength of Burma's armed forces had been increased from 186000 in 1988 to around 300000 in 1992. It was also expected to rise to half million by 1995 next only to India and Pakistan (Stobdon 1993). SD Muni (2002) evaluates the nature of China-Myanmar military cooperation as

The weapons were not supplied by china as grants but as purchase. In fact, Myanmar was not even offered "friendship price" which China to offers fellow communist countries, as has been done by the former Soviet

Union. But to show its friendship, China gave soft and unspecified loans to Myanmar, and accepted barter arrangements for payments as well as for the servicing of loans. The arrangement of payment through commodities that included rice, timber and precious stones were built into the agreements for the supply of weapons. The quality of weapons supplied by China is not the best that the Myanmar is fore would prefer to have but sale deals have continued because of price and availability. There have been many cases of Armoured Personnel Carriers (APC's) breaking down on the rugged terrain of Myanmar's mountainous region in the north and the east. Chengdu F-7 Fighters have also crashed on many occasions. There have been reports that the Chinese were upgrading the F-7M and also further developing the J-7FS at an enhanced cost of US\$ 7-8 million to be marketed first into countries like Myanmar and Sri-Lanka. Besides the supply of arms, China has also offered training to Myanmar soldiers and officers. With the introduction of Chinese weapons system into Myanmar Armed Forces, such training has become essential. This started in 1990 with the arrival of the first installment of Chinese weapons to Myanmar. Subsequently, under a five point agreement of cooperation signed in 1996, 300 Myanmar air force and naval officers were to be trained in signal and intelligence duties as well as in the handling of fighters, naval communication and other equipments. Myanmar officers regularly went to China's staff colleges and military academics including the National Defense University, for training and refresher courses. There have also been instances of Chinese technicians and military officers being posted to Myanmar for training and for installing, operating and maintaining radar and surveillance equipments, particularly in the coastal areas and on islands. China and Myanmar also share intelligence and defense related information, not only on the border areas for controlling drug related and other crimes but on the activities on Myanmar's sea front in the Bay of Bengal.

To facilitate the weapons trade to Myanmar a bridge, called Gun-Bridge was constructed over the Shweli River on the Sino-Burmese border in 1992 with the help of China. Since 1 January 1993 trucks laden with arms and ammunition started to move through the Chinese border town of Ruili and across the Shweli in to Myanmar. According to Bertil Linter (1993) the deliveries included light infantry weapons, 40 mm rocket launchers, 82 mm and 122 mm mortars, 57 mm and 75 mm recoilless rifles, several 130 mm multiple rocket launchers and spare parts for more than 100 Armored Personnel Carriers.

Apart from, developing close military ties with Myanmar, China also strengthened its strategic position against India by facilitating the military relations

between Myanmar and Pakistan (Muni 2002).Pakistan was also intended to move closer to Myanmar for taking a strategic edge over India. As a result, it established close ties with Myanmar especially, in the military field by offering military supplies and training to Myanmar's military personnel (Chetty 2005).

Military cooperation between these Myanmar and Pakistan started growing considerably from January 1989 when a senior official from Pakistan's government arms industry reportedly visited Yangon and two months later Myanmar Air Force (MAF) Commander-in-Chief Major General Tin Tun, made a visit to Pakistan. An agreement was signed between them to sell 150 machine guns, 50,000 rounds of ammunition and 5,000 120mm mortar bombs to the SLORC (Bertil 2000).

It is also believed that Pakistan provided Myanmar its new 106mm M-40A-1 recoilless rifles. Pakistan also provided SLORC a collection of mortars, rocket launchers, assault rifles and ammunition valued at about US\$20 million during 1990's. Some of these weapons were made in China and Eastern Europe. Arms trade to the Myanmar were closed down during the period of Prime Minister Benazir Bhutto, but were restarted after the 1990 elections by Nawaz Sharif. Thereafter, establishment of military rule in Pakistan helped to enhanced close relations between two countries in the field of military cooperation. In June 1998, China decided to finance a \$20 million sale of seven Karakorum-8 jet trainers (K-8) to Myanmar. Pakistan was also involved in this deal because the K-8 is manufactured in China and Pakistan's Aeronautical Complex has a 25% share in it. These aircrafts increased MAF's capacity. K-8 could also be configured for ground attack like Myanmar's G-4 Super Galeb jet trainers (grounded due to a lack of spare parts) (Ashton 2000).

William Ashton (2000) provides details about the Myanmar Pakistan military cooperation as

Pakistan seems also to have provided Myanmar with a wide range of military training. Pakistan had helped members of the Tatmadaw learn to operate and maintain Chinese weapon systems and items of equipment also held in Pakistan's inventory. For example, it was rumored that the

Pakistan Air Force (which also operates F-7s and A-5s) was helping its Myanmar counterpart get to grips with its new Chinese fighter aircraft. The Pakistan Army reportedly passed on advice to the Myanmar Army about its Type-69, Type-63 and Type-59 tanks, and its Chinese-sourced artillery. There were also reports that Pakistan Army instructors were based in Myanmar for a period to help train Myanmar Special Forces and airborne personnel. While these reports remain unconfirmed, they are given greater credence as a number of Myanmar Army officers are currently in Pakistan undergoing artillery and armour training, and attending Pakistan's Staff Colleges. The MAF and Myanmar Navy also have officers undergoing training in Pakistan. It is possible that Pakistani military personnel have also been sent to Myanmar to help the Tatmadaw learn to operate and maintain its new K-8 jet trainers, and possibly even the 155mm artillery pieces that the SPDC acquired from Israel.

Moreover, Military relationship between China and Bangladesh also started growing. China was Bangladesh's first military partner. Renaud Egreteau (2003) explains the logic of Bangladesh's interest to develop relations with China as

Bangladesh despite the support of Indira Gandhi at the time of its independence in 1971 (against Pakistan) had always declared itself closer to the China than to the India. Lying next to much bigger neighbor particularly surrounded by Indian territory with a small strips of territory that opens out into Myanmar, Bangladesh quickly sought Chinese assistance against its Indian neighbor in a realist counter weight game. Thus Indian security management system was in peril due to presence of such hostile states in its neighborhood.

### ***China's strategy to Access the Indian Ocean***

China's attempts to increase its influence in the Indian Ocean, was the another major factor, which drew India's attention to Myanmar. The Indian Ocean's security is a vital component of India's security management system because a substantial part of India's trade and energy supplies pass through this region. Thus the Chinese plans to expend its influence in to the Indian Ocean, is seen as a source of concern by Indian policy makers. A General of the Chinese academy of Military sciences said that Chinese Navy is extending its naval operations into Indian Ocean in order to prevent the Indian Ocean becoming "India's Ocean" and as such sought strategic outputs on Myanmar

Islands. Such factors as these could have led India to station a tri service Far Eastern Command in the Andaman and Nicobar Islands. (Singh 2006).

India was concerned due to increasing Chinese support for the upgrading of Myanmar's naval facilities. Harvir Sharma (2001) explains the India's concern in the following manner

China had provided its support at Myanmar at least four electronic listening posts along the Bay of Bengal and in the Andaman sea, Manaung, Haingyi Zadetkyi island and the strategically important Coco islands just north of India's Andaman islands. Chinese technicians have been spotted at the naval bases at Monkey Point, near Yangoon, and Kyaikkami, south of the port city of Moulmein. There is also a Chinese built radar station on Saganthit Island near Mergui in southeastern Myanmar. Although China's presence in the Bay of Bengal is currently limited to instructors and technicians, the new radar equipment is Chinese made and probably operated, at least in part, by Chinese technicians, enabling Beijing's intelligence agencies to monitor this sensitive maritime region.

Sawarn Singh (1995) also discusses the India's concern over the establishment of Chinese intelligence equipments in Indian Ocean in details as

China provided aid and expertise for the construction of five new ports along Myanmar's western coast. China had also been accused of secretly building a major naval base off the southern coast of Myanmar. In late 1992, for instance, a western spy satellite had detected a new 150 feet antenna system, used for Signal Intelligence (SIGINT) on the Coco Islands, which is barely 100 miles from India's Andaman's Island chain. It was also believed that SLORC allows China to monitor this sensitive maritime region which, among the other important sea-lanes and strategic facilities, including India's missile test range of the Orissa coast. More recently, some reports said that apart from these existing access to the Coco islands, China has also been pressing Myanmar to allow them access to their two other listening post of the Ramree Island south of the Sittwe, off the coast of Arakan state and an island off the Tenasserin state in the south.

However, some authors gave the encirclement theories a new direction by arguing that China also posed a threat of encirclement by unfriendly, potentially antagonistic and



hostile states. According to Donald M Seeking (1997) China's greatest fear of being encircled was enhanced owing to the fact that post SLORC Burma promoted closer ties with closer ties with India, Vietnam and Japan. According to him the information regarding Sino-Burmese military cooperation in the Indian Ocean is insufficient and unreliable and biased by the sources that have a stake in defending the budgetary turf of the Indian armed forces. Scary images of Chinese submarines gliding into bases among Andaman Sea will not become reality soon, given continued lack of a modern, blue water navy. Although, he takes in to account some far-reaching implications of Chinese presence in Indian Ocean as

First, the establishment or expansion of Sino-Burmese installations in the Indian Ocean would constitute a direct challenge to India's non-negotiable claim to supremacy in this region. Second, the installation, especially Zadetkyi Island in the south, are close to Indonesia (the western tip of Sumatra and outlying islands such as Pulau Sabang), which has long been suspicious of Chinese regional ambitions. Southeast Asian countries, especially Indonesia, Vietnam and to a lesser extent, Thailand have grown receptive to the idea of strengthening economic and security ties with India as a counterbalance to China Third these installations have the potential sea link between the Indian ocean and the South-China sea. The industrialized East Asian countries such as Japan, South Korea, and Taiwan depend upon the strait as a conduit for imports of oil and natural gas from the Middle East. At the very least, the Chinese presence in the eastern end of the Indian Ocean littoral., however modest it might be in the late 1990's adds an unwanted element of unpredictability to the natural resources strategies of these resource-poor countries.

Analyzing the validity of China threat theory, Renaud Egreteu also argues that China too could consider itself encircled by the other powers in the region with India and United states in the lead. Therefore, China also has every reason to consider itself encircled by foreign powers (what is more, they are all western and/or democratic and liberal powers).

### ***Role of Myanmar as a "Pearl" in China's "String of Pearls Strategy"***

"A string of pearls strategy is a strategic move which involves establishing a series of nodes of military and economic power throughout a region. Each node is a

“pearl” in the string, enhancing the overall power of the parent nation. This strategic relations move is an excellent way to enfold a greater area of territory, thereby gaining more influence on the global stage, but it often evokes comment from other nations, who may be concerned that the string of pearls strategy is the first step in a serious takeover or military threat. Several things are included in a string of pearls strategy such as increased access to airfields and ports by building new facilities or through establishing cordial relations with other nations to ensure access to their ports, heavily subsidizing construction of new port and airfield facilities in other countries, with the understanding that these facilities will be available as needed. Modernizing military forces is another component. A modern military can more effectively maintain and hold individual pearls, and it will also be prepared for various actions and exercises on the part of the parent nation.” (what is string of pearls strategy)

The idea of China’s string of pearls strategy is developed by some US’s Analysts<sup>1</sup> (The Washington Times, January 18, 2005). According to their claims, China is on the path to adopt a string of pearls strategy to secure the sea lines of communications (SLOCs), establish bases and diplomatic ties ranging from the Middle East to South China Sea. The first step in this regard has been taken by acquiring the port facility at Gwadar port of Pakistan. China is facilitating the development of Gwadar by investing a \$1.2 billion. China also signed an agreement with Cambodia to provide military equipment and training in exchange for the right to build a rail line from Southern China to the Gulf of Thailand. China has also put forward a proposal to build a canal across Thailand’s Kra Isthmus by investing \$20 billion which would enable ships to bypass the chokepoint at the Strait of Malacca but this plan is hindered due to Thailand’s ambiguous position and political opposition in Indonesia, Malaysia, and Singapore. This episode revealed the concern about string of pearls strategy.

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<sup>1</sup> It is believed that first published use of the expression “string of pearls” was made in an article titled “China builds up strategic sea lanes.”

Indian strategic analysts are concerned because in future if ongoing India China honeymoon come to an end it would not be in the interests of India. China's access to Gwadar port is critical for India because development of this port would reduce the dependence of Pakistan over Karachi Port which handles 90% of Pakistan's seaborne shipping and also is adjacent to India. Due to this India will lose a pressure point over Pakistan at the time of crisis. India has blockaded the Karachi port in 1971 during the India-Pakistan War which significantly damaged Pakistani economy during the 1999 Kargil conflict, the Karachi Port was again exposed to the threat of blockade (Ocean Policy Research Foundation March, 2006).

Myanmar's Sittwe port is also considered as an important "pearl" along with Gwadar port (Pakistan), Chitgong port, (Bangladesh), Cambodia, Thailand etc. in China's String of Pearls strategy. It is expected that the major objective behind the Chinese strategy is to seek alternative routes bypassing Malacca Strait. It is imperative for China because SLOCs connecting China with Africa and the Middle East pass through the Strait of Malacca, (a narrow passage jointly administered by Singapore, Malaysia, and Indonesia). 95% of the total oil used in China is transported by sea, and 80% of that is shipped through the strait. These SLOCs are controlled by the US army and shipping in the strait is enormously crowded, and it is a heaven for pirates and terrorists. Therefore, China is trying to connect the so called pearls on the SLOCs from Middle East to South China Sea. Linking of such pearls with its inland parts would definitely reduce its dependence on vulnerable Malacca Strait (Christopher 2006).

Myanmar is strategically significant for China. Through Myanmar China's Yunnan province could be linked with the "pearls." This can be done by connecting it with the Mekong River, and the Irrawaddy River with the networks of roads and railways. Therefore, in 1992, China started its development project, the "Greater Mekong Sub-region Program," with assistance by the Asian Development Bank (ADB). The project involves Cambodia, Laos, Myanmar, Thailand, Vietnam and Yunnan Province of China. The routes in this project are Kunming-Chiang Rai via Laos, Kunming-Chiang Rai via Myanmar, and Kunming-Hanoi-Hai Phong. In these routes the Mekong River is an

important artery. China, Laos, Myanmar and Thailand signed an agreement on commercial navigation on the upper Mekong River in 2000 (Ocean Policy Research Foundation March, 2006).

Another alternative route is a corridor linking Yunnan to the Bay of Bengal via Myanmar. This route connects Kunming and the Bay of Bengal through Myanmar's Irrawaddy River that finally leads to the Indian Ocean. The road from Kunming to Bhamo has been built. From Bhamo, cargo would travel south by barge to Minhla, from where it would be shipped by road to the Kaynkpau port. Feasibility studies of the route were completed in the mid-1990s and China offered Myanmar to build a port at Bhamo, but Myanmar has suspended the offer.

It indicates that Myanmar is also concerned about China's influence within its territory. Then, during his visit to China, Maung Aye indicated that though Myanmar is agreed to strengthen the trade relations with China but it is difficult for Myanmar to provide access for the trade route to the degree which China demanded. Myanmar's decision could be considered as a success of India's Constructive Engagement policy (Linter 2000). However, simultaneously, Myanmar did not reject clearly the China's offer.

China's String of Pearls strategy does not pose a direct threat to India if it is limited to securing the SLOCs for energy security. However, as a part of this strategy PLAN's increasing activities in Indian Ocean and China's quest to become a Blue Water Navy from Green Water Navy are a source of concern for India.

### ***China's Efforts to consolidate its Economic Hold on Myanmar***

Myanmar-China growing engagement led towards greater Chinese penetration in Myanmar. Due to this growing engagement China has emerged as a principle donor, arms

supplier, source of consumer goods to Myanmar. Bilateral volume of trade was increased significantly during nineties.

From 1994 to 1996 and even after that Chinese export to the Myanmar ranges from 24% to 30% (\$400 million and \$600 million) whereas the import from Myanmar comes to around 14% of Myanmar's total. Along with boost in bilateral trade Myanmar's heavy dependence on China for arms supply, China's increasing participation in the development process of Myanmar ensured Chinese economic penetration in Myanmar which was reaching near to India's northeast (Singh, IK 2006). Since the legalization of trade with China in 1988 Burma has signed several agreements. The net consequence of the free border trade with China has been a Chinese take over of Upper Burma (Maung 1997).

In order to facilitate border trade Beijing started to build the strategic road networks from its border town to railheads and seaports of Myanmar. However, P. Stobdon (1993) argues "it is beyond common logic to have huge communication system for border trade purpose, unless the Chinese have other motives beyond Burmese border". According to him it was a part of China's strategy to access the South Asian market.

An article entitled "Opening to the Southwest: An Expert Opinion" by Panqi, former vice minister of communications, sketched a strategic plan of China to find an outlet for trade through Burma to the Indian Ocean. As he was quoted by Baladas Ghosal (1994)

Looking towards the South, we could find outlets in Burma that is, we could select an appropriate route across the 1000 plus kilometers Yunan-Burma border to export the rich resources of West Yunan to the outside world through the several possible passage. From the mining area of Teng-Chong, for example, one highway leads westward to Myitkyina in Burma, where a railroad is available to transfer cargo to the sea. A second highway leads south to Lashio, another major Burmese railroad. And between these two, a third road leads to Bhamo, on Irrawaddy River. None of these roads is over 300 km long. Further more an international airport is being planned for Mangshi, in west Yunan. That will give the city air services to Hongkong, Guangzhou, Rangoon and even to Bangkok and

Singapore. If this comes about, the western part of Yunan will have more than one avenue to the outside world.

The above-mentioned blue print of Chinese strategic calculations to trade through Burma was started to take shape in 1988 when China and Burma signed a cross border trade agreement. Thereafter, China invested heavily to modernize the road and communication links with Yunan. China and Myanmar signed six agreements concerning trade transportation and infrastructure in July 1993. Besides, with a view to promoting closer interaction with China, Myanmar began construction on an international airport at Mandalay (UB Singh 1995). From 1994 to 1996 and even after that Chinese exports to the Myanmar ranged from 24% to 30% (\$400 million and \$600 million) whereas the imports from Myanmar came to around 14% of Myanmar's total. Along with the boost in bilateral trade Myanmar's heavy dependence on China for arms supply, China's increasing participation in the development process of Myanmar ensured Chinese economic penetration in Myanmar which was reaching near to India's northeast (IK Singh, 2006).

Since the legalization of trade with China in 1988 Burma has signed several agreements. The net consequence of the free border trade with China has been a Chinese take over of Upper Burma (Mya Maung, 1997). In its efforts to establishing more control over Burma, China built a bridge over the Shweli River on the Sino Burmese border. This bridge was used to deliver the weapons to Burma according to a US\$ 1.2-1.4 billion arms deal, which was signed, between both countries in October 1989 (Lintner, Bertil 1993).

However, according to Stobdon (1993) the most immediate objective of China seems to be economic expansion. Chinese enthusiasm to get access into the Indian and South Asian market led it towards to redevelop the overland road through Burma. But he also takes in to account the possibility that China was aiming to control both eastern and western flank of India through its close friends. China also had sold two ultra modern missile boats to Bangladesh navy during those years.

Myanmar's northern states like Mandalay had witnessed a slow demographic change while Chinese immigrants from the bordering Yunan province purchased estates after buying Myanmar citizenship. On the basis of Indian Defense Ministry Annual Reports, Udai Bhanu Singh (1995) argues that Chinese penetration to upper Burma was not only economic in nature but it had strategic implications too. He emphasized on the strategic implications of the Chinese penetration in Myanmar as;

Due to increasing economic activities Myanmar's northern cities like Mandalay are witnessing a slow demographic change, with Chinese immigrants from the bordering Yunan province purchasing estates after buying Myanmar citizenship. Moreover, China is engaged in modernizing infrastructure in order to expand its trade network further. The old Stillwell road which links Yunan with north Myanmar is already operational. China has built roads from three districts (Yinchaing, Lungchuan and Terngchung) of Yunan province to Myanmar towns. A road was opened from Yinchaing to Taihona in January 1993; the second from Lianghe to Bhamo in April 1993; and third from Myitkyina to Mangmin in May 1993. The aim behind to build these roads is to enable Yunan to export to third countries via Myanmar. Access to the Indian Ocean would provide China an alternative route to vital markets. There are also plans to build a 1350 km railway through Laps, Myanmar and Kunming in China going up to Bangkok. The rail network from Myitkyina near the Chinese Border to Yangon via Mandalay has brought remote parts together and opened up Myanmar to Chinese economic expansion.

