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India-Myanmar Relations – Geopolitics and Energy in Light of the New Balance of Power in Asia

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Executive Summary of Research Findings

In light of India's changing foreign policy over the last decade, Indo-Myanmar relations have also changed radically. The reasons thereof pertain principally to four factors: the economic development of India's North East, India's increased interest in trade with ASEAN, India's search for energy security and increased Chinese involvement in Myanmar. This paper offers an in depth analysis of these issues, drawing on seven weeks of fieldwork during the summer of 2007 and over 50 interviews with officials and academics in both countries. The summary of the fieldwork is listed below. The paper concludes that, although today Indo-Myanmar relations have improved, India has, in essence, been too slow to develop this important relationship and is now losing out to China.

India

1. Ambivalence about Myanmar, drive from previous administration is lost.
2. No clear policy or vision with regard to building greater trade links, getting gas or promoting other linkages.
3. Different ministries work separately from each other with different goals and visions. This is especially the case with the Ministry of External Affairs vs. Ministry of Commerce or Ministry of Petroleum. Possibly this applies to the ministry of Defence as well, although that could not be verified.
4. If anything has to come through it has to be pushed through the Prime Minister's Office (for example the Indo-US nuclear deal).
5. Everyone tends to shrug and say that the Chinese are better organised, were there earlier and have more resources to throw around. However, no one is willing to drive forward with an Indian agenda.
6. The 'Look East' policy has had little effect on the North East. The original vision of opening up the land locked area seems to have been lost as only Moreh is open.
7. India's current priorities seem to lie with the Indo-US nuclear deal and after that with the Iran Pakistan India pipeline.
8. There seems to be no long term understanding about what to do about China and China's encroaching presence in the region.
9. Indian administrations do not seem to have a long term (20 year+) vision. Everything seems to stop at the next election.

Myanmar

1. India has been too slow and is not in any way organised about its relationship with Myanmar.
2. It lost the gas deal because of a lack of speed and a lack of clarity.
3. China got the gas deal because it was quick, seen as reliable and because of the political support to Myanmar (read UN veto).
4. China has offered to build a port at Kyawk Pyiu, a road, a gas and a crude oil pipeline in two years to Yunnan province. (The contract was awarded to a Chinese company in July 2007).
5. There is a general sense of unease about only Chinese influence in Myanmar – India is seen as a potential balancer. This is more the case with the general population than the administration, although the administration seems to be open to more Indian involvement. They realise that India is the other big neighbour.
6. The Indian Diaspora is not being helped by the Indian administration in setting up trade between India and Myanmar. All transactions have to go through Singapore.
7. India has hardly contributed to infrastructure development on the Indo-Myanmar border with the exception of Moreh and the road there.

Introduction

Myanmar has been the one neighbour traditionally not featured in the literature of Indian foreign policy. In the vast numbers of books written on India's relations with other countries, studies have focused on India's global position, relations with the superpowers, and in a regional context mainly on relations with Pakistan and China. In part, this was due to the non-existence of relations between the two countries for many decades as India held on to an outdated model of Nehruvian ideals and a moralistic discourse in some aspects of its foreign policy formulation.

The last few years, however, have shown a shift in Indo-Burmese relations. The reasons for such a shift are analysed here, focusing, in particular, on economic and energy related issues. The shift has to be understood in the reframing of India's larger foreign policy objectives first under the Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) government in the late 1990s and then under the current Congress-led government. This shift in foreign policy priorities are largely due to India's increased need for energy and the fact that today economic growth is at the heart of India's policy making, both at home and abroad. Consequently, relations with neighbours have had to stabilise and improve, especially if these neighbours were rich in energy resources. This paper also addresses India's 'Look East' policy with a particular reference to the development of India's North East, the region sandwiched between Myanmar, China and Bangladesh.

The developments between India and Myanmar have not been widely written about or discussed, and have to date featured mainly in the regional press. This is largely the case because in recent international developments have shifted international attention to the changing relations between India and Pakistan and India and the United States. The interest brought to India's eastern neighbours is often limited to China, especially since Myanmar is not seen as a particularly 'important' player on the international scene. This shift is, however, of high importance with regard to power relations in Asia as a whole and in South Asia in particular, as India looks for closer economic ties with the Association of Southeast Asian States (ASEAN) and better diplomatic relations across the pan Asian region.

The sparse literature has put the reason for the changed relationship at the doorstep of India's fear of Chinese encirclement.ⁱ Yet this is far too simplistic an argument. Whilst the China factor has always been important and remains a crucial issue for India, the revival of the

relationship is far more complex and has to be understood in light of India's new foreign policy parameters that were developed by the BJP-led government between 1998 and 2004. On the one hand new relations with Myanmar are a foreign policy driven objective which aim to ensure that China will not be the sole player there. However, economic priorities both at a domestic, federal and international level are at the core of India's new economic foreign policy, not only with regard to Myanmar, but with the South East Asian region and the wider world as a whole.