Various speeches and writings by important Chinese leaders, especially those by Admiral Liu Huaqing since mid 1980's showed that China had long stopped viewing Myanmar as viewing Myanmar as being a buffer between China and India. Instead, the post Mao leaders in China perceived Myanmar as their own extension into the larger southern hemisphere in which they assume that China is bound to play a greater role in the 21<sup>st</sup> century (Swaran Singh 1995). Such reports reinforced the argument that due to growing dependence over China into various fields Myanmar was on course to become a client state of China. However, despite accepting India's security concerns towards emerging Sino-Myanmar nexus some authors denied that Myanmar was a client state of China. Jurgen Haacke (2006) cites the views of Andrew Selth against the claims that Myanmar has become a client state to China, as follows-

Many claims regarding China's role in modernizing Myanmar's strategic infrastructure have been incorrect and probably planted by self interested parties. Certainly claims that naval facilities might henceforth be used by the PLA (N) to protect sea- lanes of the communication to the Middle-east or to dominate the approach to the Malacca strait would appear to have been no more than speculation. Chinese official have routinely denied having bases or permanent deployment in Myanmar, while Myanmar officials have repeatedly indicated that they would not allow foreign bases in the line with their independent and active foreign policy. Notably, expressions of concerns especially, from Indian analyst have become less shrill in recent years. The US government has equally remained quite on this issue, including perhaps those alarmist interpretations of Myanmar – China defense cooperation lack credibility. Indeed, evidence abounds that Myanmar was eager to avoid undue military, political or economical dependence over China.

Explaining the logic behind Andrew Selth argument Jurgen Haacke adds that though Myanmar leaders are interested in good working relations with China, but suspicious of its long-term strategic intentions. Thus in order to diversifying its sources of diplomatic support; the regime has focused on developing bilateral relations with India, Thailand and other members of ASEAN.

Although it's true that Myanmar is seeking the opportunity to diversify its foreign relations and reduce its dependence over China. But Myanmar under military is forced to prioritize China over other countries in its foreign relations due to China's ability to serve its interests in the United Nations Security Council (UNSC).

#### **Role of Myanmar in India's Look-East Policy:-**

The other strategic change in the external regional environment that propelled India to opt the policy of Constructive Engagement with Myanmar is closely linked with the economic boom in Southeast Asia. The ASEAN countries, particularly Singapore, Malaysia and to some extent, Thailand and Indonesia, were being seen along with Korea, Taiwan and Hong-Kong as the new "tigers" and by the early 1990 ASEAN has emerged as one of the best performing regional organizations. (Devare 2006). Inspired by the economic growth of ASEAN India launched its Look East Policy to take to the advantage



of opportunities available in the ASEAN region. In fact India's Look East Policy was an attempt to carve a place for India in a larger Asia Pacific and it was meant to highlight India's economic potential for investment and trade (Naidu 2006). Former Prime Minister of India expressed the essence of India's Look East Policy in his 1994's Singapore lecture as "The potential for India's partnership with this nucleus organization (ASEAN) in the Asia Pacific is immeasurable" (Devare 2006).

Constructive Engagement with Myanmar could be seen as a supplement to India's Look East Policy because for India, Southeast Asia begins with Myanmar. (Egretau Renaud 2003). Thus it was not possible for India to keep distance from its Gateway to ASEAN. After the inclusion of Myanmar in ASEAN in 1997, relations with Myanmar have become very significant with the perspective of India's efforts to integrate its interests with the development in ASEAN region.

Myanmar strategic importance in India's Look East Policy is reflected from India's External affairs Minister, Jaswant Singh's statement during a visit to Myanmar in February 2001 that India needed an eastward access and India could not have this if it stood apart from Myanmar (Yahya, Faizal 2003). This statement indicates the Indian Government's seriousness to develop close links with Myanmar. Therefore, in its efforts to enhance linkages with Myanmar India emphasized on developing constructive relations with Myanmar.

Myanmar also responded India in a positive manner and played its part in integrating India with the ASEAN process. Yangon joined ASEAN when India had begun staking claim to the graduation of its status of interaction with ASEAN from full dialogue Partner to the Summit level. Myanmar joined Cambodia, Laos, Vietnam and Singapore to extend unequivocal support to India's demand which was finally conceded by ASEAN summit in the November 2001 (Chetty 2005).

Sluggish progress of SAARC was another main factor which forced India to look towards ASEAN. India was keen to develop linkages with ASEAN because SAARC was

not able to take of due to prioritize politics over the economics especially, in case of India and Pakistan. Owing to its sheer size and enormity of sources India is considered as big brother in the South Asian region. As a result of perceiving India negatively some members are skeptic about India's efforts to strengthen regionalism in South Asia. India's former Foreign Secretary Shyam Saran also admitted SAARC ineffectiveness as "The thrust of the initiative of some of the members is seen to be patently hostile to India or motivated by a desire to contain India in some way. As a result SAARC continued to remain largely a consultative body, which has shied away from taking even a single collaborative project in its twenty years of existence". Apart from the political impediments the limited economic potential of SAARC was the other factor which led India to look towards ASEAN and Southeast Asia. ASEAN's huge economic potential in comparison of SAARC reflects from the fact that in 1990, merchandise exports within the respective trade-block were worth \$27365 million for ASEAN and \$863 million for SAARC; by 2004 this has increased to \$122369 million for ASEAN but was still only \$5706 million for SAARC (Kaul 2006).

Engagement with Myanmar was also vital for facilitated India's desire to initiate a process of sub-regional economic integration. As a result India under the vision of its look east policy, initiated two other projects to promote the sub regional cooperation namely BIMSTEC and MGC. India's idea started to take place when BISTEC was established in June 6, 1997. This organization comprised five members named (Bangladesh, India, Sri -Lanka Thailand. However due to the lack of border linkages to each other this organization was not completed geographically. Geographical linkages are vital to ensure the success of a regional organization by making the future integration easier. In BISTEC, India and Bangladesh were the only country which shared the land border. IN this backdrop Myanmar's role was important because of sharing boundaries with the three BISTEC countries. Thus as logic outcome BIMSTEC extended its membership to Myanmar on 22 December 1997 (Egreteau 2003).

Myanmar's importance in BIMSTEC is also evident from the fact that it is appointed the lead country in the energy sector cooperation in energy sector is among the

six priority areas which were identified for sub regional cooperation under the framework of BIMSTEC. India is interestingly looking towards BIMSTEC to enhance cooperation in the energy sector. The BIMSTEC energy program has identified two projects for cooperation First the development of energy infrastructure in natural gas and second the development of new and renewable sources of energy. India is designed as a coordinating country for the two projects along with Thailand. The committee of experts and affairs are doing study regarding to development of Trans-BIMSTEC pipeline and energy infrastructure. However, there are some barriers who resulting from the vastness of the sub-region, the lack of same energy infrastructure among the member countries, difference in the level of economic and industrial development and lack of same energy sector institutional setup etc.(Kyaw 2003 ). BIMSETC has planned for a FTA by 2017. The Framework Agreement includes trade in goods, trade in services, investment and economic Cooperation. The products, except those included in the Negative List, shall be subject to tariff reduction or elimination on the basis of Fast Track or Normal Track (Kaul 2006).

India's idea to design this sub regional grouping was not only prompted by economic interests but strategically concerns were also behind India's agenda. According to Anindya Batabyal (2006) India kept in mind the approach to expand the role of BIMSTEC beyond the economic cooperation thus as a part of its look east strategy India sought to utilize BIMSTEC to tackle the escalating Chinese influence in Myanmar.

China also responded to India's efforts to be a part of sub regional grouping of BIMSTEC, but instead of taking any apprehensive stand china tried to include itself in the process of India's efforts to develop regional institutions for economic cooperation. China proposed the idea of Kunming Initiative.The official document of this Kunming conference on regional economic cooperation was called the Kunming initiative. According to *the China Report 2000: 36(3)*

The Kunming Initiative was proposed to promote a growth quadrangle between India, China, Myanmar and Bangladesh. The conference resolved to establish a forum for regional cooperation to carry forward this concept

through interaction among academics, government and the leaders of business and industry. A non-official working group has been set up for this purpose. The presentation at the Kunming focused on the importance of engendering regional economic cooperation among the four courtiers; the feasibility of the cooperation in the fields of trade, tourism and science and technology: the construction of transport networks and trade corridors within the quadrant; and operational mechanism for achieving these goals.

However, India, for its part no longer placed this organization in its priorities and prefers to promote BIMSTEC as a means to develop regional institutions. It is reflected from India's low profile response to Kunming Initiative that India was reluctant to be part of this organization because it perceived that it would reduce the strategic influence of BIMSTEC in which India was a key player. However, China's proposal could be seen as a sign of improvement in India china relations. In fact, it was an indication of transformation of Sino-China military rivalry into the Sino-China economic competition in Asia (Egreteau 2003).

Acknowledging the importance of Indo-China region India started another foreign policy endeavor under the framework of its Look East Policy as Mekong-Ganga Cooperation Initiative to engage with the countries of Indochina. The Mekong-Ganga Cooperation initiative was agreed in principle by the six member countries (India, Myanmar, Thailand, Vietnam, Laos and Cambodia) on the sidelines of the ASEAN meeting in Bangkok in July 2000 (Jayanth, 2000). However, it was launched in Vientiane on November 10, 2000 when officials from India, Myanmar Thailand, Cambodia, Laos and Vietnam issued a "Vientiane Declaration" on the framework of cooperation. The declaration was inspired by a common desire to develop closer relations and better understanding among six countries to enhance friendship, solidarity and cooperation. Under the cooperative framework, tourism culture and education have been given precedence, while transport, communication and infrastructure, have been identified for the next phase.

The Declaration committed the member countries to develop transport networks in particular the "East-West Corridor" and the "Trans-Asian Highway" under the frame

work of transport and communication. The grouping also agreed to promote joint research in the fields of dance, music and theatrical forms and organize round-tables for journalists, writers and experts in literature, performing arts, women's empowerment, health and nutrition and the conservation, preservation and protection of heritage sites. The MGC members expressed consent to encourage the establishment of networking and twinning arrangements among universities in the region, translate classics of MGC countries into other MGC languages and assured the participation in book fairs in member countries on a commercial basis (Baruha, 2001).

In this manner the declared objective of MGC was to enhance the developmental cooperation between the riparian Mekong river countries and India. However due to the absence of China, which is also a riparian Mekong river country, this organization is seen as a India's strategy to balance involving gaining access to the Indian ocean through its encirclement policy (Rao 2003). According to Anindya Batabyal (2006) it is evident that MGC was an Indian counter response to Chinese strategy to consolidate its influence over the Mekong basin region because just a few month before the signing of the "Vientiane declaration", China too signed a Mekong sub regional agreement of cooperation in April 2000 combining Laos, Myanmar and Thailand. The agreement is known as the "Agreement on Commercial Navigation on Lancang Mekong River". Absence of China in MGC may be politically driven because of strategic competition between India and China to neutralize each other influence in Southeast Asia. Even the term Indo-China was evolved to describe a territory that had been a buffer between Indian and Chinese expansionism in past. Nevertheless, recent improvement in the India-China relations moderates the possibilities of any confrontation between India and China in this region. (Swaran Singh 2006). Swaran Singh does not view china's absence in MGC in a narrow strategic framework. He put it as

MGCI is not the only regional forum not to comprise Beijing. BIMSTEC and ACMECS (Thailand) can be cited as other such agencies. Lately though, India-China relations have been improving rapidly and sustained confidence building between China and India have resulted in a sea change in their mutual policies. To cite the two most appropriate examples, in year 2005, while China was invited to be an Observer in the

India dominated South Asian Association for Region Cooperation (SAARC), India became an Observer in the China-dominated Shanghai Cooperation Organization (SCO). Time is not far when China would also be welcome in other Sub-regional forums like the BIMSTEC or the MGCI. Already, in the MGCI multilateralism, China was invited to participate in the Mekong Development Forum (MDF) that was held in New Delhi on 10th November 2005.

Whether it is economic or strategic concerns, one thing is sure that Myanmar being a geographical link between India and Southeast Asia has a great importance in these initiatives. Thus, engagement with Myanmar is vital for India to facilitate its strategic presence in Southeast Asia.

## Map 2.1

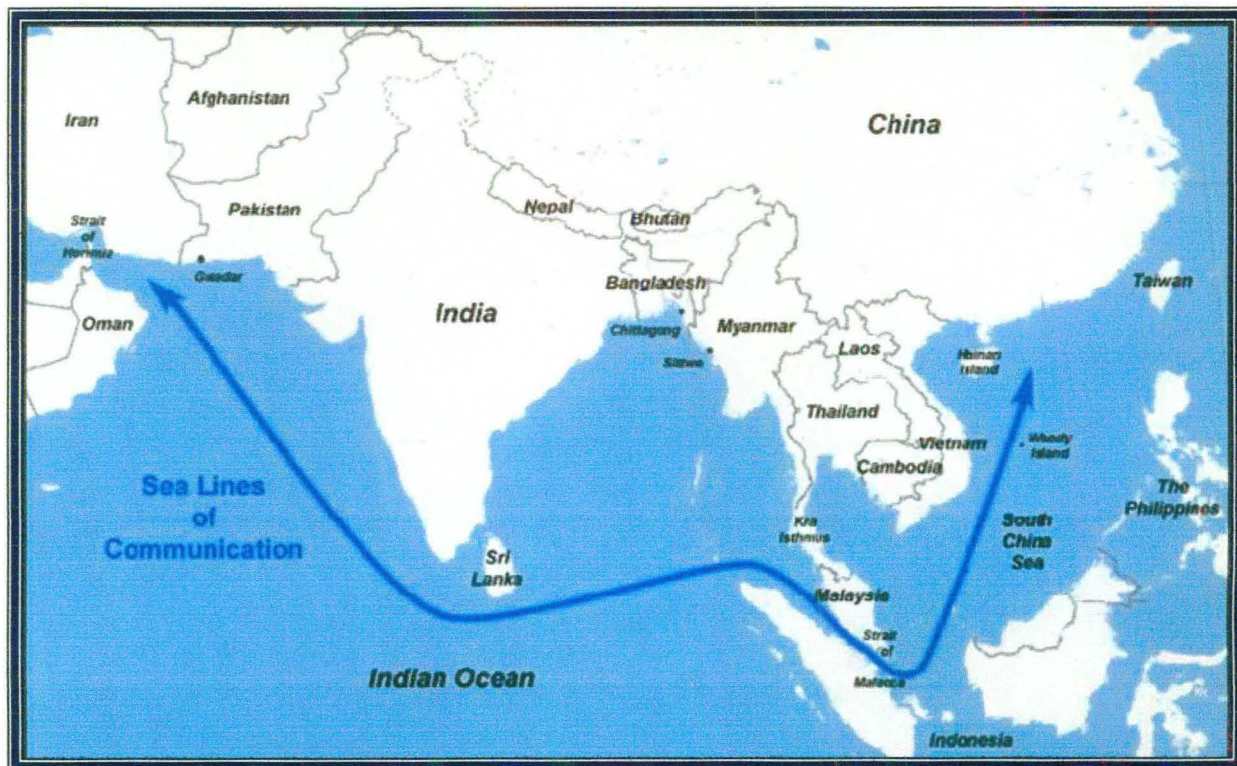
### India-Myanmar-China Border



Source: [http://www.lib.utexas.edu/maps/middle\\_east\\_and\\_asia/burma.gif](http://www.lib.utexas.edu/maps/middle_east_and_asia/burma.gif)

## Map 2.2

### Sea Lanes of Communications from Middle-east to South China Sea



Source: [http://www.sangam.org/2007/06/images/string\\_of\\_pearls\\_000.jpg](http://www.sangam.org/2007/06/images/string_of_pearls_000.jpg)



## **Chapter-3**

### **India-Myanmar Security Cooperation**

Security cooperation between India and Myanmar is mainly shaped by the existing situation in the northeast of India and Myanmar. The evolution of India-Myanmar security cooperation is directly associated with the transnational linkages across the Indo-Burmese region. The problem of insurgency and secessionism has affected the interests of both sides. Although, various measures at different levels have been taken but the security problems are not addressed fully. Along with the above mentioned issues and problem the present chapter also highlights and discusses various security related issues such as border-fencing, drug trafficking and out break of HIV/AIDS. The empirical evidences are used for the analysis of the security situation as well as dialogue between the two neighbors.

Myanmar and India share 1670 km long border and a maritime border of 200 km. The population along the India-Myanmar border has a strong socio-cultural affinity, because of a process of the intermingling among the people of the area. Various ethnic and tribal groups live in the region ignoring the delineation of today's official state controlled borders (Prakash 2006). However, these transnational ethnic linkages inspired some groups to demand separate states across the boundaries of existing states on the basis of their separate ethnic identity. These groups have adopted the path of insurgency to highlight their demands.

Insurgency problems in India's northeast region have its genesis in the colonial past. British policy of keeping the tribal areas of northeast away from the mainstream restricted the assimilation of hills people from the rest of the country. Insurgency problem in Burma is also the legacy of the British colonial rule. British according to its Divide and Rule Policy divided Burma into two zones, Burma proper inhabited by the majority of Burmans and outer Burma inhabited by the minorities. While the Burma proper was administered directly under British India, the minorities were allowed autonomy due to their remoteness from Burma proper. These areas remained wary and ignorant of the new

government in Rangoon after independence and efforts by the successive governments to extend authority into hills have met with violent resistance (Martin Smith 1999). After the elections of the 1990, The SLORC opened negotiation with the ethnic minorities and came to terms with virtually all of them, and in some cases on the basis of an armed truce (Vergese 1998). Some factions of Karen's have been fighting, through their main base Mannerplaw on the Thai border.

### **Development of Linkages between the Insurgent Outfits of India and Myanmar**

Activities of these insurgent groups across the Indo-Burmese borders have been a source of concern for India and Myanmar over the years. This problem has been aggravated by the transnational nature of some tribal groups (Udai Bhanu Singh 2007). As a result, this area has been militarized due to the frequent ethnic clashes among such insurgent groups and suppression of these groups by Indian and Myanmar Government (Egreteau 2003).

Now it is a well known fact that owing to their ethnic linkages some Indian insurgents groups have developed close contacts with the Myanmar's insurgents groups to facilitate their activities such as arms training and other logistic support. Both factions of the National Socialist Council of Nagaland (NSCN) and the Assam-based United Liberation Front of Asom (ULFA) three major rebellious groups of Manipur, the United National Liberation Front (UNLF, the People's Liberation Army (PLA) and the Kanglei Yawol Kanna Lup (KYKL) have set up camps in the Sagaing Division and the Chin State of Myanmar. India also submitted a list of 15 militant camps operating in the Myanmarese territory (Routray 2006).

The operational linkages between the insurgents group of both sides had started to develop when after the formation of Naga Nationalist Council (NNC) under the leadership of Angami Zapu Phizo in the mid 1950's, Naga insurgents of both sides came together with the vision of creating a Greater Nagaland, integrating all the Naga inhibited areas on either sides of the Indo-Burmese border. In fact, Kachin Independent Army

(KIA) which was fighting against the Burmese government signed an agreement with Naga Federal government to hold joint operations on both sides of Indo-Burmese border (Aosenba 2001). Kachin is an ethnic group of Myanmar who has close affinity with the Nagas. The Nagas are spread extensively across the borders of the Indian states of Nagaland, Manipur, Assam, Arunachal Pradesh and into Myanmar's Sagaing Division and Kachin State (Egreteau 2003).

Kachin's support to Naga was very crucial because the Kachin territory lies in the northeast of Myanmar and borders with the Yunnan province of China. This Kachin corridor provided Nagas their way to China where they got trained for the insurgent activities on Maoist pattern (Aosenba 2001). NSCN also established contact with KIA. KIA, under the leadership of Bransen in Myitkyina in Northern Myanmar, provided arms and training to the cadres of NSCN. Later two other insurgent groups ULFA and PLA also established contact with KIA (BB Kumar 2006).