It will be argued here that the primary aim for such a policy shift was economic, as India moved away from Nehruvian ideals and reassessed its position globally and regionally, putting economic relations at the centre of its foreign policy formulation in order to sustain high economic growth levels. Most importantly India's search for energy sources and Myanmar's large natural gas reserves was at the centre of the volte-face – energy security being directly linked to economic growth. It is also argued that the BJP government saw improving Indo-Myanmar relations as an intrinsic part of its policy vis-à-vis the North Eastern states and their decades of anti-Indian insurgency fuelled by the centre's economic neglect of the region. As a result, economic regeneration of this region is one of the domestic priorities underpinning the new policy. Although China's presence in the region does play a role, it is argued here that, to date, India has not included Myanmar in its China policy – possibly to its long term detriment.

The Context

India-Burma in History

Both countries were part of the British Empire, Burma being the largest province in British India. After 1937, Burma was acknowledged as an independent unit within the empire.ⁱⁱ There were between 300,000 and 400,000 Indians who had migrated there under the British Empire running the public services, police and the military. Indians were used in large numbers as a part of the British colonial troops during the three Anglo-Burmese wars in 1824-26, 1852 and 1885. After the wars they were employed to garrison the country. The Indian population in Burma on the eve of the Japanese invasion in 1941 numbered over 1.1 million and in 1931 Indians represented 7.5 percent of the total population of Burma, with a large number of them living in Rangoon.ⁱⁱⁱ

Burma and India cooperated in their struggle for independence and their independence came only a few months apart. After that, the biggest bone of contention between the two countries was the fate of the People of Indian Origin (PIOs) who were being treated as foreigners despite having lived in Burma for generations. The Burmese government took a number of measures to strengthen the economic interests of the Burmese, such as forbidding foreigners from buying land. Nehru insisted on compensation for the PIOs,^{iv} but soon reverted to the Nehruvian policy of not pushing Indian interests by claiming special privileges for Indians in Burma in order to maintain good relations between the two countries.

Indo-Burmese relations were close during the first few years after independence and both Nehru and U Nu were leaders in the creation of the Non-Aligned Movement (NAM). Both countries signed a Treaty of Friendship, which was to remain in force ‘for ever thereafter’ if neither side gave notice of its desire to terminate it six months before its expiry after five years.^v However, after the 1962 coup, relations came to a standstill, despite the 1643 km long border India and Myanmar share.^{vi} As trade between China and Myanmar increased, trade with India declined. In true Nehruvian idealist tradition India ignored its eastern neighbour due to the undemocratic regime that had taken over.^{vii} Relations improved slightly during the 1970s and 1980s with both countries trading official visits with Indira Gandhi visiting Rangoon in 1969,^{viii} Minister of External Affairs, A. B. Vajpayee in 1977, Ne Win visiting India in 1980 and Foreign Minister Narasimha Rao reciprocating in 1981. Rajiv Gandhi’s visit in 1987 was the first one of an Indian Prime minister in almost 19 years. Relations deteriorated dramatically again when in 1988 India sided with the pro-democracy uprising and offered sanctuary to Burmese dissidents. It was only in 1992 that New Delhi decided to break the deadlock and start with a policy of ‘constructive engagement’ with the military regime. But it was only with the advent of the BJP led NDA government that things really began to change.

The development of India’s Myanmar policy has to be seen in the larger context of India’s foreign policy formulation as a whole, which will be explained in the next section.

The Construction of India’s Foreign Policy – Global Power Status on the Basis of Moral Standing

India’s foreign policy evolved as a “dual” pattern, encompassing a global as well as a regional role. The two roles were run on a very different basis, as relations with India’s

neighbours were conducted on a much more realistic policy course as opposed to the moralistic international policy. The regional dimension was based on the fact that India was the hegemon in the region and would do everything to remain so.

The NAM was created out of the desire to orient India's foreign policy towards the group of newly decolonised states, hoping to create a larger area of peace by fighting common dangers of imperialism and racialism together.^{ix} Nehru wanted India to be the leader of the developing world, in this way carving out a global role for the country. The principle of India's leadership was to be based on moral rather than economic power. India's relations with the superpowers during the cold war were difficult as its non aligned status was never really accepted by the United States who saw India as being in the soviet camp. India's desire for economic self sufficiency also went against the grain of the concept of free market economy, which was being pushed by the western powers. On the other hand, relations with the Soviet Union were cordial with substantial trade and barter trade underlying the relationship. However, India never subscribed to the communist world's ideology, trying to combine a socialist economy with a democratic system at home. India refused to be apart of any defence pact or to take sides against either the western powers or the communist bloc.

Nehru believed that these idealistic broad concepts used in global policy formulation could also be used at the "micro-level", subject to some minor adjustments. Later, after Nehru's death, this was dropped, making place for a more regional, realistic and forceful policy first under Indira Gandhi and later under Rajiv Gandhi, especially with regard to the South Asian region.

The main incident, which established India as a regional power, was the creation of Bangladesh. 1971 was crucial for India's position in the region. The flood of refugees that poured into India had severe effects on the economy and on India's social structure. Out of economic and strategic necessity, India trained, armed and then gave combat support to the Bangladeshi refugees.^x

India's regional priority has been to disallow the destabilisation of any neighbouring states by any internal or external forces. This includes the monitoring of ethnic conflicts on the borders in the North East, Bhutan or Sri Lanka, and the promotion of regional co-operation. There are, of course, many obstacles to regional co-operation, paramount India's size and position

as a hegemon, but it is also understood to be the only possibility for political and economic stability in the region. Nevertheless, the regional part of the policy formulation was always rather ill defined and generally “reactive” in nature. The main emphasis was on establishing a security zone against possible threats from China.

The Chinese factor has been a sore point in India’s foreign relations. Although China is a neighbour, it cannot be counted as part of the South Asian region, geographically set apart by the Himalayan mountain range. India and China are natural rivals and the relationship has been problematic over the years, including border issues in Kashmir, India’s North East, the status of Tibet and Sikkim. Nehru’s political understanding involved advocating a policy of friendship, avoiding the isolation of newly communist China.^{xi} In this way, he hoped to establish a “normal” world order where Indo-Chinese co-operation would lead the newly independent countries of the third world.^{xii} Throughout this time, India upheld China’s issues at the United Nations and recognised Taiwan as part of China. When in 1950 China asserted its authority in Tibet, Nehru exercised restraint. In 1954, the two countries signed an agreement on Tibet which proclaimed the “Panchsheel” doctrine, the five principles of peaceful coexistence.^{xiii}

The Indian humiliation of 1962 at the hand of the Chinese armed forces, made the nation realise that its relatively unarmed foreign policy towards China had failed to provide the necessary security and that idealism was no substitute for realism.^{xiv} India felt it was threatened by both its immediate neighbours, Pakistan and China, neither of which subscribed to non-alignment and, therefore, a modern defence force had become necessary.

This section serves as a reminder how India’s global and regional foreign policies were formulated prior to the economic reforms and to underline how until the early 1990s India’s international foreign policy was idealistically oriented. India’s national interest was seen both regionally and globally in solely in political and ideological terms with hardly any economic component.

The Changes after the Economic Reforms and under the BJP: Global Power Status – the Realist Way

The 1991 economic reforms saw the birth for a new role for international economic and trade relations. India suddenly had to engage with the post cold war world and reassess its foreign

policy priorities. The opening up the economy to international players also meant that foreign relations had an economic dimension and trade became a foreign policy tool. Leaving *swadeshi*, economic self-sufficiency behind and engaging in international trade was India's new way forward. The Congress government under Narasimha Rao initiated economic reforms, however worried that the economic pain of free trade and privatisation would hit the poorer section of India's society and increase the already large disparities.

After the Congress lost power, the United Front governments under Deve Gowda and I. K. Gujral started to focus more on foreign policy and foreign relations. In part this was due to India coming to term with its first coalition government where consensus on domestic affairs was not always forthcoming. The I.K. Gujral peace moves towards Pakistan were a direct result of this – as were Deve Gowda's economic interest in South East Asia and the development of the 'Look East' policy with a clear vision for India's North Eastern states.

The 'Look East' policy was a part of India's re-assessment of its role in the wider region, for the first time looking at Southeast Asia as a neighbour which mattered politically and economically. As India was looking for new markets and relations with the United States still had not warmed up, a strategic decision to focus on South East Asia was taken. Closer cooperation with ASEAN was seen as a new priority, as it became increasingly clear that due to frosty relations with the neighbouring countries, the South Asian Association for Regional cooperation (SAARC) was not going to be a huge success in terms of multi-lateral trade. According to Swaran Singh, India at first focused on the six richer members of ASEAN. It was only once the four Greater Mekong States joined ASEAN that India started to have closer contacts with Myanmar, Vietnam and Cambodia.^{xv} The Mekong Ganga Cooperation Initiative (MGCI) followed in 2000 and was developed largely to stress the 'natural connectivity' between India and mainland Southeast Asia based on cultural and civilisational similarities.^{xvi} The Vientiane Declaration outlined the four objectives as tourism, culture, education as well as transport and communications. The MGCI has not only boosted regional trade, especially between Vietnam and India, but is also another forum for Indo-Myanmar interaction. In fact, the proposed railway line from Jiribam to Imphal and Moreh is to be constructed under the MGCI and India's Rites Ltd conducted a feasibility study, pricing the line at US\$73 million. The rail link is to be extended to Hanoi.^{xvii}

The BJP's vision was one of a multi-polar world^{xviii} in which economic relations were going to be crucial. Regional policy became of prime importance, especially with regard to improving trade and improving the situation in India's border states. In part, the BJP's moves towards Pakistan have to be seen in this light, but more so its' increase interest in the North East,^{xix} which included starting a peace process with various insurgency groups as well as improving relations with Myanmar. There seems to have been an inherent understanding that the region could not be developed without international cooperation across the border.

The BJP's foreign policy priorities have not been that different to that of previous Congress governments, that is, to remain the regional hegemon and to develop a global role for India. However, the BJP realised that the post-cold war world needed a different approach based on trade and not on Nehruvian morality and righteousness. The BJP, unlike previous Congress governments, also saw that there are direct links between foreign policy formulation and domestic policy, especially in the economic realm.