The Khaplang faction of NSCN was formed in Myanmar and established contacts with ULFA. The ULFA also approached KIA to provide advanced military training to its cadres. ULFA learnt the essentials of the insurgency tactics from the KIA and paid 100,000 Rupees per trainee in return (Frontline 21(1) 2004). It is confirmed by the surrendered and captured ULFA rebels that they received arms training from KIA instructors inside Myanmar. American author Shelby Tucker writes about having met ULFA 'chairman' Arabinda Rajkhowa at the headquarters of the Kachin Independence Organization (KIO), political wing of the KIA, at Pajau Bum, during his trek across Myanmar around 1989. There are also evidences that Paresh Barua, the group's 'commander-in-chief' of ULFA was in Myanmar's Kachin hills around that time (As cited in Hussain 2005).

It is also reported that ULFA also got arms from the Karen National Union (KNU) which is a Burmese rebel group and has its holds in the lower Myanmar bordering Thailand. These arms, mainly AK-56 rifles, machine guns, rocket propelled guns and anti-tank rifles, were transported by the Cambodian arms market and delivered to ULFA

in Manerplaw in lower Myanmar (Dipanjan Roy Choudhary 2007). Karen National Union (KNU) rebelled against the Burmese Government in 1949 and started to demand an independent Karen State.

Karens are involved in the smuggling of arms which originates from Thailand and Indochina region. During Cold War US, China and Russia poured the arms in Southeast Asian region. As a result, a huge stock of weapons was left there after the end of Indochina War and the region emerged as a Black Market of arms (Kantha 1996). The transportation of arms from southern Thailand and Myanmar to India takes place through Bangladesh in fishing vessels operating by Burmese insurgents. After landing at Bangladesh ports, arms consignments are delivered to various militant groups operating in Tripura, Assam and Manipur through West and North Mizoram, where vigilance is comparatively less than other North Eastern states (Dutta, 2000).

### **Evolution of India-Myanmar Security Cooperation**

However, first step towards establishing India-Myanmar security cooperation was taken in 1968 when Indian Prime Minister Indira Gandhi and Gen. Ne win discussed the issue of tracking of Nagas to China by using the Burmese territory of Kachin state. At that time this issue was in the interests of both countries because Burma was also concerned about the Chinese assistance to Burmese insurgent (Aaosnba, 2001). Meanwhile after 1978 China stopped its assistance to Burmese insurgents. Thus, China-Burma relations improved and Burma had remained reluctant about security cooperation with India.

As a result India adopted a policy of "Insurgent Crossfire" to pressurize Myanmar with a motive to make Junta put an end to its support to Indian insurgent outfits. In accordance with this policy India also started forging ties with the insurgent groups in Burma such as Democratic alliances of Burma (DAB) a grouping of 23 ethnic rebel armies, KIO, Chin National Front (CNF), and Arakanese rebels, National Unity Party of Arakan (NUPA) (Subir Bhaumik, 1997). India provided asylum to Soe Myint, who high-

jacked a Rangoon bound Thai airways flight to Calcutta on November 10, 1990, which upset the military junta in Myanmar. He was also allowed to run a News Agency, Mizzima news in India. The SLORC chairman, Than Shwe, criticized it as “India is a country which encourages and supports internal insurgents and interferes in Burma’s internal affairs” (Bhaumik 2006). India also allowed some National Unity Party of Arakan (NUPA) rebels to use a few islets to the north of Andaman Islands, close to the famous Coco Islands, where China appeared to have set up surveillance bases as an alternative base and a centre for their illegal trade.

However, despite their diverse mindset, both India and Burma were forced to come closer and cooperate to make the border region secure because by supporting the Indian Naga rebels, Myanmar allowed a major armed opposition force to develop on its own soil such as insurgent forces, operated by Kachin and Chins. Thus, Tatmadaw organized some military offensive in the border region to weaken these groups. But Burmese Army faced failure when various Naga insurgents took shelter in India’s Nagaland. After May 2001 when ULFA and NSCN (IM) insurgents killed 50 Burmese soldiers in Sagaing division Military junta realized that it is not possible for it to combat the cross-border insurgency successfully without the help of Indian Army.

In May 1990, an Indo-Burmese Revolutionary Front (IBRF) was formed by bringing together various insurgent groups, KIA, the NSCN (IM), the ULFA, the UNLF and the PLA from both sides of the border. This revolutionary Front launched a few joint attacks against Indian authorities and set up a vast network of financial exchanges, weapons and ammunition supply. However, this organization could not succeed in their motives. India became more concerned about the emerging of a regional network of insurgent outfits. It prompted India to constructively engage with Myanmar in the area of security issues. According to Wasbir Hussain (2005) the IBRF was a loose pan-Mongoloid coalition and itself was a failure, primarily because it was too difficult for its leaders to hold on to a coalition of insurgent outfits that claimed to represent diverse tribes and communities. Apart from this multilateral coalition of insurgent outfits across

the Indo Burmese border these groups have also established networking on the bilateral basis such as ULFA had established close bond with NSCN and KIA.

Following two operations, discussed below, conducted by Indian Army (one unilaterally and one in collaboration with Burmese Army) India changed its approach towards security cooperation with Myanmar.

### ***Operation Golden Bird 1995***

The first counter insurgency operation between Indian and Burmese armies took place in April 1995. This operation was named as Golden Bird. It intended to destroy the ULFA, PLA, and NSCN (IM) forces (on the Indian side) and the CNF rebels (on the Burmese side) from Assam to the Naga territory was planned by the chiefs of staff of the two countries.

According to Renaud Egreteau (2003) this offensive dealt a moral blow to the insurgent groups which were operating across the Indo-Burmese border. However, it could not be ended as planned initially because the Burmese army withdrew its support. The withdrawal of the support was in reaction as India conferred its prestigious Nehru award for international understanding to Aung San Suu Kyi.

### ***Operation Leech-1998***

In 1998, in contrast to its previous support to NUPA, India organized an Operation Leech and arrested 36 and killed 6 NUPA rebels after having charged them for allegedly handing over an island base. Reported appeals by the NUPA to release the 36 guerillas have been rejected by India despite some lobbying on behalf of the Arakanese rebels by Defense Minister of India, George Fernandes. George Fernandes has been critical of Myanmar's military regime and a sympathizer of democratic movement. He also provided shelter to the Burmese dissident in his house and allowed them to operate their activities. However, after being a part of ruling National Democratic Alliance (NDA) he moderated his radical approach and became reluctant over the issue of

captured NUPA insurgents during the operation Leech. It is believed that in this case BJP, the majority component of ruling NDA coalition and Indian army managed to neutralize Fernandes' influence in the formulation of India's Burma policy.

This case also reflects that High level Indian Army official are supportive of India's Constructive Engagement Policy and they played great role in setting Indian foreign policy agenda towards Myanmar. This is evident by the India's eastern army commander Lt. Gen. H.R.S. Kalkat's view who went to the extent of saying that the Burma policy better left to the army (Bhaumik 2006). This case also revealed the ambivalent nature of India's Myanmar policy because India has not extradited those NUPA rebels to Myanmar they are still in the custody in India.

India Myanmar cooperation in the area of security attained new heights in October 2004 when Senior General Than Shwe, Chairman of the ruling State Peace and Development Council (SPDC) during his visit to India assured that any anti-Indian activities would not be allowed on Myanmar's territory. Just two weeks after the visit of Than Shwe, Myanmar army cracked down on North-East insurgent camps in its territory. It indicates that India's diplomatic effort was finally paid off. It is believed that a couple of camps used by more than one insurgent group including ULFA and NSCN (K) were destroyed during this operation (The Indian Express, November 29, 2004). Details of this operation are not available but it was significantly carried out in a coordinated manner with India. Myanmarese forces targeted these camps on the basis of information provided by India. This operation was in line with the "coordinated approach" agreed between Than Shwe and Prime Minister Manmohan Singh.

Indian side also responded to Myanmar in a positive manner in 2005 when Mizoram Police launched the "Operation Hailstorm" to destroy a permanent camp of the Chin National Front near the Myanmar's border but the insurgents ran away. This camp was surrounded by around 2,500 live landmines and known as the Camp Victoria (The Telegraph June 25, 2005). During this operation the police seized an AK-47 rifle with

thirteen rounds of ammunition, a 9 mm stengun with 10 rounds and a G-1 rifle with 10 rounds inside the empty camp.

Thereafter, India initiated discussions with Myanmar regarding joint counter-insurgency operations inside the territory of Myanmar. India is intended to organize such operation because the Myanmar military's operations against Indian insurgents in the mountainous region between the Arakan range and the Irrawady have not succeeded. In fact, the ill-equipped Myanmar army has not been able to resist the insurgents.

General Than Shwe also emphasized that due to inability to access the border areas in northwest Myanmar, Myanmar Army's capacity to launch operations against the anti-Indian insurgent outfits is limited thus he requested for modern military equipment and eight new road projects with Indian assistance in northwest Myanmar. He demanded more modernized equipment such as helicopters, helicopter gunship, heavy rockets, navigation equipments and global positioning system devices. Although, India is willing to supply the equipment, it is concerned that Myanmar's security forces are not trained enough to use the equipment (Ramchandran 2005). It is believed that India has communicated this concern to Myanmar and also suggested that the equipment be deployed in joint operations with the Indian military. This is being discussed during the regular bilateral high-level officials meetings.

As a result, with the motive of tackling the insurgency problem, defense cooperation between the two countries is gradually gaining ground. It can be observed from the fact that all three Indian armed forces' chiefs have visited Myanmar in 2006. In the line of the growing top-level security exchanges Gen Thura Shwe Mann, the Joint Chief of Staff of the Myanmar Armed Forces also visited New Delhi in 2006.

India is also keen on promoting naval ties with Myanmar. Now both are regularly taking part in the MILAN naval exercise which is an Indian initiative to facilitate greater cooperation among the navies of Indian Ocean region. In January 2007 Indian Foreign



Minister during his visit to Myanmar expressed India's intention to export the modernized weapons.

However, despite of several assurances from the Myanmar regarding the cooperation to tackle the insurgency problem, any solid results could not be produced. Thus, assurance from Mynamrese side generally has remained verbal and they blamed the inaccessibility to the insurgent inhabited region and lack of infrastructure as the main impediments.

However, Indian side is disappointed due to the slow pace of security cooperation and claims that the lack of infrastructure is not an issue in all the areas. In May 2003, for example, the Indian Home Ministry prepared a questionnaire for the Myanmar authorities to use in the interrogation of Indian insurgents in custody in that country, but this was not accepted by Myanmar. There are also a lot of evidences of the linking between various anti-Indian insurgent groups and a section of Myanmar's security forces. Bibhu Prasad Routray (2006) provides detailed information about the linkage between UNLF, and Myanmar's army due to which it is difficult for India to resist this group effectively.

On July 19, 2006, UNLF militants mounted an attack with two-inch mortars and lethode bombs on a newly-opened Assam Rifles (AR) post from across the international border at Moreh in Chandel District, injuring four civilians. This was reportedly the first attack by Manipuri militants on security forces from across the international border in Manipur. A senior AR official said, "The militants sneaked into the other side of the border to mount the attack. We reported the matter to the higher authorities of the Myanmar's Army. The matter was also discussed at the post-level meeting which was held at Tamu the following day." It remains the case, however, that an attack of this nature would not have been possible without the tacit help, or at least knowledge, of the Myanmar's Army, since there is a substantial Myanmar Army presence across the border at Moreh. Harmony with their Myanmarese hosts also explains the UNLF's ability to maintain a stronghold in the New Somtāl area of Chandel District, reportedly the lone such area in Manipur. The Indian Army, through a series of major operations since October 2004, has been able to purge at least six of Manipur's sub-divisions, Thanlon, Parbung, Shinghat and Henglep in Churachandpur District, Jiribam in Imphal East and Chakpikarong in Chandel District, of militant presence. These six sub-divisions had

remained under effective militant control for nine preceding years. However, New Somtal, located in the southeastern corner of Chandel District along the Myanmar border, continues to remain under militant control. The last encounter between the Indian Security Forces and the cadres of the UNLF in the vicinity of Somtal, located in the southeastern corner of Chandel District, was reported way back in 2004. On 12 December 2004, about 200 civilians had fled to Tamu in Myanmar following heavy exchanges of fire between the Indian Security Forces and cadres of the UNLF in the interior areas of New Somtal, Chejang and Tuitong. Earlier that month, on December 3, 2004, UNLF claimed to have killed three SF personnel following an encounter at a place between New Somtal and S Pungjoi villages. In fact, the Indian Army has been planning to take New Somtal since February 2006. The General Officer Commanding of 57 Mountain Division, Major General E.J. Kocheikkan, speaking on September 19, 2006, pointed out the inaccessibility of New Somtal as the main hindrance. The area's proximity to Myanmar provides the militants an easy escape route, and the absence of a framework for a coordinated effort between the Indian Army and its Myanmarese counterpart creates obvious difficulties.

The presence of certain pro-insurgent section in the military has been hindering the success of anti-insurgency operations. This is quite visible in Myanmarese reluctance for actualizing the programmes initiated on the border such as fencing and effective control of the drug-trade.

### **The Issue of Border Fencing**

The proposed fencing works along the Indo-Myanmar border is another part of various measures taken up by the Union ministry of home affairs to accelerate the efforts to check insurgency and illegal drug trafficking in the northeastern India bordering Myanmar. A stretch of 40 km on each side of the border is totally open. No visa and other documents are required to cross the Indo-Myanmar border in this area as a result it is a free for all passage (Dhamen 2006).

Indian Army personnel guarding the porous Indo Myanmar border in Moreh also accept that there is a rise in infiltration as there is no fencing. According to Col. Vikash, Commanding Officer, 24 Assam Rifles "There is no fencing here and that is problem number one and that is the reason; that it is very difficult to control the inflow of people

moving in that is moving in from Myanmar or people going across because as per the trade agreement, people can move freely on either side of the border. So that is the first problem and the next problem is of weapon running and the third problem is drug smuggling. These are the three major problems we are facing” (“Infiltration through Indo-Myanmar Border on Rise: Army”: Report, September 23, 2006).

India is very much concerned about the issue of fencing, recently a three-member delegation, headed by Border Cell director M C Tiwari and Ministry of Home Affairs Deputy Secretary, Balwant Singh, had visited the border areas to investigate the proposed border fencing in the region. India is also considering construction of a parallel road along the entire length of Indo-Myanmar border (Dhamen 2006).

However, the proposed fencing work is delayed due to reluctance of Myanmar. According to a Myanmar official this issue needs higher level policy decision and we are still studying it. Even there are some problems on the demarcation of border points between both countries. Certain sections of the Indo-Myanmar border in Kabaw valley are still to be demarcated. They are Tuivang-Molcham area between border pillars 64 to 68, Tamu-Moreh area between border pillars 75 to 79 and Choro-Khnou area between border pillars 88 to 95. The government of India agreed to the construction of pucca border fence at a 10 km stretch at Tamu-Moreh area between border pillars 79 and 81 and commended the Border Road Organization (BRO) for the construction work. BRO was instructed to take up the work for Reconnaissance Survey and Trace Cutting (RSTC) for the pucca border fence by leaving a corridor of 10 meters from the international boundary. However the proposed (RSTC) work has not been started yet due to Myanmar's objection though India has cleared that the work was to be done well within the Indian side of existing boundary but Myanmar emphasized for a joint survey as the international boundary passes through it (Kangla Online November 29, 2007).

During the 6th meeting between the heads of the Survey departments of India and Myanmar held in New Delhi on November 27-28, 2006 the Myanmar cleared that it was willing to consider RSTC works between Border pillars 80 and 81 and accepted that the

coordinates of border pillar-79 were undisputed but it was not ready for the segment between 79 and 80. Thereafter, several meetings at various levels have been organized to discuss this issue but Myanmar is still reluctant towards the Indian proposal of border fencing (Kangla Online November 29, 2007).

### **Drug Trafficking Across the Indo-Burmese Borders**

The drug trade and its implication regarding insurgency and ethnic unrest in large parts of the world have emerged as a measure threat to international security. Drug trafficking is the main source of revenue for terrorist organizations. Apart from being a threat to political disorder in a state, drug trafficking poses direct threat to human security due to its various economical, environmental, health and psychological consequences.

According to Sumita Kumar (1996) Drug trafficking is a transnational phenomenon which includes production, processing transportation and distribution of drugs across the national boundaries. Most countries have the drug trade with in or passing through their borders which poses serious challenges ranging from effective border control to subversion of state and society.

The three largest drug growing regions of the world are following

- Latin America
- Golden Crescent (Afghanistan, Iran, Pakistan)
- Golden Triangle (Thailand, Myanmar, Laos)

India's situation is critical in this sense because it is located between the two heartland regions of drug production the Golden Crescent and the Golden Triangle. Due to such vulnerable geostrategic condition India is forced to promote the cooperation with the bordering countries which are the centers of Narcotics trade.

To prevent narcotics trade across its northeastern border, cooperation with Myanmar (a bordering state and a part of notorious Golden Triangle) is vital for India. Although, the Golden Triangle sub-region currently produces only five percent of the world's opium and reflecting an overall decline in production of 85 percent since 1998 to 2006. Laos and Thailand are now almost opium free however there have been seen some new poppy plantations in 2006 in a very low base in both countries. The two countries have reached such low levels of cultivation that they are no longer significant exporters of opium.

In Myanmar also opium cultivation has been dropped by 83 percent since 1998. The area under cultivation in Myanmar decreased from about 130,000 hectares (321,230 acres) in 1998 to just 21,500 hectares (53,100 acres) in 2006 after the government joined neighbors Thailand and Laos in a campaign to eradicate the crop. However, the country remains the world's second largest opium poppy grower after Afghanistan. In 2007 Opium poppy cultivation has experienced an "extremely alarming" increase in Myanmar after six straight years of dramatic declines. According to *Myanmar Opium Survey 2007*, in 2007, the total area under opium poppy cultivation in Myanmar was estimated at 27,700 hectares, representing an increase of 29% from the 21,500 under cultivation in 2006.

The largest cultivation areas were found in South Shan where 65% of the national cultivation took place, while 25% was cultivated in East Shan State. In North Shan State, opium poppy cultivation remained at a very low level, only 1% of national cultivation. However, the declining trend reversed this year and the area under cultivation in North Shan increased by almost two thirds. In Kayah State, which was surveyed for first time in 2006, opium poppy cultivation was also increasing. The same trend was seen in Kachin State, which accounted for 5% of national cultivation. In spite of a strong decrease in townships located along Chinese border, there was a significant increase in other townships of Kachin. The situation remained unchanged in Special Region 2 (Wa), where opium elimination has been sustained. Further, no opium poppy was found in Chin state. The survey was not allowed to proceed in Sagaing Division and no data is available.

According to Antonio Maria Costa, the executive director of the Office on Drugs and Crime the hold of insurgent groups and lack of government control in opium

cultivating areas is the main reason which contributed in the increase in 2007. The insurgent groups are using the drug to fund their operations and purchase weapons (International Herald Tribune October 10, 2007)

Apart from the opium production, Myanmar is also one of the worlds largest production base of synthetic drugs such as methamphetamines and amphetamines also called (speed, the classic upper, Yaa-Baa). Since, due to the Myanmar government's efforts to eradicate the opium poppy cultivation now the drug barons of the Golden Triangle region are shifting towards the business of synthetic drugs. They also employ ships and boats moored off the Myanmar coast as floating amphetamines factories. In golden triangle region the production of amphetamines has increased eight-time from 100 million tablets in 1993 to 800 million tablets in 2002. Amphetamines are cheap and popular as performance-enhancing drugs, as much in demand in Calcutta or Delhi as in London or New York (Bhaumik 2005).

This changing trend is a source of concern for India because the inflow of synthetic drug is increasing towards India from Myanmar due to tight security along the Thailand-Myanmar border. In February, 2003 Thailand Prime Minister, Thaksin Shinawatra launched "War against the Drugs" as a result of this campaign it is reported that many mobile drug laboratories has been shifted towards the Myanmar-Laos border and India-Myanmar border. It is interesting fact that the precursor chemical needed to make these amphetamines drugs are not produced in Myanmar and are declared illegal According to the Myanmar's anti narcotics officials more than 70% of drugs are smuggled from China the rest come mainly from India (Jagan 2006).