Despite the fact that the BJP had campaigned on an anti-economic reforms ticket, it continued and intensified the reforms after forming its coalition government called the NDA. India's opening up saw the rise of multi-national corporations, which resulted high growth with limited infrastructure development. The businesses, mainly multinationals, but also some large Indian firms, gained better access to the Indian government in the 1990s. Their agenda was focused on increased open markets and more trade, internationally as well as regionally. Indian businesses have always been aware that Indo-Pakistani and Indo-Chinese trade could be huge. As a result, trade lobbies formed and have become more power full in the political realm in Delhi, in order to influence the decision making process. During the Kargil war, there were reports that businesses in India and outside were lobbying for a quick solution so as to not lose the multinationals and so that trade would not be lost either. So since the economic reforms, businesses have become political actors, or are, at the very least, influencing political decisions.

As a part of this new strategy, relations with the United States, Israel and Myanmar were revived. These were countries India had aspired to keep away from for various reasons – the United States for its imperialistic global bullying strategy, Israel for its war against the Palestinians and Myanmar for its undemocratic government in light of the 1990 elections. The 9/11 war on terror changed relations with the United States for good. India saw in this an

opportunity to ally itself with the United State and portray the Kashmir problem as a part of the war on terror. The United States was seen as a powerful economic ally holding the purse strings of various international funds. An agreement with Israel on the same basis meant that India could buy arms it would never had access to before. Peace or a dialogue about peace with Pakistan was seen as essential. Peace meant that India would finally be seen as an economically safe region for international investment. It also meant that the BJP would then be able to focus on internal changes.

The government finally decided to tackle the China factor for the first time. India has, for decades, seen itself threatened militarily and economically by China. Disputed border issues have not been tackled as successive governments feared opening up the ‘Pandora’s box’. However, with China’s increasing economic might in the region, India needed to improve relations and increase trade quickly. Finally the recognition of Tibet was exchanged against the recognition of Sikkim, a significant step in the move away from moralistic foreign policy vis-à-vis a neighbour.

Since the 1991 reforms, but especially under the NDA government, India’s foreign policy formulation has been conducted on the basis of trade and power priorities as a mechanism to hegemony. At a larger level, this move fits in with globalisation and the increasing power of business in government policy formulation, not only in Asia but in the world at large.

Indo-Myanmar Relations under the NDA Government

The interesting development of India’s changed policies vis-à-vis Myanmar in the late 1990s has been discussed by Renaud Egretau.^{xx} His main argument is that India’s rapprochement with its neighbour has to be understood in the light of India’s worry of being encircled by China and China’s allies. Whilst China might indeed be a growing presence in Myanmar and around India, it will be argued here that if anything India has not taken that fact into account to a sufficient degree and that the new relationship between the two countries is not driven solely by this change in regional geopolitics. From the Myanmar-centric literature, there is hardly any work which deals with the new relationship between the two countries. Gansen, in his chapter on Myanmar’s foreign relations, identifies the relationship between the two neighbours as ‘subject to some turbulence’^{xxi} and recognises that the rapprochement is linked to more than simply the China factor. Other issues identified, yet not discussed by him are the insurgency in India’s north eastern border areas and the increasingly close cooperation

between Myanmar and Pakistan. Thin Thin Aung and Soe Myint also touch on these factors in their chapter on India-Burma relations,^{xxii} giving a detailed analysis on Indo-Burmese trade and border trade. Yet none of the three pieces of research mentioned above explain the new relationship in light of India's volte-face in foreign policy making as well as India's search for energy security. This paper aims to fill that gap.

Right till the time of the Indian economic reforms in 1991, the Indian government maintained its support for the pro-democratic opposition. However, active intervention by the Indian government was out of the question.

The first stance India opted for vis-à-vis the new Burmese Junta was a definitely idealist one, a policy of opposition and denunciation of the Burmese Military. However, in the early nineties, as the regional order began to be reshaped after the end of the Cold War and the Indochina Wars, the geopolitics of the region changed and Burma's geopolitical position seemed to have been rediscovered.^{xxiii}

Egreteau reasons that this shift was part of India's new 'Look East' policy, which in line with the economic reforms hoped for a rapprochement with the economically successful South East Asian states. The first Border Trade Agreement was signed in January 1994 and, in 1995, a joint military operation named 'Golden Bird' against insurgents based in the North East of India took place. A bilateral border trade agreement was signed which was to be conducted through Moreh in Manipur (India) and Tamu (Myanmar) and Champhai in Mizoram (India) and Hri on the Myanmar side. Trade started officially on 12 April 1995 and, since that time, Indo-Myanmar relations have continued improving through bilateral visits between the two countries.

The real shift in India-Myanmar relations, however, took place under the advent of the BJP and the 'Eastern Strategy' pursued by Indian Foreign Affairs Minister Jaswant Singh. His predecessor, George Fernandes, had vociferously supported the student uprising, which had hampered the BJP's efforts to create closer ties with Myanmar but Singh moved away from this position.

In July 1999, a meeting was held between the home ministries of both countries in New Delhi to identify means to strengthen cooperation on issues like cross border terrorism and setting up better communication links. India agreed to organise training for anti-narcotics officials. As part of the visit the Burmese delegation met Home Minister L. K. Advani, amongst other senior BJP politicians.^{xxiv} Military to military contacts started in 2000 with the meeting of General V. P. Malik and General Maung Aye. This was the first high level contact since 1988. Business and security were the main items on the agenda.