### ***Development of Myanmar as a Narcotics Trade and Production Centre***

Renaud Egreteau (2003) considers that the US prompted the poppy cultivation in Myanmar to finance the Kuomintang Nationalist Forces in the 1940's and 1950's and later during the Vietnam War.

According to Tara Kartha (1996)

When in, 1978 China pulled back its support from CPB, the lack of aid led CPB towards the cultivation of poppy. This event provided the impetus to the drug production in Myanmar. Intelligence reports assumed a possible 22 major refineries with another 60 smaller labs being worked by the Shan Army but paying protection fees to CPB forces. Routes were identified to Thailand down river on the Nam Hka River and through India via Tamu-Moreh or via Mandalay-Tiddim- Singhat- Churhandpur-Imphal. The resulting commercialization however caused the collapsed of CPB when it tried to restraint the drug related activities of its cadres who had became war lords in their own right. Its Wa content rebelled against the ethnic Chinese leadership and splintered in to factions.

However, when in 1989 CPB collapsed the drug trade has increased due to its inability to control the drug lords. Tatmadaw was forced to allow Wa and other insurgent groups a large degree of political autonomy and freedom to operate drug trade (Dipanker Banerjee 1996).

As a part of its strategy, to consolidate control over areas infected with ethnic violence, military junta negotiated ceasefire agreements with several ethnic armies that are involved into heroin production. These truce agreements permitted these groups to continue their narcotics business unhampered and even supported by section of the military regime. However, According to Sudha Ramchandran (2006)

This was the case with the ceasefire agreement reached with the United Wa State Army and the Myanmar National Democratic Alliance Army of Kokang, for instance. These ceasefire agreements have in fact resulted in a sharp rise in opium cultivation used to produce heroin in the areas where the insurgent groups exercise control. Besides, the warlords/drug traffickers are allowed to invest in Myanmar's economy, which means that their money earned from illicit trade gets laundered. Khun Sa, a Shan opposition leader and long-time heroin trafficker, "surrendered" to the junta in January 1996. There after he enjoying the profits from his narcotics trafficking. And despite Khun Sa's surrender, there has been no reduction in heroin production in the southern Shan State.

According to Renaud Egreteau (2003) after the takeover of Burma by a new military regime whose officials were involved in drug trafficking and money laundering operations. He argues that Myanmar has been a “Narco-State” since the early 1990’s and governed by “Military Narcocrates”. However, Richard M. Gibson and John B. Haseman (2003) argue that charges of official government complicity in the drug trade overlook the underlying security political and economic realities that have made Myanmar a major drug production and trafficking center.

Richard M. Gibson and John B. Haseman have elaborated the role of several other factors along with the role of government official in narcotics across the borders. These can be explained as

- Profits from the illicit trade in opium, heroine and methamphetamine have enabled armed insurgents for the past half century to successfully defy the central government efforts to strengthen its hold in the drug producing areas.
- In various regions of Myanmar the opium is the only economically viable crop thus due to the lack of required incentives the farmers are neither able nor willing to substitute the opium production.
- Lack of international support to facilitate the narcotics control program in Myanmar. Indeed western policies of imposing sanctions have to some degree exacerbated the drug problem in Myanmar by denying that country the economic support it needs to provide economic alternatives to those in the drug trade.

### **Drug Routes: From Myanmar to India**

Apart from emergence of Myanmar as a main center of opium poppy cultivation and synthetic drug production in Southeast Asia the other main trend which has been observed is the diversification of the drug trafficking routes from Thailand to China and northeast India. According to Dipanker Banerjee (1996) Golden Triangle has been converted into Pentagonal with the inclusion of the Yunan (China) and Nagaland,



Manipur (India). Pierre-Arnaud Chouvy (2002) provides details about the routes of drug trafficking to India from Myanmar as

From poppy fields in northeast Myanmar, opium as well as heroin are transported by road, through Bhamo, Lashio and Mandalay to northeast India. Heroin trafficking across the India-Myanmar border was first noticed in the early 1990s and six heroin laboratories were discovered in western Myanmar in 1992. There are two main drug trafficking routes leading from western Myanmar to the Indian states of Nagaland, Manipur and Mizoram. The foremost route begins in Mandalay, continuing through Monywa and Kalewa, where it splits: northward, to the Tamu-Moreh border crossing and the Indian Road 39, in Manipur; and southward, to Hri-Champhai, into Mizoram. Further north, Homalin is reached all the way from Bhamo and serves as a springboard into Nagaland, from where the heroin goes to Assam and, through Dispur, joins other shipments bound for Calcutta and the rest of the Indian subcontinent. The recent upsurge in drugs trafficking across the India-Myanmar border occurs in the context of a thriving contraband economy around Tamu-Moreh and Hri-Champhai that has existed since 1965, even though cross border trading was finally legalized in 1995. Political and social instabilities, armed violence linked with autonomous rebellions as well as state repression, and endemic underdevelopment and poverty make a long and poorly manned border prone to drug trafficking as well as the smuggling of precious stones, hard woods (teak), gold and various consumer goods.

According to the *Annual Report of Narcotics Control Bureau (NCB) 2001-02*, “as a result of the proximity to the Golden Triangle the Indian state of Arunachal Pradesh, Nagaland, Manipur and Mizoram have been vulnerable to the trafficking of heroin from Myanmar. The route for trafficking from Myanmar into the northeastern states of India is through Moreh and Churhandpur in Manipur, Mokochung in Nagaland and Champai in Mizoram” (as cited in Molly Charles).

These drug-trafficking routes are controlled by the insurgent groups. Insurgent groups not only control the routes via which drugs and arms are smuggled but also facilitate the drug trafficking across the region. In 2003 Indian security forces captured a huge quantity of heroine from a hideout of the NSCN near the Assam-Nagaland border. This arms drug nexus in the early 1980's when the NSCN (IM), and ULFA forged ties with the KIA of the Myanmar. The main objective of this cross border linkages were

arms procurement and training of the cadres. Due to the limited nature of their resources and huge cost involvement in the arms procurement both groups had engaged with KIA for arms procurement and in return to provide a safe passage to the drug consignment via northeast to the sea ports of Bangladesh.

Insurgent groups improved their financial conditions and they were in the position to counter government efforts to challenge them. In this manner drug trafficking has emerged as a source of fund raising for insurgent groups of northeast India. It is also reported that the opium cultivation also has been promoted in the districts of Senapati and Ukhrul and the Sardar hills. Every day around 500 trucks ply through NH 39, the link route used by the traffickers and due to the impracticability to check every truck that passes through, it has become a highly accessible link route for trafficking (Dhamen 2006).

According to Subir Bhaumik (2005), although, some insurgent groups such as Manipur Peoples Liberation Front resist the drug traffickers, but other groups, including the NSCN are involved in drug trade. This is evident from the seizures from their camps. He put it as follows

Burmese drug lords are also encouraging tribal farmers to plant poppy. Unless these new plantations are promptly destroyed and gainful agricultural alternatives provided to the farmers, the India-Burma border will soon be dotted with poppy fields feeding the processing plants in western Burma. A rebel-drug lord-officialdom nexus is emerging in India's Northeast in a repeat of the Colombian scenario. Recently, an upcoming drug lab set by the 'Ah Hua' network of Yunnan and North Burma in Calcutta's posh Salt Lake area (in an apartment owned by a senior police official) was busted by the Narcotics Control Bureau. Six Chinese and Burmese nationals arrested from that apartment confessed that it was much easier to get the requisite quantity of poppy into Calcutta and sell the drugs in the Indian market than get tonnes of processing chemicals like acetic anhydride to remote Burmese location from Calcutta

The consequences of drug-trafficking proved disastrous for the civil population in the region. More than ten percent of the youths in the Indian states having common border with Myanmar became addicted to heroine. The issues of drug uses and increasing

HIV/AIDS infections are linked to each other due to increasing popularity of the injecting methods of taking drugs (Bhagat 2002). This outbreak of HIV/AIDS across the Indo-Burmese border has emerged as a threat to human security in the region. A large number of HIV/AIDS cases are recorded in Myanmar, Yunnan province of China where 80 percent of the China's total HIV/AIDS infected cases live, and Manipur of India where 56 percent of India's total HIV/AIDS infected cases live (IK Singh 2006).

The AIDS figure of Northeast India is the major source of concern for the policy makers. In July 2005, Manipur had the highest number of AIDS cases (2866). Other states: Nagaland (736), Assam (225), Mizoram (106), Sikkim (8), Meghalaya (8), Tripura (5), Arunachal Pradesh (0). On the basis of these figures Udai Bhanu Singh (2006) argues that there is an urgent need to greater cross-border management in coordination with Myanmar to urgently address these problems across the Indo-Burmese region.

The continuous sharing of the HIV infected needles and syringes by the Injection Drug Users, enhances the possibilities of spread of the disease. Increasing numbers of IDU's and HIV/AIDS infected persons in India's northeast region also have bearing on its shared border with Myanmar which is a source of "Injecting Heroine" (locally known as number 4) to this region (Moses 2006). Due to the inadequately monitored borders and the involvement of transnational ethnic groups such as Meiteis, Kukis, and Nagas in drug abuses, the epidemic of HIV/AIDS in this region is spreading at an alarming rate.

In Manipur particularly, between 1990 and 1991, due to increased drug availability HIV infection rate rose from under 1% among IDUs to over 50%. By 1997, infection among IDUs had reached 80%. According to a 2002 UNAIDS report, approximately 75% of Manipur's HIV cases are among IDUs ("HIV/AIDS in Manipur, India: An Annotated Bibliography December 2005").

Against this backdrop India is forced to keep aside its policy to isolate Junta and to seek cooperation with Myanmar. India is trying to enhance the security cooperation through an institutionalized framework. Consequently, it signed various important

agreements with the Burmese junta concerning the trans-border narcotics dealings and joint surveillance of borders such as in 1993, 1999 and 2002. During a meeting between Union Home Minister Shivraj Patil and the visiting Home Minister of Myanmar Major General Maung Oo in December 2006, both sides agreed to work together on various issues of mutual interests and concerns such as sharing information at field and national level, including insurgents movements, effective border management and drug trafficking (The Tribune 22 December 2006). This meeting holds strategic significance and is being seen as major step forward in enhancing cooperation on security-related issues. However, the present state of security dialogue and the actual operability of various joint mechanisms have been remained inadequate. In order to solve the common problems more efforts and cooperation are required from both sides.

**Table 3.1**  
**Drug Routes : Myanmar-India**

S.N.	Origin-Destination	Area Covered
1	Sgaing area (NW Myanmar) to Mizoram	Tamu(Myamar)- Moreh(Manipur)-Kaleyand Tiddim(Mizoram)
2	North myanmr to Imphal (Manipur)	Hampat nad Tamu (Myanmar)- Moreh-Imphal(Manipur)
3	West myanmar to Aizwal (Mizoram)	Rikhandar-Champhai- Aizwal(Mizoram)
4	South-West Myanmr to Aizwal (Mizoram)	Myamar-Lungleh(Mizoram)- Aizwal(Mizoram)
5	Somra(Myanmar) to Jessami (Manipur)	Somra(Myanmar)-Jessami in Ukhrul district (Manipur)
6	Khamti (Myanmar) to Dimapur(Nagaland)	Khamti (Myanmar)- Noklak area Tuensang-Mokokchung or directly Dimapur(Nagaland)
7	Paletwa to Cox Bazar in Bangladesh	Paletwa (Chin state in Myanmar)-Mizoram or Manipur-Alikadam( CHT in Bangladesh)-Cox Bazar(Bangladesh)
8	North Myanmar to Dibrugarh (Assam)	North Myanmar-Arunachal Pradesh-Tinsukia and Dibrugarh areas (Assam)

Sources:-Killer Routes of Northeast :How Drugs are brought and sold iin India, Border Affairs  
October-December 2005.

## Chapter 4

### India-Myanmar Economic Cooperation

Soon after the military take over in 1988, Myanmar relinquished the socialist pattern of economy and adopted an open door policy to re-integrate itself with the regional and world markets. It allowed private sector businesses to engage in external trade and to retain export earnings, and started to legitimize and formalize border trade with neighboring countries, hitherto an activity that had been deemed illegal (Kudo, Toshihiro and Fumiharu Mieno 2007).

India-Myanmar economic relations had also started growing during the mid 1990s soon after the India's adaptation of the policy of Constructive Engagement vis-à-vis Myanmar. The purpose of this chapter is to evaluate the state of progress and issues involved in the India-Myanmar economic cooperation, after India's decision to constructively engage with Myanmar.

#### Trade

Although, India and Myanmar had laid the foundation of fresh trade relations by signing first trade bilateral agreement in March 27, 1970, however, the volume of trade between two countries has remained very meager since then due to inadequate infrastructure and deficient means of transports (Egreteau, Renaud 2003).

During the mid 1990's, when India started to engage constructively with junta both parties addressed these problems and taken required initiative to enhance the bilateral trade. As a result, trade between India and Myanmar has increased from US\$ 87.4 million in 1990-91 to US\$ 650 million in the 2006-07. The export basket of Myanmar with India constitutes items such as natural gas, garments, rice, beans and pulses, non-ferrous metals, timber, precious and semi precious stones, fishery products etc. Myanmar imports from India mainly capital goods, machinery, chemicals, transportation equipment, raw materials, spare for inter industry use, edible oil,

pharmaceuticals and fertilizers etc. India is ranked as the second most important market for Myanmar exports and the seventh most important source of its imports (Report: Country Brief prepared by Indian Embassy in Yangon).

The important characteristic of the India-Myanmar trade is that the balance of trade has been always in favor of Myanmar<sup>1</sup>. Out of the total trade between two countries India's export to Myanmar is very low. According to Indo-Myanmar chamber of commerce lack of interest among Indians to invest in Myanmar are main factor behind the little growth in the volume of the trade (Mujtaba Ali Syed 2007). According to Mr Goenka<sup>2</sup>, the Chairman of Indo-Myanmar Chamber Of Commerce

It has been very hard to convince Indian entrepreneurs on the tremendous trade and investment potential in Myanmar. Unfortunately, they have received the wrong impression from some western media," he remained optimistic about future business prospects. At the Myanmar side of border, things are more promising for the trade than the Indian side. However, he accepts that the bureaucratic delay and unsecured line of communication perpetrated by the insurgency in that area by some ethnic groups at the Indian side of border is hampering the trade.

Therefore, various measures have been taken to promote the India-Myanmar trade at different levels. During the first quarter of 2004, the Confederation of Indian Industries and the Union of Myanmar Federation of Chambers of Commerce and Industries signed a memorandum of understanding (MOU) to create a task force to increase trade between Burma and India. It had set up a US\$ 1 billion bilateral trade target in 2006-07 but it could not be achieved (The Economic Times February 15, 2007).

The Indian chamber of commerce and Industries recommends that to improve India-Myanmar trade, it is needed to remove obstacles relating to transport, banking, infrastructure and to enhance the bilateral cooperation in the areas of culture, education, public health, small and medium scale enterprises.

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<sup>1</sup> A list, showing the direction of India Myanmar trade has been added at the end of this chapter

<sup>2</sup>Mr. Goenka and his family are operating Bandoola groups of companies in Myanmar.

In the meeting of India-Myanmar Business Club during the visit of Indian Vice-President to Myanmar it was noted that enhancement of awareness among the business communities of the both sides and to foster the direct trade rather than indirect trade, are the two key factors to promote bilateral trade<sup>3</sup>(The Myanmar Times and Business Review September 10-16, 2003).

As far as the India Myanmar trade relations is concerned there are various possible areas having growth potential such as Pharmaceuticals. Former, President of India Dr. Abdul Kalam also offered to develop linkages in traditional medicines between India and Myanmar. According to him both can join hands to develop standardized world class herbal medicines by using the Indian expertise in biotechnology. (The Hindu, March 11, 2006). Tourism is another potential area as far as the India Myanmar trade is concerned.

### **Investment**

Foreign investment in Myanmar was permitted by the enactment of a Foreign Investment Law (FIL) in November 1988. It allowed total foreign ownership of companies in certain areas like export expansion and mining of natural resources while joint ventures were encouraged in other areas. A tax exemption regime was also established with other incentives including guarantee against nationalization (Jha, Ganganath 2007).

After the implementation of this Foreign Investment Law, FDI started to flow into the country and inflow of FDI approvals for 1989-90 was US\$56 million. It grew to US\$1352.295 million in 1994-95 and the amount was US\$2814.245 million in 1996/97<sup>4</sup>. The biggest sectors of foreign investment in Myanmar are Manufacturing, Oil and Gas, Mining and Hotels and Tourism. FDI in the oil and gas sector accounted for about one

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<sup>3</sup> Most of the trade between two countries is indirect. India imports Myanmar's teak via Hong-Kong and Singapore, Myanmar's precious stones through Thailand and Myanmar's agriculture products via Singapore.



third of total FDI. The inflow of foreign investment started to reduce since 1997-98, mostly due to the indirect impact of Asian Economic Crisis and sanction imposed by some western countries. However, foreign investment increased again in 2005-06. The SPDC in a press conference on December 17, 2006 declared that from 1988-89 to 2006 (end September), permitted amount of foreign investment totaled US\$ 13.849 billion (Burma Economic Review 2006-07).

India is not figured in the list of major investors in Myanmar. As far as foreign investment in Myanmar is concerned, India ranks 21<sup>st</sup> (Financial Times 31 May 2005). Out of 27 countries and regions investing in the Myanmar, major investors are Singapore (US\$1,572.726 million), the United Kingdom (US\$1,431.011 million), Thailand (US\$1,341.22 million) and Malaysia (US\$660.747 million), taking up 20.29%, 18.46%, 17.31 % and 8.5 % of the total foreign investment respectively (Burma Economic Review 2006-07).

India's major investment in Myanmar is in the oil and gas sector. A consortium<sup>5</sup> of South Korean and Indian companies comprising Daewoo International Corporation (60%), Korea Gas Corporation (10%) and Oil and Natural Gas Commission (ONGC) Videsh Ltd and Gas Authority of India Ltd (GAIL) (combined 30%) started exploration activities in the Rakhine Coastline of Myanmar.

In 2005, this consortium of announced the discovery of additional natural gas deposits in the Shwe field, which is located offshore within Block A-1 along the western Rakhine coast. The discovery estimated 70 billion cubic meters (6 trillion cubic feet) of gas in Block A-1<sup>6</sup>. However, according to an assessment made by the oil-industry

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<sup>5</sup> Myanmar Oil and Gas Enterprise (MOGE), 100 percent owned by the junta, will have the rights to take the proportionate share of the benefits. Daewoo predicted at least 100 billion won (US\$86.2 million) in net profit annually for 20 years from 2010 through its natural gas production at the zone. Production is to start in 2009 and the SPDC is poised to reap at least US\$800 million a year from the project, and could see up to 3 billion annually.

<sup>6</sup> From A-1 block initial exploration gas estimates in 2004 were up to 396.2 billion cubic meters (14 trillion cubic feet). As a result of the new discovery, Block A-1's total gas estimates were revised to 566 billion cubic meters (20 trillion cubic feet). Block A1 was owned by a consortium made up of Korean companies Daewoo International Corp. (60%) and Korea Gas (10%) and Indian companies Oil and Natural Gas Corporation (ONGC) Videsh Ltd. (OVL) (20%) and Gas Authority of India Ltd. (GAIL) (10%)

consultant Ryder Scott Co., estimated gas reserves in Block A-1's Shwe field were between 2.88 trillion cubic feet and 3.56 trillion cubic feet. This consortium also held gas exploration rights to Block A-3<sup>7</sup> (*Minerals Year Book 2005*).

Apart from oil and gas sector India is looking for opportunities in other sectors such as agriculture, fisheries, pearl cultivation, infrastructure, mining and tourism. Myanmar also expressed its desire to attract investment from India during the visit of Mr. U. Thein Tun, Deputy Minister for Industry of Myanmar to India in 1998. He told the then Indian Minister of State for Industry that Myanmar was keen to seek the closer cooperation with India in the field of Industry, particularly in the machine tools and transport sectors.

India and Myanmar also discussed the opportunities for investment in commercial enterprises in agriculture trade and agro-based industries during the visit of then Minister of State for Agriculture Shri Som Pal. Myanmar also seeks investment in the areas relating to agriculture such a production of agricultural machinery, fertilizers, seeds, sugar, and edible oils etc.