In October 2004, General Than Shwe, leading a delegation of eight cabinet ministers for six days talks, visited Delhi and both sides signed an agreement on security, cultural exchanges and hydro-electric power.^{xxv} In March 2006, President Abdul Kalam visited Myanmar to sign an agreement on cooperation in remote-sensing technology and to sign two memoranda of understanding (MOU) on cooperation in the petroleum sector and in Buddhist studies. Besides these three accords of cooperation, India agreed to extend more than US\$37 million in loans to Myanmar. Further visits in the course of 2006 focused largely on the troubled border and defence talks and also discuss arms sales. On 23 April 2007, an 18-member Myanmar Army delegation, led by Brigadier-General Tin Maung Ohn visited Calcutta, for the 30th biannual liaison meeting of army officials from both countries. Issues relating to cross-border insurgency, arms smuggling and border management were discussed.^{xxvi}

The shift in policy is due to a number of reasons. They broadly fall into four categories: the North East, the increased importance of the economic factor in foreign policy decision making, energy security and finally the China factor. Each will be looked at in turn.

The North East

Many of the tribes in India's North eastern region are ethnically linked to tribes on the Myanmar side of the border.^{xxvii} Since independence, a number of these ethnic minorities have been demanding more autonomy or independence and many have organised themselves into separatist movements, fuelling violent insurgencies such as the Naga rebellion (led by the National Socialist Council of Nagaland) and the Manipur insurgency. This has been a domestic problem for India for over 50 years.^{xxviii}

As a result, the decades of instability in the North East states of Arunachal Pradesh, Nagaland, Manipur and Mizoram, all of which are at the border with Myanmar, are at the heart of the

decision to improve relations. The violence has risen since the 1990s and the economic liberalisation, and as prosperity has come to many states in India, it has barely touched the North East. Containing the insurgency movements in the region are part of India's new attitude towards Yangon. This, however, is problematic as both governments have different problems with different sets of insurgents and so not necessarily have the same priorities vis-à-vis different groups.^{xxix}

However, it is important to understand that India's interest goes well beyond simply getting control over the insurgency movements. The BJP government understood that years of government infrastructure and educational underinvestment in the North East was a part of the problem fuelling discontent. A comprehensive seminar issue details the new policies vis-à-vis the North East and how the focus has shifted towards economic development of the region.^{xxx} There was also an understanding that remedying such underinvestment was going to be a costly affair. Aside from the advantage of jointly fighting militants with the Myanmar army cooperation between Myanmar and India would lead to greater trade in the region, with the border opening up gradually, leading to more local prosperity. This, in turn, it is hoped, would quell the drug and arms trafficking for which the region is notorious. India is aware that it needs Myanmar's cooperation to stem the narcotics problem, the insurgency and security threats in that border region. India is also aware that by opening up the North Eastern borders and allowing for increased local trade, a regeneration of this landlocked area is possible. At present, trade seems to flow mainly in one direction with Chinese goods swamping the markets in the seven sister states. But India is not benefiting as hardly any Indian goods go the other way. Despite fears that more open borders will bring in more arms, drugs and sexually-transmitted diseases (STDs), the Ministry of Commerce in India is in favour of more trade. The guns, drugs and STDs seem to make it across to India anyway and the argument goes that in a more prosperous region the attraction of insurgency movements will wane. Again, this cannot be done without Myanmar's support. This economic factor, not the ethnic violence is at the bottom of Delhi's change of path.

Currently, however, only one of the border posts is open and although the Mizoram bridge is built, the border post is not in use. Mizoram and Chin state are home to Mizo tribes and there is some informal, traditional border trade, which has been there from before the British colonial times. According to Van Lal Zawma, the Indian Member of Parliament from Mizoram, the Kaladan river project which aims to make the Kaladan river navigable and link

Sittwe Port to the North-eastern Indian states will be good for the whole region, not only Mizoram. The time to travel between Sittwe and Calcutta could be cut tremendously by boat. He argues that unless Myanmar develops, it will be difficult to develop Mizoram as the infrastructure on both sides of the border is very poor. Currently, there are lots of Chinese goods on the Mizoram markets coming via Myanmar, and in five to ten years this will increase although Indian goods do not reach Myanmar as there are too many rules for carrying things from Burma through Moreh.^{xxxii} But even at the Manipur border there are problems – according to Sanjoy Hazarika who travelled from the North East of India to Myanmar, 160 kilometre of the Manipur Rd have been built by India (Region Development Fund) linking Moreh to Kalemio right to the Chindwin River. The quality of the road is good and there are 75 bridges (the longest is 150 metres) but it still takes a long time to travel via foot and bus.^{xxxii}

Discussions with the Ministry of Commerce also revealed that, after 2001, governmental interest in the North East has gone down. There is, however, a general understanding that until the political system in the North East is sorted out, development will be difficult. Few officials visit and there is a lack of understanding in New Delhi of how complex the region actually is. The North East has a large number of tribal blocks, cannot be understood as one entity, not even as seven states. Nagaland alone has 16-17 tribes and the state is ruled by three elite tribes. The other six states have different tribal structures and varying insurgency movements which flare up at different times. Whilst Meghalaya and Mizoram are relatively quiet, the other states are currently experiencing varying degrees of violence. The Indian government does not seem to have the time and energy to deal with a region as complex as it is remote. In fact Deve Gowda was the first prime minister to visit all seven states, and only after that, the first economic package was announced for the region. These have continued and whilst there is an element of leakage, certain projects have been happening Assam is now home to an Indian Institute of Management and an Indian Institute of Technology. The government of India gives 10 times more per capita to the North East than to Bihar. Problems with the law and order situation and active insurgency movements in all states, as well as alcohol restrictions in some states (resulting in a huge black market controlled by the underground) means that the region is tough.