A MoU on agriculture was signed during his visit on April 25th, 1998 ("Country Brief," Indian Embassy in Rangoon). The purpose of the agreement is to facilitate bilateral cooperation in the areas of agriculture, science and technology through joint activities and exchanges in the areas of crop science, research, agricultural extension, sericulture, horticulture, jute, sugarcane, arid zone agriculture, cooperative farming, agricultural mechanization, agricultural statistics, geographic Information System (GIS), fertilizer and pesticides use, agricultural joint ventures, agro based industries in sugar, jute, cotton, tea-processing industries, exchange of information.

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<sup>7</sup> Block A-3 is located on the southern edge of Block A-1 in the Bay of Bengal and measures approximately 6,780 km<sup>2</sup>. In October 2005, the consortium announced that it had reached an agreement to explore Block A3

Apart from efforts of government's of both countries, business organizations are also trying to enhance the level of investment and trade by drawing the attention of Indian Business men towards Myanmar. Mr Avijit Mazumdar, former President of Associated Chambers of Commerce & Industry, who has been successfully running business in Myanmar admires Myanmar as "it is a excellent country to do business provided the foreign businessmen strictly adhered to local laws and did not meddle into local politics" (Business Line February 17 2007). Indo-Myanmar Chamber of Commerce and Industries and Confederation of Indian Industry have emphasized on organizing exhibitions such as Made in India Show (2004) and Small and Medium Enterprises Exhibition (SME India 2007) for increasing awareness among the Indian businessmen for doing investment in Myanmar (Mujtaba 2007).

However a majority of Indian investors are still reluctant to make investment due to political instability and lack of knowledge about the existing opportunities in Myanmar. As a result Indian investment in Myanmar is very low in comparison of other major investors. Although Myanmar government is in touch with Indian entrepreneurs and trying to attract investment in the areas of co-operation in the areas of information and communication technology (ICT) small & medium enterprises and industrial products.

### **Connectivity**

Since the period of the Atal Bihari Vajpayee issue of "Connectivity" has become a core element of India's regional diplomacy to develop the communication and infrastructure network in its neighborhood. According to Rajamohan (2003) in India's engagement with Myanmar and Iran, connectivity is at the top of the economic and political agenda. In both countries, India is supporting infrastructure projects that will provide mutual strategic benefit. Development of infrastructure projects with both these countries is symbolic of India's determination to overcome the physical and political barriers that Bangladesh and Pakistan have become to its aspirations to benefit from regional economic integration.

Sudhir Devare (2006) also considers “connectivity” as a key agent not only for improving movement between Myanmar and India but also as a central point to the India’s Look East policy. He emphasized on the importance of the proposed Trans Asian Railway for building connectivity as

The proposal of the Economic commission for Asia and the Pacific (ESCAP) of the UN to launch a Asian Land Transport Infrastructure Development (ALTID) was welcomed when it was adopted as the New Delhi Action Plan 1997-2006 at the ESCAP meetings. It has three components; a Trans Asian Railway (TAR), The Asian Highway (conceived in the 1959) and the facilitation of the land transport system. Twenty seven mainland Asian countries have supported ALTID. The Asian Highway in the Southeast Asia which is in various stages of completion in different segments could be a reality with a direct connection from India to Yangon, Bangkok and beyond. TAR however, is largely at conceptual stage mainly because of the economies and the very difficult terrain involved in certain sections of the proposed railway. There is also a break of gauge problem.

Apart from, this proposed Trans Asian Highway various other specific project, also has been started to develop infrastructure between India and Myanmar to facilitate bilateral trade and India’s connectivity with main-land Southeast Asia.

#### **India Myanmar Friendship Road<sup>8</sup> (Moreh-Tamu- Kalewa Road):-**

This road is the first project of infrastructural cooperation between the two countries. It is of strategic significance as it gives India connectivity to the commercial markets in Southeast Asia. By building the Tamu-Kalewa road, the two countries hope to revive cross-border trade with an aim to develop its neglected border regions. (The Hindustan Times February 14, 2001)

For India-Myanmar relations, the road project reflects that the engagement with the ruling State Peace and Development Council has fructified into something solid. It

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<sup>8</sup> 165 Km long Tamu-Kalaymyo-Kalewa road is built by Borders Road Organization of India with a cost of rupees 100 crores in Sagaing Division of Myanmar. It is connected with Moreh in Manipur where the National Highway 39 of India terminates.

not only provides the easier movement of people, goods and traffic across the Indo-Burmese border but also another aspect of the road is that the response time of Myanmar security forces to Indian insurgents operating in the area is going to improve. (The Hindu February 14, 2001).

India also signed an agreement<sup>9</sup> with Myanmar to build a bridge at Indo-Myanmar border to facilitate the trade between Mizoram State of India and Chin State of Myanmar. The Bridge is to cross the Tio River, which borders Zo Khuttha village in Mizoram and Rih village in Chin State. (Mizzima News May 22, 2001)

### **India Myanmar Thailand Trilateral Highway**

Just one year after becoming operational of India Myanmar Friendship road India Myanmar had involved in discussions with Thailand to develop transport linkages through a trilateral highway project from Moreh in India to Mae Sot in Thailand through Bagan in Myanmar. The decision to this effect had been taken at the India-Myanmar-Thailand Ministerial Meeting on Transport Linkages held in April, 2002 in Myanmar.

This project includes following areas of cooperation (Joint Press Statement):

- Construction of a highway from Moreh in India to Mae Sot in Thailand through Bagan in Myanmar.
- Promotion of a highway from Kanchanaburi in Thailand to Dawei deep seaport in Myanmar and shipping links to seaports in India as part and parcel of one integrated package.
- Promotion of trade, investment and tourism through facilitation of transit of goods and people across the borders.
- Cooperation in human resources development.

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<sup>9</sup> According to the agreement signed on 25th April 2001, India will provide all the financial, skills and material assistance to construct the bridge.

In April 2003, the technical task force regarding this project completed the field survey of the highway and agreed on a route alignment at the technical level (The Tribune December 19, 2003). The India-Myanmar-Thailand Ministerial Meeting on Transport Linkages was held in New Delhi on 23rd December 2003. A Joint Press Statement had been released during this meeting by the three parties. In this Joint Press Statement (December 23, 2003), India agreed

To consider the offer of a Line of Credit at concessional terms to Myanmar for financing new constructions from Chaungma-Yinmabin (30 km.) and Lingadaw-Letsegan-Pakokku (48 km.). India also agreed to consider similar financing of the up gradation to two-lane standard of the Yinmabin-Pale-Lingadaw (50 km.). Further, the Indian side agreed to consider, subject to internal approvals, financing of the up gradation of the Bagan-Meiktila (132 km.) segments. The Indian side agreed to undertake the preparation of a Detailed Project Report (DPR) for a bridge over the Ayeyarwaddy River and for the causeways near Kyadet.

The Road alignment for the project has been completed. After the realization of this trilateral Highway the geographical landscape of the land-locked North-East of India will be land-linked with the mainland Southeast Asia (The Tribune September 17, 2007).

### **Kaladan Multi-modal Project**

India and Myanmar have given final touch to the Kaladan Multi-modal Project<sup>10</sup>. This ambitious project includes the building of a waterway, roads and developing the Sittwe port linking Myanmar to Mizoram through the Kaladan River. The development of the Sittwe port is a part of the Kaladan multi-modal transport project that envisages facilitating movement of cargo vessels by road and inland water from Mizoram through Kaladan River, all the way to the town of Sittwe in the Rakhine State of Myanmar. The Port is about 12 hours from Haldia and 36 hours from Vishakapatnam ( Mizzima News, October 10 2007).

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<sup>10</sup> The negotiated agreement include the framework agreement on the construction and operation of a multi-modal transit transport facility, protocol on facilitation of transit transport, protocol on financial arrangements and draft protocol on joint administration and management.

The project will provide an alternative route for transporting goods to and from the North-east. India has been looking for transit rights from Bangladesh also, but successive Bangladeshi governments have again and again rejected the request. Dhaka fears that giving transit facilities to India would affect its own exports to the north-east regions. (The Economic Times, November 2 2007). The progress of negotiations regarding this project has been delaying due to following reasons.

- India wanted to retain control of the Sittwe port due to its huge investment in this project. It was not acceptable to Myanmar.
- Myanmar was committed to invest about \$ 10 million in this project but it was not able to invest money.

However, recently both the problematic issues have been resolved. India has softened its stand and agreed to hand over the port soon after its completion. It also has agreed to provide a soft loan of about \$10 million to Myanmar (Mizzima News, 10 October 2007). Although India signed this project on the terms of Myanmar but it would definitely help India to boost the economy of its North-eastern part by facilitating the transport of goods via road and river from the landlocked northeastern states to Sittwe port and from there on to markets in Southeast Asia and beyond (Ramachandran, 2007).

### **Trade routes to China from India via Myanmar**

To find out the shortcut routes to China from India via Burma has always been a matter of curiosity among the traders since the ancient time. During the colonial period also British did various surveys in this regard. In 1795, the first British official mission, led by the Captain Michael Symes was sent to Burma to investigate the possibilities of the establishing the trade links between India and China through Burma.

Another Mission was sent in 1827, under the supervision of John Crawford to negotiate a commercial treaty. Both missions estimated the enormous potential of export to China (Sardesai 1981). Exploring the possibility of an overland trade route to China

via Burma was one of the important reasons which pushed forward the three Anglo-Burmese wars. However, British's plans to extend trade to China via Burma could not take shape during that period due to the scope of extension of trade within India itself.

After the full annexation of Burma, British started to construct railway lines and planned to link Burmese railway with the Yunan Province railway of China. However, for all practical reasons, the overland trade with China remained quite difficult and drew low attention until the beginning of Sino-Japanese conflict. During the time of Japanese attacks China perceived that Burma would be useful as a backdoor towards South Asia and Indian Ocean. Therefore, the construction of a Highway between Burma and Yunan had been started and it was completed in 1939. This highway was damaged by bombarding during war and reconstructed in 1941 by the Chinese with the help of the US army (Stobdon 1993). Now China has developed this highway and constructed a railway lines along the axis Kunming-Dali (Xiogan)-Baoshan-Mangshi-Ruili (on the border) on its territory. And it wants to rejuvenate the concept of traditional "Burma Roads" which runs from Kunming in China to Lashio in Burma and then to link further with the Stillwell or Ledo road from Myitkyina in Burma to Ledo in Assam (Egreteau, Renaud 2003).

According to Stobdon, after the launching of the "Open door policy" China wanted to exploit the economic potential of South Asia and Indian Ocean region thus it visualized to revive the notion of traditional South Silk road<sup>11</sup> that linked China through overland with South Asia and West Asia. China's eagerness to restart the Old Burma Road is a part of its grand vision of the revival of South Silk road.

However, India and Burma remained skeptical about the reopening of the Stillwell road as a part of Old Burma road because of security reasons. The historic Stilwell's Road which was constructed by the Americans during the Second World War

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<sup>11</sup> Some Chinese scholars such as Pu Chaozhu, Secretary of the Provincial Committee of the Communist Party claim about existence of South Silk road as early as in the 2<sup>nd</sup> century BC. One of the traditional routes started from Chengdu, passed through Qingyi (now Yunan's Sichuan province and Qiungdu (now Dali, Yunan Province), Dianyue (now Tengchong and Ruili) via northern Burma, entered Assam in India and reached Central Asia and Europe.



from Ledo in Assam (India), which is one of the rail-heads of the Bengal-Assam railway in the valley of the Upper Brahmaputra during that time to Burma Road connecting to Kunming (China) passes through Lekhapani, Jairampur, Nampong and Pangsau pass, India-Burma (Myanmar) border. It crosses the broad bowl of the Upper Chindwin, threads the Hukawng and Mogaung valleys, and goes down to Bhamo and to the Burma Road which connects Kunming, Yunnan province of China (Stilwell Road).

The major portion of the 1726 km road lies within Burma (1,033 km) with 632 km in China and a small stretch in India (61 km). Upgrading of this road could be proved terrible because it is being used by smugglers, traffickers and insurgents (Stillwell road on Burmese side is used by the Communist Party of Burma, Kachin and Naga insurgents to establish bases and to accumulate the weapons). Thus, after the reopening of this road it would be difficult to end the illegal activities (Renaud Egreteau 2003). And, there could be some adverse impact of the reopening of it, in form of the flow of political refugees. India also has reservations to reopen this route due to having a fear of sinization of its northeastern part because if the Silk Road or Stillwell's Burma Road is re-opened, China may take over the markets in the northeastern region and it may also increase its influence over disaffected people in the region. India is also reluctant to this project due to heavy cost of reconstruction (P.V. Indiresan 2000).

However, Ranganathan CV (2001) argues that there is a similarity between the economic structures of the northeast region of India and its immediate neighbors like Myanmar, Bangladesh and Yunan Province of China. Thus, by liberalizing the economies of this region a vast market could be opened up for the India. India's northeast part could adopt the Yunan model of regional integration for developing linkages with its neighbors. Yunan has established an impressive network of roads and communication links with neighbors. This network has contributed in its economic growth and facilitated trade relations with the neighboring countries especially with Myanmar. As a result its border and other trade with Myanmar represents from a third to half of Myanmar's total foreign trade.

After the Kunming Conference in 1999, the idea to reopen the Stillwell road is being taken seriously and a debate about the realization of this project has been started in the political and academic spheres of India. The leaders of northeastern states have been demanding to reopen this road since a long time. All the northeastern chief ministers have requested Prime Minister, Manmohan Singh to reopen the Stillwell road.

As a result Indian government has given some positive signals to reopen this road. The Centre is considering reopening of the famous Stillwell Road connecting the country's north eastern region with South East Asian countries to facilitate trade. Recently, Indian Union Minister of State for Commerce, Jairam Ramesh has admitted that center is taking into consideration this issue (Indo-Burma News November 26 2007). During the inauguration of the international trade centre at Nampong, (the last Indian town on Stilwell Road), Jairam Ramesh said that the commerce ministry wants to reopen the Stillwell route through Pangsau pass (a place where Stillwell road enters into Myanmar) by 2010 (Khaleez Times Online December 3, 2007).

#### **The Idea of linking India and Myanmar by Railways:-**

India is also exploring the possibilities to establish rail links with Myanmar. This rail link involve constructing the Jiribam-Imphal-Moreh line in the Manipur and the Tamu-Kalay-Segyi line in Myanmar, as well as rehabilitating Myanmar's existing Segyi-Chaungu Myohaung line. In this way, Indian government is pursuing the setting up of a rail corridor between India and Myanmar which will provide India access to Southeast Asia and also to China and Russia. A 350 km long distance needs to be bridged to connect India with Myanmar. Out of this, approximately 150 kms are on the Indian surface (Indain Express 18 December 2006).

Some studies have been done in this regard. According to Rail India Technical and Economic Services Ltd, a state-run company that conducted the feasibility study of the proposed freight corridor, the Jiribam-Imphal-Moreh rail link would cost US\$649 million, while the Tamu-Kalay-Segyi link in Myanmar would cost \$296 million.

Refurbishing the Segyi-Chungu-Myohaung line has been pegged at \$62.5 million (Ramachandran 2007). The rail-link between India and Myanmar will definitely provide a new window to the economy of India's north-eastern part. Because it would be a cost effective and less time consuming option in comparison of other modes of transportation. With the India-Myanmar rail link, goods can also be transported from Delhi to Hanoi. However, the poor security situation in India's northeast, political situation in Myanmar.

Apart from security concerns there are also some geographical and technical impediments in the way of proposed rail link. The railroad will have to cut through the hilly terrain of Manipur to the more adverse region across the Myanmar's border. Rail lines will have to cross rivers and cut through rugged mountains and thick tropical jungle. The difference between the rail gauges of both countries is another major problem to establish a rail-link. India has a 1,676mm gauge while Myanmar uses a 1,000mm gauge (Ramachandran 2007).

#### **India Myanmar Border Trade**

The people along the international border between India and Myanmar were always having some kind of trade relations between them. However, the border trade between two countries was formalized on January 21, 1994 by signing of a border trade agreement to facilitate a congenial trade practice (Dr. A. Surenjit Singh 2005). According to the agreement trade would be organized through the designated custom posts. First between Moreh (Manipur) and Tamu (Myanmar), second between Champhai (Mizoram) and Hri (Myanmar). However other places may be notified for border trade between two countries by mutual agreement. Following the signing of the agreement the two land custom stations (LCS) at Moreh and Champhai on Indian soil were notified. However, the Champhai station has not become functional till date and all formal Indo-Myanmar trade has been taking place through the Moreh-Tamu route. The agreement provides for cross-border trade in the twenty two products such as Mustard/Rape seed, Pulses and Beans, Fresh vegetables, Fruits, Garlic, Onion, Chillies, Spices (excluding nut-meg, mace, cloves and cassia), Bamboo, Minor forest produce (excluding teak), Betal Nuts and

leaves, Food items for local consumption, Tobacco, Tomato, Reed Broom, Sesame, Resin, Coriander seeds, Soya-bean, Roasted Sunflower seeds, Katha and Ginger (Bezbaruah 2007).

Soon after the border trade agreement, formal border trade increased from about Rs.15crores in 1995-96 to Rs.46.49 Crores and Rs.62.39 Crores in 1996-97 and 1997-98 respectively. But from the next year the volume fell sharply and reached to Rs.8.62Crores only. M. P. Bezbaruah (2007) explains the decline of formal border trade under following points

- Rigidities in the existing trading arrangements
- The dual currency exchange rate system of Myanmar
- The barter trade mechanism<sup>12</sup> of official border trade
- Transit<sup>13</sup> of third country products through Myanmar

Therefore, he suggests some alternatives to sort out the complexities of the existing border trade arrangements between India and Myanmar. According to him barter trade should be abolished and number of items should be increased in the list of tradable items. Transit of third country products is allowed openly but there should be clear cut provisions in this regard.

Dr. A. Surenjit Singh (2005) also suggests some new items for inclusion in the existing list. He also takes into account the issue of improving infrastructure (such as banking facilities, transportation, communication etc.) to boost up the volume of Indo-Myanmar border trade. The proposed items for inclusion are Cardamon (small), Coconut oil, Ground nut seeds and oil, Peanuts, Rice, Silk cocoons and yarns, Teak (Raw cotton and mats), Bamboo caps and bamboo bases household items, Poppy seeds, Plastic

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<sup>12</sup> The existing mechanism of formal Indo-Myanmar border trade is Similar to barter trade in the sense that export from one country needs to be balanced by import to that country by individual trader. Moreover, for an Indian trader there is the stipulation that exports from India must precede from Myanmar. Balancing exports by imports is required to be completed with in a period of six months. The system not only hinders free flow of trade but also puts the Indian trader in disadvantage.

<sup>13</sup> Myanmar does not impose any Rules of Origins on the third country goods in transit. Thus, low price of third country products imported to India from Myanmar through the unofficial channels. It is an important factor which contributed in the decline of the border trade through formal channels.

granules/ materials, Paraffin wax, Cashew nuts, Mace (Javitri), Nutmeg and Cinnamon, Gems and Jewellery items, Agar-wood, Myanmar's origin stationary items, Toilet soap, washing powder, cosmetic etc, Animal skin, skin hides and Third country product/ items like blanket, dress materials, specified items of electronic goods etc.

Dr. Langpok Lokpam (2007) draws attention toward some negative outcomes of the opening of Moreh-Tamu border for trade. According to him

It indirectly helped in promoting the existing dangers liaison to a new height. Moreh and Tamu has become the easiest transit point for illegal trade, drug trafficking, and small arms deliveries. Opening of the Moreh-Tamu border for trade could not bring the minimum expected gain to the local people of the Manipur rather it has created a situation of the turf state war among and non state actors. The positive results by opening the Moreh-Tamu border for trade could not be achieved without having a peaceful situation in Manipur and the rest of northeastern part of India and without establishing a proper controlling authority with the right mechanism to operate border trade.

Recently, India has taken some positive initiative to boost the border trade with Myanmar. India preferred soft power diplomacy to encourage formal border trade with Myanmar. This soft power diplomacy involves the promotion of interaction among the business community of both sides, participation in seminars and trade fairs etc. It is evident from the recently signed trilateral memorandum of understanding (MoU) was signed on 4<sup>th</sup> March 2007 among three trade bodies representing Asom, Manipur and Burma named the Industries and Trade Fair Association of Assam (ITFAA), the Indo-Myanmar Border Traders' Union of Manipur (IMBTU) and the Union of Myanmar Border Trade Chamber of Commerce, Myanmar (UMBTCC). ITFAA president Jatin Hazarika and Secretary Rajeev Das, IMBTU president W Nabachandra Singh and secretary general Ph. Ibotombi Sharma and UMBTCC president Hla Maung and secretary Aye Ko were the signatories of this MoU (Thakuria 2007).

A review of India Myanmar economic relations reflects that now both countries have realized that a huge untapped potential in the areas of trade and investment between two countries could not be utilized fully yet. Thus, the economic issues are now being

prioritized in the agenda of India's constructive Engagement policy with Myanmar. Apart from economic linkages in the area of trade and investment India has also committed itself to provide assistance to Myanmar in the areas of human resource development, science and technology, education and information technology, space technology (remote sensing and data processing).

India's assistance to Myanmar in such knowledge based areas is very significant for its long term economic development (Devare 2006). India has extended its support to Myanmar for capacity building into various areas especially in information and communication technology (ICT). Recently, India has signed a MoU with Myanmar for the establishment of the India-Myanmar Centre for Enhancement of Information Technology Skills (IMCEITS) at Yangon through Indian assistance (The Hindu December 13, 2007). In this manner, India's constructive engagement with Myanmar seems to be taken the shape of India-Myanmar developmental cooperation (Muni 2005). Despite several odds like military regime, porous borders, insurgency and drug-trafficking India continues its trade with Myanmar which is more beneficial for the latter. The one-fourth of the total exports of Myanmar is directed towards India. India still has to shed its security inhibitions to engage Myanmar more constructively.

<b>TABLE 4.1 ON MYANMAR-INDIA TRADE</b>				
<b>(Source: Selected Monthly Economic Indicators of Central Statistical Organization, Yangon)</b>				
<b>(in US\$ million)</b>				
<b>Year</b>	<b>Exports to India</b>	<b>Imports from India</b>	<b>Total</b>	<b>Balance of Trade</b>
1988-89	58.97	3.18	62.15	55.79
1989-90	58.1	7.28	65.38	50.82
1990-91	83.2	5.91	89.11	77.29
1991-92	51.37	23.46	74.83	29.71
1992-93	97.72	19.64	117.36	78.08
1993-94	106.63	44.66	151.29	61.97
1994-95	110.38	48.99	159.37	61.39
1995-96	164.57	54.74	219.31	109.83
1996-97	147.46	95.67	243.13	51.79
1997-98	225.64	102.89	328.53	122.75
1998-99	166.44	68.95	235.39	97.49
1999-00	215.35	72.26	287.61	143.09
2000-01	261.99	83.16	345.15	178.83
2001-02	345.74	82.26	428	263.48
2002-03	324.76	106.7	431.46	218.06
2003-04	361.38	108.85	470.22	252.53
2004-05	341.4	83.87	425.27	257.53
2005-06	489.1	80.07	569.17	409.03
2006-07	733.57	159.42	892.99	574.15

Source: Director General of Commercial Intelligence Statistics, Government of India [http://www.indiaembassy.net.mm/commercial/commerical\\_6.asp](http://www.indiaembassy.net.mm/commercial/commerical_6.asp)

<b>TABLE 4.2 ON INDIA – MYANMAR TRADE</b>		
<b>(Source: Selected Monthly Economic Indicators of Central Statistical Organization, Yangon)</b>		
<b>(In Rupees million)</b>		
<b>Year</b>	<b>India's Imports</b>	<b>India's Exports</b>
1994-95	3980.22	711.05
1995-96	5275.75	845.11
1996-97	6290.41	1591.97
1997-98	8275.31	1829.92
1998-99	6910.89	2158.55
1999-2000	7435.81	1476.25
2000-01	8274.07	2312.46
2001-02	17857.23	2904.08
2002-03	16261.3	3630.38
2003-04	18794.66	4119.25
2004-05	18238.3	5085.97
2005-06	23173.93	4867.13
2006-07	35409.5	6337.5

Source: Director General of Commercial Intelligence Statistics, Government of India  
[http://www.indiaembassy.net.mm/commercial/commercial\\_6.asp](http://www.indiaembassy.net.mm/commercial/commercial_6.asp)

**Table 4.3**

**Burma External Trade in Kyat Million 2004-05**

<b>Country</b>	<b>Total Export</b>		<b>Total Import</b>	
	<b>Value</b>	<b>% of total</b>	<b>Value</b>	<b>% of total</b>
Indonesia	308.85	1.84	288.72	2.55
Malaysia	620.54	3.71	666.07	5.88
Singapore	807.29	4.83	3,471.46	30.62
Thailand	6,719.29	40.24	1,504.21	9.3
The Philippines	69.9	0.41		
China	1,643.99	9.84	2,818.96	24.86
Hong Kong	656.04	3.92	129.52	1.14
India	1,956.62	11.71	480.08	4.23
Japan	737.26	4.41	920.42	8.12
S Korea	210.15	1.28	514.60	4.54
Pakistan	148.41	0.88		
USA	1.50	0.1	165.70	1.46
France			62.70	0.55
Germany	3.42	0.2	155.38	1.37
U K	292.68	1.75	31.08	0.27
Others	2,522.36	15.1	579.60	5.11
<b>Total</b>	<b>16,697.30</b>	<b>100</b>	<b>11,338.50</b>	<b>100</b>

Source: Selected Monthly Economic Indicator, April 2005, CSO, Burma.



Map 4.1

Map of proposed India Myanmar Thailand Highway



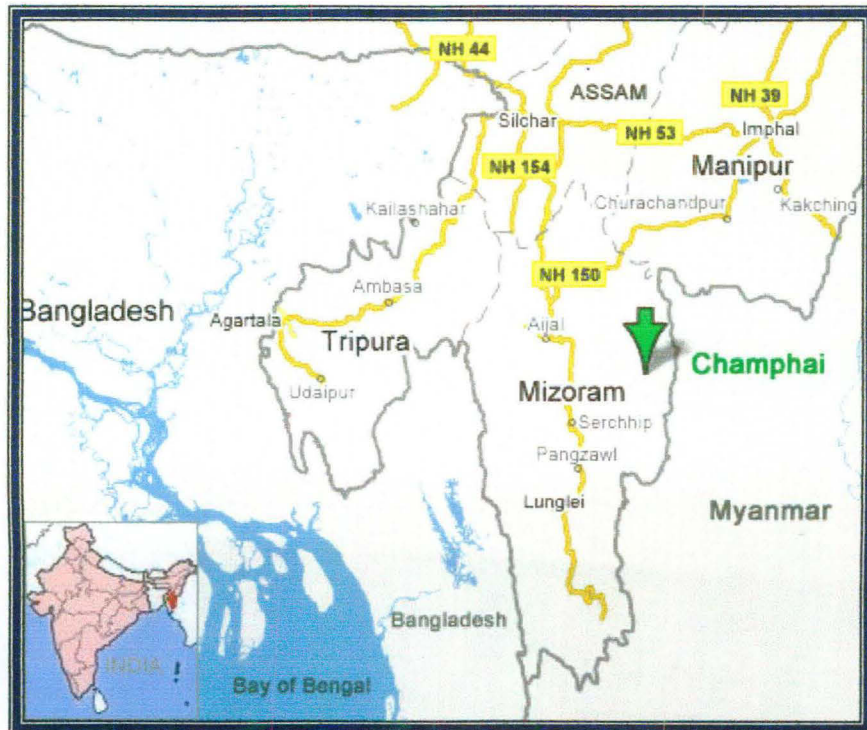
Source: <http://www.tribuneindia.com/2003/20031224/bz2.jpg>

**Map 4.2**  
**Stillwell Road**



Source: [http://www.himalmag.com/2005/september/images/analysis\\_map\\_stilwill.jpg](http://www.himalmag.com/2005/september/images/analysis_map_stilwill.jpg)

**Map 4.3**  
**India-Myanmar Border at Champhai**



Source: [http://champhai.com/wp-content/uploads/2007/07/mizoram\\_map\\_champhai.jpg](http://champhai.com/wp-content/uploads/2007/07/mizoram_map_champhai.jpg)

## **Chapter 5**

### **Energy as a Factor in India-Myanmar Relations**

The cooperation between two countries in the field of energy is another important aspect of growing engagement between both countries. To draw a sketch on the complimentary nature of the interests of India-Myanmar in the energy sector, this chapter begins with an assessment of India's energy scenario vis-à-vis Myanmar resource potential. The chapter also highlights that in the India-Myanmar energy cooperation the prime focus area is natural gas. Elucidating the evolution of cooperation between both countries in this area the chapter discusses the current status of the India-Myanmar energy co-operation.

#### **India's Energy Scenario**

In recent years, India's energy consumption has been increasing at rapid pace. Population growth and economic development have further increased the consumption. Thus, India today faces an enormous energy challenges. India is the fifth-largest oil consumer of the world and is likely to take the third place in the next four to five years. More than 70% of the country's crude oil requirement is imported. This is projected to increase to as high as 90% in the next couple of decades (Sudarshan 2007).

As far as the question of Gas is concerned India has 0.5% share in world's total confirmed gas reserves (BP 2005). In recent years, India's consumption of natural gas has risen faster than any other fuel in the recent years. Natural gas' demand has been growing at the rate of about 65% during the last 10 years. Industries such as Power-generation, fertilizer, and Petrochemical production are shifting towards natural gas (TERI 2003-2004).

Natural gas not only in India but also in the whole world is increasingly seen as the fuel of 21<sup>st</sup> Century. Between 1980 and 2003 the share of natural gas in the world energy mix rose from 18% to 22%. The demand for gas is expected to increase at 2.3%

per year till 2025 when it is constitute 25% of the world energy mix and consolidate its position as the number two fuel in the world's energy market (Ahmad 2006).

This growth in demand will be driven by the competitive edge that gas has over other fuels. It is attributed to a number of factors including the ones listed below.

- More stable gas prices vis a vis oil (higher prevalence of long-term contracts in gas markets insulates prices from fluctuations)
- Better distribution of gas as compared to highly skewed distribution of oil.
- Environmental advantages over other fossil fuels, especially when used for power generation.<sup>1</sup>

Thus, in a post Kyoto world gas certainly would be the fuel of future. It is also estimated that world oil production may well peak by 2010, but world gas production and of course Consumption will continue to grow for several decades after that (Khasla 2002). India's consumption of natural gas has risen faster than any other fuel in the recent years. Natural gas demand has been growing at the rate of about 6.5% during the last 10 years. Industries such as power generation; fertilizer and petrochemical production are shifting towards natural gas. India natural gas consumption has been met entirely through domestic production in the past but in the last 4-5 years, there has been a huge unmet demand of the natural gas in the country mainly in core sectors of economy (TERI Report 2004-05).

Although, India's gas production has grown substantially after the discovery of large gas reserves in the Krishna-Godavari basin and some other part of the country, given the potential for gas in varied sectors, indigenous supply will not be sufficient to meet demand (Dadwal 1999).

Marketing and Development Research Associates, in a study, conducted for GAIL, also presented its demand and availability projection for Gas. This study covers

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<sup>1</sup> Dry natural gas contains 99.5% methane, which has low carbon content and results in lower emissions of noxious gases. Over the life cycle-from wellhead to electricity generation-carbon dioxide emission from gas-fired Power generations are approximately one half those from coal generated electricity.

the period up to 2008-09 and estimates gas demand will increase from 160.03 million standard cubic meters per day (MMSCMD) in 2004-05 to 283.3 MMSCMD in 2008-09 (*GAIL- INFRALINE- 2005*).

According to this report demand for natural gas is expected to come from consumers in the Power, fertilizer, petrochemicals, industrial and city gas distributions (CGD). On the other hand in order to sketch the supply side scenario vis-à-vis to demand this study proposed two types of estimates conservative and optimistic.<sup>2</sup> Under conservative projections the supply will increase from 81.71 MMSCMD in 2004-05 to 169.16 MMSCMD in 2008-09. But under optimistic projections the supply of gas could be reached to 267.16 MMSCMD in 2008-09 from the 81.71 MMSCMD in 2004-05. It means that during the period of 2008-09 the demand supply gap would be 114.14 MMSCMD in case of conservative projections and it would be 16.14 MMSCMD in case of optimistic projections.

On comparing the demand supply gap under the both optimistic and conservative supply estimates, data indicate that if India wants to reduce the demand supply gap it would have to manage the supply of gas from alternative sources such as coal bed methane (CBM) fields and through transnational pipelines. And in case, if these effects do not materialize then India will face a huge deficit of gas. Thus, apart from increasing the capacity of domestic production it is imperative for India to ensure the supply of gas from outside sources.

There are significant gas reserves in the adjacent countries to India that could be utilized to meet the country gas requirement indicated by the supply shortfall. These reserves are primarily concentrated in the Middle East (Iran, Qatar), Turkmenistan,

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<sup>2</sup> Conservative Projections of Natural gas availability take into account gas supplies only from definite sources such as domestic gas supplies from National Oil Companies, joint ventures of private producers and LNG Supplies while the optimistic projections about supply also include the availability of Gas from alternative sources that is Coal Bed Methane (CBM) and imports via transnational Pipelines. These estimates also take into account the likely transnational pipeline imports are expected to materialize from 2008-2009.

Myanmar, Bangladesh, Indonesia-Malaysia and Australia. India is looking at all the possible options and possible modes to import gas (Prabhakar 2005).

India has the option to import gas either through pipelines or as liquefied natural gas (L.N.G.).<sup>3</sup> Which is more economical viable option, it depend upon the distances; for shorter distances, LNG is the more expensive than piped gas while for longer distances, more than 2000 km it is cheaper to send gas by ship in the form of the LNG. Because, piped gas needs only a pipeline and pumping station for transportation while transportation of gas in the form of LNG demands a more elaborate infrastructure, liquefaction plants, port facilities, dedicated shipping. The natural gas has to be cleaned of impurities that may freeze solid at high temperature or not get liquefied, like water sulfur and the heavier hydrocarbons, then cooled to minus 162 degrees centigrade and of course re-gasified on arrival and before use and about 30% of the gas is lost in all this, apart from that lost at extraction (Khosla 2005).

However, pipelines being transnational in nature are more difficult to materialize. Pipelines are joint ventures and involve two or more than two countries. Hence transaction pipeline projects could become the hostage of the nature of the political relationship of the involved parties. This is how the economic issue of energy trade emerges as a challenge for foreign policies (Ahmad 2006).

Same is the true in the case of India, a number of initiatives have been undertaken bilaterally at the government to government level, by multilateral agencies like the Asian development Bank as well as by international Companies like UNOCOL, SHELL and CAIRN for development of transnational gas pipeline projects to supply the Indian Market. None of the pipe line options have materialized so far, although negotiations on various options are still going on.

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<sup>3</sup> L.N.G. is natural gas converted to liquid form by cooling it at 161° C. This cooling reduces its volume by 600 times then it can be transported through special cryogenic tankers to an LNG re-gasification terminal. At the re-gasification terminal the LNG is re-gasified and there after this re-gasified-liquefied natural gas (R-LNG) is transported to Consumers through Pipelines.

Recently India is engaged in negotiations in three pipe line projects for imparting gas from its neighborhood (Report on Natural Gas by Ministry of Petroleum and Natural Gas 2004).

- Iran-Pakistan-India Gas Pipeline
- Turkmenistan-Afghanistan-Pakistan Pipeline
- Myanmar-Bangladesh-India Pipeline

### **A Gas Pipeline from Myanmar**

Recently, Myanmar has emerged as a potential gas supplier to the neighborhood. According to B.P. Survey 2006 it has 18.1 TCF of proven gas reserves. The idea of Myanmar-Bangladesh-India Pipeline was first proposed by a Bangladeshi' company Mohuna Holdings. This pipeline was expected to carry not only Myanmar gas to India but also get linked to the gas produced from the Tripura in India's northeast. (Muni S.D. 2005)

India's public sector companies, the ONGC (Videsh) and the GAIL have equity of 20% and 10% respectively along with the Korean, Daewoo Corporation (60%) and KOGAS (10%) in Myanmar's A-1<sup>4</sup> exploration block. This block is situated in the Rakhine off-shore basin near Sittwe, port in north of Myanmar.

ONGC claims that the total expected potential of A-1 gas reserves could be 7.4 TCF. GAIL in its survey estimated the potential of reserves from 13.4 to 47.3 TCF. However, in the end of the 2005 ONGC, on the basis of assessment of the Houston based firm Ryder Scott declared that only Shwe Gas field in Block A-1 has been 2.88 TCF and 3.56 TCF of gas (Times of India, 2005, 30 Dec)

Adjacent to A-1 Block there is another off-shore block A-3, ONGC and GAIL is involved in the exploration work in this block also. The exploration on the block A-3 is

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<sup>4</sup> This block covers an area of 3885 sq. kms and has a water depth of less than 50 m in northeast and upto 1000 m in southwest.

being conducted under an agreement reached in February 2004 between the Myanmar Ministry of Energy and the Consortium, in which Daewoo holds a 60 % stake, while Korean Gas Corporation (KOGAS), ONGC Videsh Ltd. of India and Gas Authority of India Ltd hold the share of 10%, 20% and 10% respectively. The exact potential of this block would be known after completing the ongoing surveys. However, a natural gas deposits have been found in the Mya field in A-3 block. It is estimated that this field contains 2 TCF or 563.63 billion cubic meters. Gas produced from this block could be exported to India by pipeline (People Daily 6 March 2006).

Another Indian private company Essar Oil Ltd., also signed a production sharing contract with Myanmar's state owned company, Myanmar Oil and Gas Enterprise MOGE for the exploration in the offshore block A-2 and on-shore block L (The New light of Myanmar 2005 March).

GAIL along with Sliver Wave Energy of Singapore signed the production sharing contract with Myanmar Oil and Gas Enterprises MOGE on Dec 2006 for exploration in A-7 block in Rakhine Coastline area. GAIL holds a 30% participating interests in this joint venture (Times of India, December 26, 2006).

The proposal of transporting gas from Myanmar to India through pipeline via Bangladesh is one from which all the parties stand to gain. GAIL studied the various possible alternatives to import gas from Myanmar. The least economical of them was pipeline from the Myanmar to India through the Bangladesh. In June 2004, the government of Bangladesh expressed its willingness to consider the proposal of laying an on land natural gas pipeline from Myanmar to India through its territory.

Thereafter, the political basis to carry the project forward was worked out in January 2005 when the Petroleum Minister of India, Myanmar and Bangladesh met in Yangon and concluded a trilateral Joint Press Statement. During this meeting it was decided to establish a Techno-Commercial Working Committee (TCWC) comprising duly designated representative of the three governments to prepare a draft MOU



prescribing the framework of cooperation among the three governments including the Myanmar-Bangladesh-India gas pipeline project (Joint Press Statement January 2005).

The first meeting of the TCWC was held on 25-26 February 2005. It had finalized draft MOU prepared to be signed by the three countries at ministerial level. However the MOU got stalled as Bangladesh demanded<sup>5</sup> to include the three particular India-Bangladesh bilateral issues as a part of tri-nation MoU on energy cooperation. India refused Bangladesh proposal of inclusions of bilateral issues on the ground that bilateral issues could not be part of trilateral negotiation. It should be resolved at bilateral level. Thus, a deadlock was created in the way of negotiations on tri-nation gas pipeline (Ahmed 2006).

As a result India started to work on other options of importing gas from Myanmar bypassing Bangladesh. GAIL appointed a consultant company Suez Tractabel to study alternative routes that would bypass Bangladesh. Among the other option on the table were to import Myanmar's gas in the form of liquefied natural gas (LNG), or a pipeline directly to India northeast region. GAIL was also considering importing compressed natural Gas (CNG) by ship from Myanmar. GAIL claims CNG a fuel used in India's public transport system would prove more viable than more costly LNG given the size of Myanmar's gas reserves and the relatively short distance to India's east coast (James Gavin 2006).