In fact, interviews in the North East in Guwahati and in Shillong all pointed to the fact that the residents of the seven sister states feel that the North East policy has largely passed them

by. They see an increasing disinterest in New Delhi in encouraging cross border trade in favour of trade by sea or air with more distant parts of South East Asia. Patricia Mukhim, in particular, has written extensively on how the 'Look East' policy has failed the region and that there is no concerted North East policy. She confirms that the region is already a dumping ground for Chinese, Thai and Myanmar products, but that hardly any Indian goods make it across the border the other way.^{xxxiii} The closed border issues are obviously largely due to the security concerns. Mani Shankar Aiyar is quoted in the Assam Tribune as saying: 'The whole area has been locked up on security grounds. Is our policy of 'Look East' going to be dictated by security concerns or commercial and economic interests?'^{xxxiv}

The Economic Factor

As described in the previous section, India's foreign policy priorities have taken a new turn and are now heavily based on economic decisions. Trade with Myanmar and trade through Myanmar would not only revive the North Eastern states of India, but generally make both countries more prosperous. India chooses to engage with Myanmar through local organisations such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and the Mekong Ganga Cooperation, as well as bilaterally. The latest World Trade Organization agreements are likely to loosen sub-regional and regional trade restrictions and will, in turn, increase regional trade and cooperation. Yangon's ascension to ASEAN has made such economic ties more 'acceptable' in the eyes of the wider world. India has tried to conduct its economic foreign policy through these regional organisations. Aside from this, India is also a dialogue partner with ASEAN and Myanmar became a full-fledged member of ASEAN in 1997. India's interest in taking an active part on the South East Asian market was furthered yet again during a meeting in December 2005 between the ASEAN countries with China, Japan, Australia and India. Currently, a free trade agreement is being negotiated between India and ASEAN.^{xxxv}

India's bilateral trade with Myanmar has grown from US\$87 million in 1990/91 to US\$577 million in 2004/5, with a US\$1 billion target for 2006/7. India accounts for 13.8 percent of Myanmar's total exports in 2005/6, however importing little, not even making the top five of Myanmar's imports.^{xxxvi} India has contributed to Myanmar's infrastructure development with over US\$100 million worth of credit and US\$27 million in grants earmarked for roads and rail links in the border areas.^{xxxvii} Under the 1994 trade agreement only 22 items are identified for exchange (barter trade) between the two countries but there is pressure to

increase the list. The list is currently under discussion as Minister of State for Commerce Jairam Ramesh is proposing that it be extended to 40 items. In fact, India has become one of Myanmar's main export partners.

Border trade has been analysed in detail in Das, Singh, and Thomas's book, "Indo-Myanmar Border Trade, Status, Problems and Potentials". They acknowledge that the current value of Indo-Myanmar border trade through the North East in terms of generating economic growth for the region is negligible, however arguing that with development on both sides of the border that it could have a tremendous impact and growth. Since Myanmar mainly imports manufactured goods, the North East in India needs to industrialise.^{xxxviii}

Trade between India and Myanmar is conducted largely through Indian companies with representative offices in Yangon. The trade is hampered by the fact that India and Myanmar do not accept direct payment methods because of the banking system; consequently trade is diverted through a third country, most often Singapore. Exports from Myanmar are paid for via advance telegraphic Transfer (TT) and Myanmar does not accept letters of credit (LoC), the preferred method used by Indian companies. Therefore Indian companies need a Singapore company which receives the TT from Myanmar and the LoC from India, reducing these transactions considerably due to their complex administrative procedure. The issues is further elaborated on in Das, Singh, and Thomas' book, who also cite the real and official exchange rates between Myanmar Kyats and US\$ as a source for problems.^{xxxix} Since 1999, business between the two countries started to pick up between 1999 and 2001, then the banking crisis in Asia led to a decline till 2004. There has, again, been improved trade since 2004.

There are two Indo-Myanmar organisations based in Yangon: the India-Myanmar Association and the Myanmar-India Chamber of Commerce. The India-Myanmar Association is a cultural organisation and a platform for Indian expatriates. Its aims are social as well as helping business people. There are around 150 Indian companies^{xl} across agriculture, pharmaceuticals, spare parts, steel, transmission lines, electrical goods and furniture registered with them. With regard to the pharmaceutical companies, there are Indian representatives and local distributors. However, the marketing is done by Indian companies. According to Naresh Kumar, the chairman of the India-Myanmar Association, who also owns India's oldest trading company in Myanmar, new companies do not tend to register.^{xli}

The Myanmar-India Chamber of Commerce is registered with the commerce and home ministries. There was a problem with the renewal of the registration in 2007 due to an old form or form not properly filled out, which led to bad press over the organisation being officially deregistered. However, the re-registration happened within a week. According to the Chamber of Commerce, the Myanmar government is stringent with the formation of associations and accountability and it is not a transparent process.