In 2006 March, Myanmar also signed on MOU on energy cooperation with India covering the sale of gas to GAIL and construction of a 550 km pipeline from an unspecified field an offshore Myanmar to north east India. Thus India did not give up the hopes to get gas supply from Myanmar. GAIL also invited bids for long-term chartering service of CNG ship or barge for transportation of natural gas from A-1 Block of

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<sup>5</sup>Bangladesh tried to manipulate India's growing demand for natural gas put forward several conditions for any pipeline to cross Bangladeshi territory; Establishing trade routes for commodities from Bangladesh to Nepal and Bhutan through Indian territory; allowing transmission of hydro-electricity from Nepal and Bhutan to Bangladesh through Indian territory; and pursuing measures to reduce Bangladesh's trade imbalance with India.

Myanmar, to the east coast of India. It received responses from eight national and international firms and consortiums (Mishra 2006).

Meanwhile, In December 2005 another energy hungry Asian giant, China introduced itself as a new player into the game of Myanmar's energy resources due to the failure of India and Bangladesh to make progress on the MBI pipeline. Myanmar opted China as a buyer of its gas. Myanmar's Myanmar Oil and Gas Enterprise (MOGE) signed a MOU with Petro-China, a state run Chinese company for the supply 6.5 trillion cubic feet (TCF) of gas from the gas fields in the Bay of Bengal over a 30 year period. Myanmar's decision was really a setback to India (Thu Kyaw and Thet Khaing ). However India was still hopeful to get some share in Myanmar's gas because of the following:

- The MOU signed between Myanmar and China was included any Shwe gas field in A-1. Block other fields of the A-1. Block and potential reserves of A-3 Block were not the part of that MOU.
- Myanmar assured that it would sell gas to India from offshore A-1 through a land route by passing Bangladesh. Myanmar's ambassador to India Mr. Ky, Thein said "Myanmar has enough gas and it would sell it to both China and India (PTI News. 2006 13, May)
- The MoU which had been signed between China and Myanmar was not a final agreement. There were some unresolved issues which could create the problems in materialization of the gas deal between both countries. Issue of pricing was one of them. China had not declared the Prices which it was prepared to pay for the gas. According to Fesharaki, an Asia gas expert at Analysts facts Inc. "If the Chinese are willing to pay proper market prices they could secure Russian gas, but so far they are only offering Coal-Parity Prices. This may change, but the Myanmar agreement is still far from becoming a viable project," (James Gavin 2006).

Thereafter, GAIL with the help of Belgian Consultant Company, Suez Tractable prepared a detailed feasibility report for M-B-I pipeline bypassing Bangladesh and presented eight possible routes before Myanmar. B.S. Negi, director GAIL Business development, made a presentation on the route preferring North eastern territory. Finally, GAIL on the basis of report had envisaged a 1513 km on land pipeline from Myanmar via the North eastern states of Mizoram and Assam to West Bengal and finally to Gaya in Bihar (Business Line May 7, 2006).

Meanwhile Myanmar had called bids from possible importers of gas. However, finding the bids for selling gas through a pipeline to either China India or Thailand unsatisfactory MOGE called for bids for selling 3.5 Million per annum of LNG (14 MMSCMD) from A-1 and A-3 Block. GAIL also bid for it, however its bid was not the highest. Marubeni of Japan and KOGAS of South Korea figured as the top bidders for importing the gas in form of LNG. All the bids were under evaluation and Myanmar ensured India that it would look for export options when the survey of gas reserves in A-3 blocks would be completed by July 2007. However, in March 2007, suddenly, Myanmar refused to export gas to India and instead cleared its intention that it would lay a pipeline to China to sell natural gas found in A-1 and a-3 blocks of its off-shore area. (PTI News March 22, 2007)

According to a MoU signed between China and Myanmar on 14 March the "entire natural gas" from A-1 and A-3 blocks in the Rakhine offshore area will be export to China through a 2,380-km pipeline connecting Myanmar's Kyakphyu in the Bay of Bengal to Rili in China's Yunan. In return, China will pay Yangon an annual transit fee of \$ 150 mm for 30 years for the pipeline's 990-km stretch in Myanmar. The MoU was signed during the visit of a Chinese delegation led by PetroChina president Wang Lihua.

Myanmar's decision was really a setback for the India's energy diplomacy in Myanmar because Indian companies were involved in the exploration of these blocks and were also seen as the "preferential buyer" of the gas from these blocks. The introduction of China in to Myanmar's gas picture was unexpected but should not have been

surprising because getting access to Indian Ocean via Myanmar always has remained in the Chinese strategy. The pipeline might ease China's worries of its over-dependence on energy transportation through the Strait of Malacca ("Construction of China-Myanmar Oil Pipeline Expected to Start This Year" 2006).

In addition, China is also planning to lay an oil pipeline linking Myanmar's deep-water port of Sittwe with Kunming, capital of China's south-western Yunnan Province. Chinese oil giant SINOPEC has announced that construction of the China-Myanmar oil pipeline is expected to start from 2007. At the beginning of April, the National Development and Reform Commission (NDRC) of China also approved the Sino-Myanmar oil pipeline linking Myanmar's deep-water port of Sittwe with Kunming, capital of China's south-western Yunnan Province.

The long-awaited pipeline would provide an alternative route for China's crude imports from the Middle East and Africa. Chinese state run oil companies SINOPEC, CNPC and CNOOC have major oil and gas exploitation projects in marine areas off Myanmar. In return, China has promised to grant a loan of US\$ 83 million to Myanmar for the development of its oil industry.

Chinese access to Myanmar's energy resources in the Bay of Bengal alarmed the Indian Intelligence Agencies. The Research and Analysis Wing (RAW), an Indian Intelligence Agency also raised concerns in this regard. The ministry of external affairs has faulted the petroleum ministry and GAIL for failing to follow up the Myanmar government's initial offer of gas from two offshore blocks. Foreign Secretary Shiv Shankar Menon said the oil ministry and GAIL did not make "concerted efforts" and did not act on the letter of intent from Myanmar issued in February 2004 (The Times of India July 14, 2007).

However, even two-three months after the signing of MOU between China and Myanmar, India was hopeful that it could be succeeded to clinch this deal from China. According to GAIL CMD Dr. UD Chobey "Though Yangoan is looking for the best

price, it cannot totally rule out New Delhi as India's state run oil and gas companies hold stakes in two blocks of Burma (Mizzma News June 21, 2007). India petroleum and natural gas secretary M.S. Srinivasan also optimistic about to get gas from Myanmar According to him "we are still in dissuasion because an agreement between China and Myanmar has not been signed and the last world had not been said from Myanmar."

Although, India's hope has proved futile and Myanmar seems to be committed to export gas from A-1 and A-3 block to China. However recent discoveries of gas in Myanmar again encouraged India to eye on another available gas blocks in Myanmar apart from A-1 and A-3. Recently, during the visit of Indian Petroleum Minister Murli Devera to Myanmar, ONGC and MOGE have signed three new accords which pledged ONGC to invest US\$150 million in the explorations of AD-2, AD-3 and AD-9 blocks off the Rakhine Coast.

## **Myanmar's Role in India's Energy Security Management System**

### ***Geographical Proximity***

Geographical proximity is the most important factor that motivated India to knot a close tie with Myanmar in energy sector. However, Myanmar does not promise to be the reservoir of huge energy sources as compared to the Persian Gulf Region or even as compared to some of the South East Asian Countries like Vietnam, Indonesia and Malaysia but the Geographical Proximity of Myanmar to India is an additional advantage (Muni 2005).

However, IP Khosla (2005) rules out Myanmar's significance as a significant supplier to India unless it discovers much more reserves than it has. He argued that India should focus its diplomacy towards Gulf and Central Asia. It is the Idea of Western developed Countries that India should look eastward to secure energy resources because they could keep the reserves of Gulf and Central Asia as a part of their fiefdom (Khosla 2005).

Thus, it is true that on the basis of potential of reserves Myanmar is not so attractive option for India as Gulf and Central Asia but geographical proximity is an additional advantage that makes Myanmar energy resources significant for India. Myanmar in its Rakhine coastline has huge reserves of gas. Reserves in A-1 block have been verified, it is situated just 290 km from India. Thus, due to its geographical proximity laying a pipeline to import gas from this block is very economical for India.

A 290 km. pipeline was proposed to transport Myanmar's gas to India that would run through Arakan (Rakhine) state in Myanmar, then via the Indian states of Mizoram and Tripura before crossing Bangladesh to Kolkata (Prabhakar 2005). Other additional advantage, this pipeline provides is, India can exploit its own gas reserves in Tripura<sup>6</sup> and the natural gas reserves available at Bangladesh if the latter is ready for it.

According to N. Srinivasan (2005) Bangladesh could think of supplying its gas to India on the same lines adding to revenue earning for allowing passage of Myanmar gas to India through its territory. However, apart from pipeline there are other options available before India to import Myanmar Gas such as importing gas in the form of LNG and CNG through ships due to geographical proximity such options do not cost much. Mani Shanker Aiyar (2005) also favors to keep all these options open regarding to import of gas from Myanmar he also adds an idea of laying an under water pipeline from A-1 block of Myanmar to Paradeep or Haldia in India.

### ***Hydro-Electricity***

Geographical Proximity to Myanmar also provides India the opportunity to tap the hydroelectricity potential of Burmese Rivers. Myanmar has hydroelectricity-potential of 100000 MW. (The Hindu August 12, 2006). Therefore, India has signed a MOU on

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<sup>6</sup> Tripura's Chief Minister Manik Sarkar also proposed an alternative proposal to bring gas from Myanmar to India via Mizoram and then to Tripura avoiding Bangladesh. According to him the gas could be used for power projects in the region as well as for petrochemicals. Once the power grid is there then the surplus power could be transmitted to other parts of the country.

the Tamanthi Hydropower Project. The Tamanthi Hydroelectric Power Project is a 1200 MW Project on River Chindwin in Myanmar and is being developed as a mutual interest Project between India and Myanmar (Joint Statement issued on the General Than Shwe's visit to India in 2004). This project would be helpful to compensate the power shortages in India. Implementation of this project can provide 1200 MW electricity to Nagaland and Manipur states of India.

However, some environmentalist and NGOs<sup>7</sup> have raised concern over this project. According to them, due to dam project, the northwest Burmese town of Khamti could be submerged and its 30,000 inhabitants forced to move. It could also be a cause of displacement of 35 villages of the Kukis. It is also expected that development could encroach on part of Burma's largest national park, Hukaung Valley Wildlife Sanctuary.

### *Diversification of Energy Supply*

India is now trying to diversify its energy supply sources. India's concern regarding to diversity its energy supply sources could be understood by the fact that India imports 65% of its energy sources only from Persian Gulf (Prabhaker 2005). India's import dependence on oil has risen from 44% in 1991 to over 70% in 2001. The Energy elasticity is projected to decline to .55 in 2025 from the present .70, the share of crude oil in overall energy available is projected to increase in the 40% over the same period. It means that import dependency will increase in the time to come and most of oil is likely to be sourced mainly from Middle-east.

In present time, Saudi Arabia, UAE, Kuwait, Qatar and Bahrain putting together provide more than 50% India's oil needs. If the Persian Gulf taken as a region by including Iran and Iraq also then this region would account for about 60% of India's Imports. For a Country which is importing 70-80% of its hydrocarbon needs such a high

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<sup>7</sup> These groups are India-based Kuki Students' Democratic Front, Tamanthi Dam Campaign Committee and environmentalists in Rangoon.

market concentration is not the most desirable situation. It enhanced the risk factor by exposing India to the temper and rhythm of regional suppliers (Muni 2005).

It is clearly acknowledged in India's assessment of its oil strategy that 26% of the imports come from high risk countries 16% from medium high risk countries and 45% from medium risk countries. Only 2% of India's imports come from low risk Countries and 11% from medium low risk countries. Thus, SD Muni (2005) advocates that a prudent energy policy of India must take cognizance of the fact that its supply sources require diversification and expansion.

The other factor that poses threat to continued supply is the security of fuel transport infrastructure. There are various transit point in major oil supply routes, the choking of which can cause hardening of oil and gas prices. From India's point of view most critical is the Strait of Harmouz as all of India's imports through the Persian Gulf Which are about 60%-70% of our total imports have to pass through this ("Energy Security in India: Key issues multiple strategies" October 2005).

In this backdrop, India perceives Myanmar as an attractive destination in its march towards energy security. Due to availability of natural gas resources in Myanmar India has the option to buy this gas through a pipeline. The proposed pipeline for importing gas for Myanmar will pass through the insurgent affected areas of Myanmar and India's northeast.

Initially, India also expressed concerned over the security of this project. It is evident from the fact that Indian petroleum and natural gas minister Mr. Ram Naik put proposed MBI Pipeline parallel to the Iran Pakistan India gas pipeline in terms of security consideration (The Hindu January 8, 2004). Apart from expected security threat to proposed pipeline there are various Civil Society groups who are apposing the laying of pipeline from Myanmar because it would be caused to displacement of local people and environment degradation in Arakan region.



Tatmadaw also has been earlier accused on the forced labor and human right violations during the building of Yadana gas pipeline Project. However, India was determined to implement the project despite the expected human right abuses and mass displacement because India was assured that Myanmar Tatmadaw would manage such opposition without any difficulty as it did in Yadana-Yetagun gas pipeline case (Mahalingam 2005).

India's necessity to diversify its energy supply prompted it to engage with Tatmadaw and even on the cost of human rights considerations. India's interests in Myanmar energy sector is an indication of the realist dimension of India's policy towards Myanmar. RK Pachauri (2007) on this ground defended the Indian side and argued that hesitation to engage with Myanmar in energy sector is undesirable because not only an American Company UNOCOL has constructed the pipeline for supply of gas from the Myanmar to Thailand but it also needs to be remembered that the gas pipeline from the former Soviet Union to Western Europe was agreed on at the peak of the Cold War when the Communist regime in that state was seen as a major violator of human rights (Pachauri 2006).

### **An Overview of Myanmar Energy Sector**

Myanmar is among the world's oldest oil producing countries. Oil was extracted manually at Yenangyaung on the Irrawaddy River since ancient times, and the first exports of crude oil were shipped to Britain as early as 1853. After the establishment of Socialist military rule in 1962 the oil industry was nationalized. In 1985, realizing the importance of the energy in modernization and economic development the socialist regime in Myanmar created the ministry of Energy (MOE).<sup>8</sup> When, the military regime that assumed power in September 1988 decided to liberalize the state controlled economy by allowing FDI in various sectors, the pent up demand for commercial energy rapidly

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<sup>8</sup> The MOE was tasked to oversee the offshore oil and gas exploration and development on a production sharing basis with foreign oil companies that apparently held some promise of a major gas find.

increased. Meanwhile the issue of the energy security became an important concern for various countries. This changed scenario led military regime to undertake institutional reforms in the energy sector (Than 2005).

The MOE was reconstituted in 1989 with one department, Energy Planning department and the three state owned companies; Myanmar Oil and Gas Enterprise (MOGE), Myanmar Petrochemical Enterprise (MPE) and Myanmar Petroleum Products Enterprise (MPPE). A new Ministry of Electric Power (MEP) was instituted in November 1997 to promote and effectively operate the power sector. The MOGE is responsible for exploration, production, and transportation of the crude oil and natural gas in both on and off-shore areas, and of transporting these to refineries and power stations, fertilizer plants, methanol plants, LPG plants, etc. The MPE has the responsibility of refining and processing crude oil and natural gas to produce petroleum and petrochemical products. The MPPE is mainly responsible for the marketing and distribution of the petroleum products (Than 2005)

However despite of Myanmar's efforts to liberalization of its economy and investment conditions, its energy potential could not be exploited fully yet Many of Myanmar's oil wells had been destroyed in the Second World War. In addition, during the period of the Ne Win, foreign participation was not allowed thus due to the lack of the foreign technology and know-how the primitive technologies were used for extraction and reserves were spoiled at the cost of extracting smaller quantities (Muni 2005).

As a result, crude oil production in Myanmar has declined from 1991-1992 to 1998-99 from 5.48 million barrels to 3.38 barrels while it was on a peak rate of 11 million per barrel in 1979-80 (Steinberg 2001). Apart from this technical problem there are some other political factors which are responsible for the under development of Myanmar's energy resources.

### *Impact of Western Sanctions*

Economic sanction on Myanmar by the US, EU and even Japan also contributed in the underdevelopment of Myanmar's energy sector. Tatmadaw's denial to transfer power to the elected party NLD in 1990's elections, human rights violations allegations, against Tatmadaw led the Western powers to impose sanctions on Myanmar. For example, US barred new investment in Myanmar in May 1997 by a President's executive order because of alleged suppression of democracy and human right violations by the military regime.

Recently, after the violent crack down of monks and pro-democracy activists by junta in September 2007, the Senate of US unanimously passed legislation that pressures U.S. oil major Chevron<sup>9</sup> Corp. to abandon its investments in Myanmar. The Chevron provision is part of a larger Burma sanctions bill called the "Block Burmese JADE Act of 2007" which aims to halt the flow of Burmese gemstones into the United States through third countries. Thus, major global players in oil and gas development industry are deterred from entering Myanmar (Rigzone December 12, 2007).

Various human rights group, environmental groups such as Shwe Gas Movement, Human Right Watch, and Earth Rights have accused junta for using the local peoples as unpaid laborers in the implementation of various energy sector projects and tried to generate world wide awareness about the issue of environmental degradation related to these projects. Therefore, this factor has also contributed in diverting the FDI in energy sector in Myanmar. International organizations such as UN and ILO also have charged Myanmar in the case of forced labor. It is also believed that Myanmar regime had purchased the military equipments from the profits of Yadana pipeline project (Hueper 2001).

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<sup>9</sup> California-based Chevron has a minority stake in the project following its purchase of Unocal in 2005. The offshore project is a joint venture with Chevron, France's Total, Thailand's PTT and the Myanmar Oil and Gas Enterprise. Chevron has a roughly 28 percent stake in the project.

### ***Lack of Transparency in Decision Making Process***

In order to attract FDI, sufficient level of transparency in the decision making progress of the host country is vital. According to Muni (2005) assessed the transparency in Myanmar's energy decision making process as

There is a certain degree of transparency in decision making process of Myanmar's energy sector. The ministry examines investors on the basis of their experience in the field, technological and financial viability, and strength of project proposal. After this assessment, the ministry makes a recommendation to the cabinet where the final decision is made. The possibility of indirect influence from higher political circles cannot be completely ruled out and gratification may also be playing a role by itself. Some of multinational oil and gas companies working in Myanmar discount any major rule of financial corruption in awarding and operating Production Sharing Contracts. These companies that have experience in other ASEAN countries like Thailand, Indonesia etc. consider the transparency in Myanmar decision making to be at a much higher level.

However, due to existence of military regime decision making in the energy sector is fully concentrated in the hands of Tatmadaw. It has used its energy sources to achieve diplomatic gains and counter international pressure. Thus, the possibility of political influenced decisions in awarding exploration blocks and exporting gas could not be ruled out. It is evident from the fact that despite of offering higher price for gas than China, India failed to get gas from Myanmar. Petro-China of China offered a lower price of US\$4.279 per MMBTU against GAIL's US\$4.759 MMBTU but it succeeded to sign a MOU on exporting gas from Myanmar's A-1 and A-3 blocks. It is believed that Tatmadaw's decision to sell gas to China instead of India was quid pro quo of China's veto in UNSC, favoring Myanmar against the US resolution.

Undoubtedly, the above mention factors are the big hurdles in the way of proper exploitation of Myanmar energy resources. However, the recent discoveries and interests shown by some major companies indicate that the future of Myanmar energy sector is bright. According to *British Petroleum Statistical Review of World Energy 2006*

Myanmar has 18.99 TCF of proven natural gas reserves. After the successful implementation of Yadana and Yetagun projects Myanmar has emerged as main natural gas exporter in the Southeast Asian region. Korean company Daewoo discovered world class commercial gas projects in A-1 off the Rakhine coast in January 2004. It is predicted by Daewoo that Shwe gas field project in A-1 block could produce annual net profits of US\$86 million for 20 years beginning 2010. Such successful exploration and estimates encouraged the other companies to enter into Myanmar.

Myanmar is also seen as an important link in the proposed trans-ASEAN gas pipeline (TAGP) but also in the proposed trans-Asian gas grid. The TAGP network was planned to realize in stages through the development of discreet cross border pipelines. The TAGP network is developing but its exact routing will be determined by market requirements and supply availability with private sector funding and multinational oil and gas companies involvement. Myanmar after starting off Yadana and Yetagun pipelines is seen as a key link in the concept of trans-ASEAN grid (*Southeast Asia Gas Study Report 1997*).

Moreover, the pipelines for bringing gas from Myanmar to China (including the offshore portion bringing gas on land pipeline till the Chinese border) were to be built by the consortium partners of A-1 and A-3 blocks at a pre decided internal rate of return (IRR) of 18%. But Myanmar is now favorably considering a Chinese proposal to the IRR of 12% (The Financial Express May 28, 2007). The Daewoo has also apprehended that the consortium would suffer heavy loss if gas extracted from A-1 and A-3 block is sold to China at a rate marginally over US\$ 4 per MMBTU as agreed between Myanmar and China. This phenomenon points out that Tatmadaw has prioritized political gains over the economic gains and used the energy resources as a leverage point to acquire the support of India and China against the pressure from US and the West.

During these days India's foreign policy has been linked with its energy security policy (Sudarshan 2007). In this backdrop issue of energy security is also emerged as one of the main factor which pushes India to continue its Constructive Engagement policy ignoring the nature of the government in Myanmar. However, India failed to cash on previous energy deals with Myanmar while China has gained strategically as well as economically. Given Myanmar's energy resources its importance as a neighbor and potential energy supplier to India can not be undermined. Myanmar is still a lucrative destination for Indian investment particularly in the oil sector.

Map 5.1

Proposed Myanmar-Bangladesh-India Pipeline Route



Source: <http://www.indianexpress.com/india-news/ieimages/specials/pipe-map.jpg>

## Map 5.2

### Proposed Pipelines Routes from Myanmar to India (Bypassing Bangladesh) and China

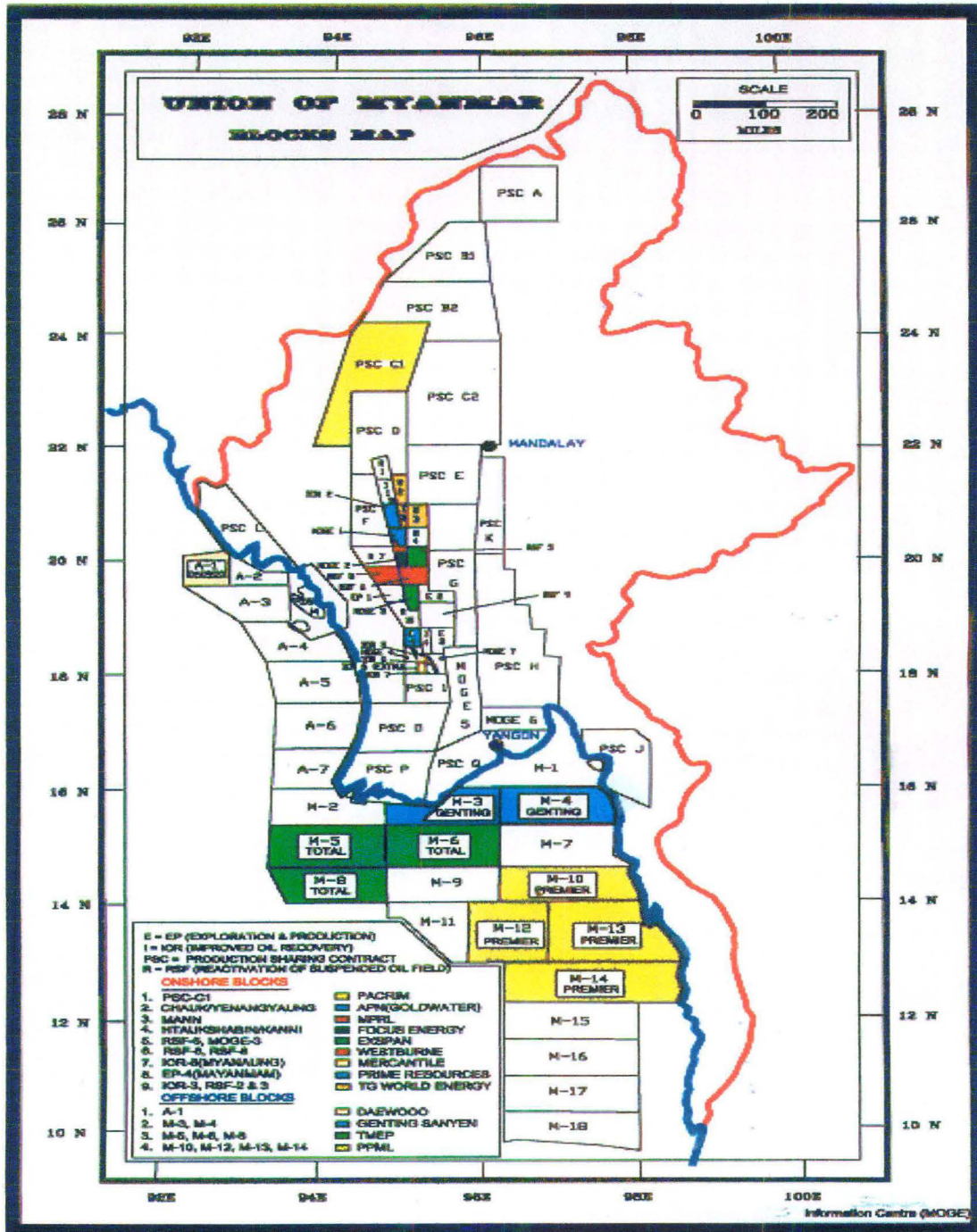


Source: [http://www.shwe.org/images/Pipeline%20routes%20IndiaChina.gif/image\\_preview](http://www.shwe.org/images/Pipeline%20routes%20IndiaChina.gif/image_preview)



Map 5.3

Map of Off-shore Gas Blocks in Myanmar



Source: <http://www.energy.gov.mm/Block-Map.BMP>

## Chapter 6

### Conclusion

Having evaluated several significant aspects of India's Constructive Engagement Policy with Myanmar it becomes evident that as far as India's interest in Myanmar is concerned it has various interrelated foreign policy objectives in Myanmar varying from the security to economy. In terms of security, India needs Myanmar's cooperation to properly address its security concerns such as threat perceptions from China, growing non-traditional security threats along the Indo-Burmese region and the issue of energy security.

On economic front too, whether it is the question of development in India's northeastern states or India's entry in to Southeast Asia, cordial relations with Myanmar are vital. In fact, the success of India's Look East Policy and policies regarding stability in its northeast and even relations with China has the bearing on the status of India's relation with Myanmar to a great extent. Myanmar seems to be a point where India's policies regarding ASEAN, China and its northeast states converge. Thus, it occupies an extremely significant place in India's strategic and economic contours.

However, after the establishment of the military rule in Myanmar, setting a foreign policy agenda towards Myanmar has always been a difficult maneuver for Indian diplomacy due to the differences in the nature of the existing political regime in both countries. As mentioned in the previous chapters, before 1990 India stood with the pro-democracy activists and remained critical of military rule in Myanmar but during 1990's due to its strategic need it followed the ASEAN's policy of Constructive Engagement to deal with Myanmar. However, India had remained hesitant to evolve closer ties with junta on the Chinese pattern because the new diplomatic gambit adopted by India vis a vis Myanmar is not compatible with the values and temperament of its well established democratic credentials.

In 1993 J. N. Dixit's landmark visit to woo the junta and in 1995 India's decision to confer the prestigious Jawaharlal Nehru award to Aung San Suu Kyi reflects the predicament of India's Myanmar policy. India was facing a dilemma to deal with Tatmadaw because its Constructive Engagement was a reactive policy and lacked a road-map.

Although, as the time progressed, India has shaped its Myanmar policy in a proactive manner and cooperation between both countries has grown into various areas. All the successive government after 1990's followed the policy of Constructive Engagement towards Myanmar. Nevertheless, India is still not comfortable to engage with junta and the level of its engagement is still limited in comparison of the China's engagement with Myanmar.

In India government and civil society groups have diverse approaches towards Myanmar. Moreover, a difference in perceptions towards Myanmar issue could be seen at the intra-governmental and inter-ministerial levels. However, such differences have not taken the shape of serious conflicts. Some politicians in India have been criticizing junta and expressed sympathy to pro-democracy movement in Myanmar but there has been a consensus among main political parties about Constructive Engagement Policy. As a result every successive government after the 1990s has followed the Constructive Engagement Policy with Myanmar.

For instance George Fernandes, who was very critical of Myanmar's military rule and even provided shelter to the pro-democracy dissidents in his own house in New Delhi but after becoming the Defense Minister in the NDA government he adopted a moderate approach on the issue of democracy in Myanmar due to the pressure of the BJP, the main party in the ruling coalition, which was in the favor of maintaining good relations with junta in order to address the security concerns in India's northeast.

Even the Communist Party of India (Marxist) CPI(M) which was the first party to criticize the junta for its recent crack down on pro-democracy activists and urged India to

use diplomatic channels to impress the military rule to cease repression and initiate talks for a peaceful transition to democratic rule but at the same time its General Secretary Prakash Karat expressed his views against the imposition of sanction against Myanmar and was satisfied with the ongoing Indian Government policy towards Myanmar (Cherian John 2007). These evidences show that though the political parties in India favor the democracy restoration in Myanmar. But, on the issue of engaging with junta there is not such differences in their agendas as seen over the issue of Indo-US nuclear deal.

However, the Indian intellectual community is undoubtedly divided on the issue of India's Myanmar policy. One section of intellectuals mostly related to human rights organizations and NGOs demands that India should stop courting junta. For example, Mukul Sharma, the director; Amnesty International India says that in India, across the political spectrum, civil society, and media, there is support for the democratic movement in Myanmar. People sympathize with Aung San Suu Kyi however Indian government prefers convenience to conviction (The Hindu, August 9, 2007). He suggests that India must join the campaign against junta.

However, another section of Indian intellectuals such as Sashi Tharoor defends India's engagement with junta. According to him India could not afford an ethical foreign policy as far as the question of Myanmar is concerned and agree that New Delhi needs no ethical lessons from Washington or London that has supported military dictators in Pakistan (The Times of India October 11, 2007).

Apart from divergent approaches towards the issue of democratic transition in Myanmar, there are also contrasting approaches regarding intensifying the pace of India-Myanmar developmental cooperation. It is evident from the fact that over the issue of reopening of the Stillwell road the views of the central government in India and state governments of its northeastern region differs. Central government is skeptic about the reopening of the Stillwell road due to security concerns but the state governments of northeastern region prioritize the economic benefits over the security concerns and they demand to open this road as soon as possible. The Commerce Ministry is intended to

implement this project however it has to convince the Defense Ministry and Foreign  
Affair Ministry for the realization of this project.

To counterbalance the Chinese influence in Myanmar was one of the important  
imperatives which led India to adopt the policy of Constructive Engagement. However,  
as far as the Chinese influence in Myanmar is concerned India can not do much to change  
the existing situation. Myanmar favored China over India to export gas ignoring the  
Indian Companies status as a “preferential buyer.” This whole pipeline controversy and  
India’s failure to secure gas from Myanmar demonstrated that India’s constructive  
Engagement Policy could not generate desired results such as counterbalancing Chinese  
influence.

China’s economic and strategic presence in Myanmar exceeds that of India  
because of China’s comparatively advantageous position. In fact, the success of any  
policy demands some structural requirements. In case of Myanmar, India lacks such  
structural requirements and China is far better positioned in this sphere as well.

The ancient history of Sino-Myanmar relation makes it clear that the relations  
between two countries have been developed on the basis of a solid brotherly spirit.  
People of Myanmar have special affinity towards the China and use the word *pauk phaw*  
(Distant-Cousin) for Chinese people while the word *Kala* (alien) is used for Indians and  
other foreigners. Although, India also has historical and cultural linkages with Myanmar  
but due to the bad experiences of Burmese people with Indian “Chettiyar” community  
they hold negative image of India. Indians were, in fact, forced to flee from Myanmar.  
During the period of Ne Win Indians and their properties were badly affected. Even the  
government backed such destruction of Indian’s properties. As a result people to people  
level contacts remained limited between India and Myanmar while, China had enjoyed  
and continue to enjoy closer historical and cultural ties with Myanmar.

Interestingly, during the Mao Period, Sino-Burmese relations were not cordial due  
to the Mao’s strategy to fuel the Cultural Revolution in the peripheral areas. After the

arrival of Deng Xioping in 1978, China stopped its support to the insurgent activities in Myanmar and started to develop a close relationship with junta. The real motive was to improve strategic and economic relationship with the neighboring country. On the other hand India started its Constructive Engagement Policy towards Myanmar after the 1990 by then China had taken the Myanmar in its strategic embrace. Thus, due to lack of this first mover advantage it is very difficult for India to reduce the influence of China.

Due to the rising economic stature and influence in international bargaining China is better positioned than India. China due to its permanent membership in UNSC and veto power has the capacity to protect junta's interests. While, Myanmar perceives that despite, India having capacity to invest in its economy the latter does not have as much weight as China particularly, in the international affairs.

The driving factors behind the Indian Constructive Engagement policy are reducing Chinese influence in Myanmar and to tackle the emerging non-traditional security threats on Indo-Burmese border. However, the results of cooperation between two countries in this regard are not satisfactory. Both have signed agreements to coordinate their activities to deal with the problems of existing non-traditional security threats. Some joint operations such as Golden Bird have been organized but the problems could not be addressed fully. Some terrorist outfits such as ULFA are still using Myanmar's soil for their operations.

It is observed that although junta have given assurance about not letting its territories being used for anti-Indian activities but its assurance proved merely verbal as section of Myanmar's army has provided support to the insurgents. It is also believed that these personnel have share in the benefits of drug-trafficking. Due to correlation between drug trade and outbreak of HIV/AIDS the whole social political and economic stability of Indo-Burmese region seems under serious threat.

In fact, the drug-trade in this region is controlled by the ethnic insurgent groups and junta is not able to control them because of the geographical terrain and lack of

required military equipments. Thus, junta demands modern equipments and wants to take the defense cooperation with India to new heights. India has partially fulfilled Myanmar's requirement. India is still vacillating to involve in defense cooperation with Myanmar at massive level because it is believed that junta has used the previously provided weapons to suppress the pro-democracy movement. A lot is yet to be done to facilitate the coordination between the India and Myanmar to manage the borders properly.

The progress of India-Myanmar constructive engagement shows that India got little in return from wooing the junta. India's economic presence in and strategic influence on Myanmar are limited. Nevertheless, it can not be ignored that India has created a significant strategic space for itself in Myanmar but could not attain Chinese level. India's success to sign an agreement for developing of Kaladan Multimodal project could be seen as an example of growing India Myanmar economic engagement.

The results of India's Constructive Engagement Policy may not be satisfactory and convincing but it has reduced the intensity of possible harms to India. Despite being closer to China Myanmar has not become China's satellite and is trying to diversify its foreign relations. A section in junta's high level leadership is also concerned about the growing Chinese influence on the northern Myanmar. General Maung Aye belongs to this section. He is number two in SPDC and presumably pro-India.

As far as the issue of gas exports is concerned India was first to sign the agreement with Myanmar. China came in to the picture later when India could not persuade Bangladesh over the tri-nation project. India's delay to identify the other possible route to transport the gas also made the situation favorable for China. Fortunately, China got the chance to defend Myanmar's interests in UNSC and secured itself the Burmese gas in return. Though, China has a significant clout over Myanmar but it also has its limitations thus saying that Myanmar's decision making are absolutely Chinese controlled would be an exaggeration. It was not always easy for China to get Myanmar's gas. It is evident from the fact when in 2005, Chinese state run oil company,

CNOOC Ltd. lost to Chevron in its bid to acquire Unocal, and while doing so failed to acquire Unocal's 28.26 % stake in the Yetagun and Yadana gas fields.

As far as the question of growing Chinese influence in Myanmar is concerned India is apprehensive about Chinese intentions because both have their own strategic interests in developing relationship with Myanmar. In fact, if Myanmar is a Gateway to Southeast Asia for India then it is also a Gateway to South Asia for China. Myanmar is also a window to the Indian Ocean for China and being a "pearl" of its String of Pearls strategy Myanmar is very crucial for China. However, here the question emerges that is Chinese growing influence over Myanmar is a zero sum game for India? Because apart from competition Myanmar also provides opportunities to both the countries to enhance cooperation as it is evident from the proposal such as Kunming Initiative. However, owing to the bitter memories of past there is still a trust deficit between both Asian giants which motivate the Indian foreign policy makers to perceive Chinese influence in Myanmar in a skeptic strategic framework.

The Study of Constructive Engagement Policy reflects that this policy was evolved by the ASEAN to deal with Myanmar in an ASEAN Way which meant non-interference in the internal matter of any country. However as the time has progressed this policy has not been compatible with the ASEAN principles due to the intra-ASEAN differences over the nature of engagement with military junta in Myanmar. So is the case with India. India's Constructive Engagement policy which was originated from the premise that government is an internal matter of Myanmar and India has no role in it.

Pursuing their Constructive Engagement policies both India and ASEAN have emphasized that it is a better approach to deal with the junta rather to go ahead on the path of imposing sanctions and isolation as preferred by US and the West. In this manner, both India and ASEAN have tried to justify their Constructive Engagement with junta.



However, the supporters of the NLD criticize the Constructive Engagement and claim that it has not proved beneficial for common people of Myanmar and contributed to strengthen the hold of the junta. Even Aung San Suu kyi also criticized this approach as

The question is for whom has it been constructive? Was it constructive for the forces of democracy? Was it constructive for the Burmese people in general? Was it constructive for a limited business community? Or was it constructive for SLORC? (Acharya Amitav 2003).

However, from the junta's perspective in Myanmar, India's Constructive Engagement Policy have enhanced Myanmar's international image. For, junta India is a kind of legitimization to its unjust and non democratic rule. For junta it is satisfactory that India is reluctant towards the happening in Myanmar. It is pleasing for junta that India did not issue any statement of concern after the Depayin<sup>1</sup> incident in March 2003<sup>2</sup> (Haccke Jurgen 2006). Even during the recent crack down on monks and pro-democracy activists in Myanmar when West criticized Myanmar, India went forward to sign the agreements regarding the investment in energy sector. India is an export destination for more than 25% of Myanmar's exports. India also has increased its credit lines to Myanmar. Growing developmental cooperation is directly in the interest of Myanmar and India.

In this Manner India's Constructive Engagement Policy has proved advantageous for Myanmar. Moreover, junta successfully played India and China against each other and counter the impact of western sanction and to strengthen its hold on domestic politics. Junta has also benefited by the ASEAN's Constructive Engagement policy and investments which is a major source of income for junta.

However, the nature of Constructive engagement has been paradoxical due to Intra-ASEAN dilemmas. After the implementation of recently proposed ASEAN charter it is expected that decision making process of ASEAN is going to be shifted from the

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<sup>1</sup> India responded positively when Foreign Minister, U Win Aung traveled India as a special envoy of Than Shwe in July 2003 to explain Myanmar's domestic conditions.

traditional principle of Musyawarah (consultation) and Muafakat (consensus) to the majority based voting system. Against this backdrop it would be difficult for the ASEAN to manage the intra-ASEAN differences over the issue of Constructive Engagement with Myanmar.

In case of India although there is no major conflicts in Indian domestic political circles on the Constructive Engagement with junta but it is not easy for world's largest democracy to justify its engagement with a military regime. India has been facing consistent pressure from the civil society groups from inside as well as abroad to change its policy towards Myanmar. Recently, Amnesty international has criticized India for its willingness to enhance military cooperation and sell modernized weapons to Myanmar. India decided to export the modernized weapons to Myanmar to strengthen it for organizing operations against insurgent groups but after the recent crackdown on pro-democracy activists and monks, India seems to be in an indecisive position.

India realizes that though engagement with junta serves its instant strategic need but it would be easy for India to deal with a democratic government in Myanmar. It would be easy for two democracies to resolve their mutual problems rather than two political regimes of diverse nature. Therefore, despite accepting democracy as an internal matter of Myanmar India is still seeking a role in the process of democracy transition in Myanmar. India's keenness reflected in its offer to help Myanmar to develop constitutional structure during the visit of former Indian President Kalam. It also shows India's willingness to participate in a multilateral initiative to pressurize junta towards the democracy restoration. Hence, Constructive Engagement policies, be it with India or ASEAN is full of dilemmas. Success of this policy is debatable and the degree of success of it varies according to the nature of the interests of the actors involved.

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