Rahul Goenka, the nephew of the Chairman, explains that the role of Chamber of Commerce is to act as a mediator between local and Indian businesses. It is open to registration to any individuals and businesses doing business with India (and also includes Chinese, Pakistani and Bangladeshi companies) as well as Indian companies. There is however a separate pharmaceutical association. The membership is 300 strong, but it does not cover all Indian businesses as many companies don't want others to know they are operating in Myanmar.^{xlii}

Myanmar is a major exporter to India, mainly of agricultural produce and primarily pulses (five percent of total Indian consumption which determines Indian market price). In fact between US\$50 and US\$400 million of pulses get exported to India annually.^{xliii} Timber is also exported to India as all plywood factories have closed and can only operate with imported material. The trucks go with dahl and timber and come back empty. There generally is no direct documentation between Myanmar and India as Myanmar is perceived as high risk not easy to cover by insurance, especially because of the insurgency activities on both sides of the border. According to one of the businessmen interviewed, Indian companies also route their trade via Singapore in order to avoid tax. Another reason is that the Indian government wants to be paid in hard currency. However, there is a huge parallel market: Besides the agro manufacturing and trading which goes via Singapore, there is pharmaceutical distribution through Korean and German companies, rough stones are exported to India and then once cut to the Middle East, and there is an increasing volume of tours and travel.

In Myanmar, foreign companies need to operate in conjunction with local companies. The servicing activity is done in Myanmar and trading is done by the Singapore company. Despite this, most Indian businessmen interviewed insisted that the relationship between India and Myanmar was deep rooted but informal and very different from the relationship between China and Myanmar due to a different level of leverage and control. According to the

interviews conducted, border trade is little compared with trade at the Thai and Chinese border. On the Indian side of Moreh, the road is bad, insurgents and major players are only doing small scale trade.

The infrastructure projects, such as the Trans-Asia Highway between North Eastern India and Bangkok passing through Myanmar that are supported by these regional organisations, are the key to opening new trading routes between India and the South East Asian neighbours. Myanmar sees itself increasingly as a regional hub for transport between South and South East Asia.^{xliv} The three nation technical mission conducted a feasibility study in 2003 and the highway is expected to be 1,500 kilometres long. A rail link between Delhi and Hanoi is also planned. Aside from that, India and Myanmar have discussed projects on copper exploration and a hydro-electric project on the Chindwin River. The Imphal-Tamu-Kalemayo road is another project pushed by the Indian government.^{xlv} All those will lead not only to further bilateral cooperation and trade, but will also open the South East Asian markets to Delhi and get India more involved in the Asian trade world.

India's interest in developing Myanmar's energy and transport infrastructure is acknowledged widely. One company interviewed is dealing with caterpillars for mining and earth moving is an Indian registered company but representing an American company in Myanmar. This company is central to any pipeline deal as it is their machinery which will be used on Myanmar soil to do the digging and terrain preparation. In November 2003 India offered US\$57 million to upgrade Myanmar's railway network and picked up the tender. Materials are brought over from India to Myanmar for the upgrade. However, the tenders were floated in India and, consequently, the companies involved are not registered in Yangon.^{xlvi} The Stillwell road is an Indo-Chinese partnership, half to be constructed by India and half by China. Work on the Chinese side has already started, not only within China, but also in Kachin state near Bamo and between Bamo and Mitkyna, Kachin's capital. Another deal which was mentioned was India wanting to sell transmission lines and the Indian government being willing to give a soft loan of around US\$200 million at two percent and with a five-year grace period for 20 years. With regard to developing the Sittwe port, the offer to Myanmar has changed as India originally wanted to build, own and operate the port for three years. Since the Myanmar government was not too keen on this the nature of the project was changed and now India is offering to build and transfer the port.^{xlvii}

According to interviews with the Ministry of Commerce in Delhi, a framework agreement between the two countries was signed in 2004. They insist that despite offering to develop three border posts aside from Moreh (others in Mizoram – Zokaw Than; Arunachal – Fang Sopang; and one on the Naga border) that Myanmar only wants Moreh. Accessibility is a serious issue as one third of India's trade is with South East Asia and the North East is not benefiting as almost all goods go by ship and air. The connectivity is restrained through Bangladesh and the development of Sittwe port is important as it gives the North East of India alternative access to Southeast Asia. The ministry feels that trade is improving but that the larger deals are hampered by China's influence. Besides the transaction costs for Indian businesses are too high for Myanmar, it is ironically enough cheaper to trade with Europe and the United States.^{xlviii} Some companies, therefore, wonder why they should go through the extra trouble. The opening of Natula has had a good influence on Tibet and, consequently, opening up the border to Myanmar could have a similar effect. However, this has led to a battle between the various ministries in India where the Ministry of Commerce stands at 180 degrees from the Ministry of Defence: 'The defence and home ministries are the old psyche. They have missed that the world has opened up. They think you can stop things at the border.'^{xlix}

India's Energy Needs – The Gas Pipeline

Importing gas from Myanmar has been on India's list for a while now. The process was accelerated by the negative response from Bangladesh regarding gas exports to India, as Bangladesh wants to cover for its own needs first.¹

It was during the 2001 visit of Jaswant Singh to Myanmar that India started negotiations about buying gas from Myanmar. Oil and gas exploration and supplies were discussed as a part of other negotiations regarding infrastructure projects such as the joint construction of roads with General Than Shwe. The visit to India of U Win Aung in January 2003 also further boosted this cooperation in the hydrocarbon, power and energy sectors, particularly with regard to the India's role in the exploration of Myanmar's onshore oil and gas reserves.^{li}

To this day, the question on how India can justify investing in an industry like this when the government can simply go and buy the gas elsewhere is still debated. However, under the visionary leadership of Mani Shankar Aiyar, the idea of an Asian oil market initiative was

born in order for India to increase its investments in the energy sector and to avoid having to pay the international price.

Originally, blocks A1-A7 were released by Malaysia and United States companies in 1997 amidst a massive pull out by mainly western companies. However, India was not interested at the time. Today, India's interests lie in A-1 and A-3, off shore blocks northwest of Myanmar where South Korea's Daewoo International is drilling an exploratory well. India's state owned Oil and Natural Gas Corporation Videsh Limited (OVL) holds 20 per cent and the Gas Authority of India (GAIL) and KoGas (the Korean Gas corporation) hold 10 per cent each of the equity stakes in both the A-1 and A-3 Blocks which are close to India. Daewoo International holds 60 per cent of the stakes in the project.ⁱⁱⁱ The exploration rights for blocks A-2 and L have been acquired by ESSAR, a private firm. Whilst blocks A1 and A3 have been certified, drilling is only just about to start in A-2 and L.

According to a geologist working in Myanmar, who wants to remain anonymous, the state of the offshore blocks is as follows: A1 has finished the appraisal and development stage and is now at the commercial stage. A1 has been certified for 4,2 TCF- 6,0TCF by a Canadian gas company. A3 is at the appraisal stage. There is not enough gas for both China and India from both those blocks (around 17 TCF in A1 and A3).ⁱⁱⁱⁱ Daewoo is also not reputed to have as good a technique for financing development of the gas blocks. Petronas has invested US\$640 million in M13 and 14 and Total has invested US\$1 billion. A2 is at the exploration stage and no one knows how much gas will be found there.

A pipeline between Myanmar and India always depended on the quantities of gas available on the Rakhine coast, as well as the cost of bringing the gas back to India. Alternatives to the pipeline were liquefied natural gas (LNG) shipments, yet due to the short distance between the two countries, especially if the pipeline was to go through Bangladesh, this option was not pursued. The end user price was also an issue as the price would reflect the cost of laying the pipeline and other costs such as transit fees. India not having an established pipeline grid across the country is in this respect less fortunate than Pakistan. However, India's short term goal was to pick up the gas and bring it to Eastern India. Both India and Myanmar were going to be tied into a trans-Asia grid. And whilst price and security were genuine issues, the dialogue moved astonishingly well. India had arrived to the penultimate stage was getting framework signed. Bangladesh's extra demands remained problematic but the transit fee

would have mitigated balance of payments issue. The issue of the trade and energy corridor between Bangladesh, Nepal and Bhutan delayed India's final offer to Myanmar. Critical, however, were the fears of the security outfits in Delhi who are worried about China's increased role in the region. Mani Shankar Aiyar's plans included a special diplomatic effort so that the chief ministers of the North East could improve relations with Bangladesh and restore the status quo ante of 1965 with East Pakistan when goods could be traded freely. Alternatively, Bangladesh could be bypassed and with a developed port at Sittwe and the Kaladan river project as well as a rail line, the region could be opened up for more trade. This was part of a broader vision where the North East's connectivity would be increased dramatically as 'per capita gains outweigh security fantasies.' according to an official of the ministry for the development of the North Eastern Region.^{liv}

Yet despite the geographical closeness of the gas fields to India and the ongoing negotiations, the Myanmar government in the end decided to sell the gas to China and allow China to build not only a gas pipeline to Yunnan, but also a deep sea port at Kyaw Phuy, a road linking the port and Kunming and a crude oil pipeline next to the gas pipeline to bring both energy resources to Yunnan province. According to Myanmar Oil and Gas Enterprise (MOGE), the relevant infrastructure will be in place in two years.

The problem in the end was not Bangladesh's demands, but the uncomfortable relationships between the various ministries, their differing visions with regard to Myanmar and China and the ensuing lack of drive which led to major delays. According to Mani Shankar Aiyar, the Ministry of External Affairs put energy security on par with the irritants of Bangladesh and was willing to negotiate with reference to that particular paragraph only. 'This was a turf war and the insistence that the foreign ministry is in charge of foreign policy affairs.' According to him, the foreign secretary met Begum Khaleda in March 2006 for a SAARC meeting and was ready to do a deal. The deal did not come through entirely because the Ministry of External Affairs did not trust Bangladesh.^{lv}

U Soe Myint, Director-General of the Ministry of Energy in Nay Pyi Taw, has explained why the gas from A-1 and A-3 will go to China at the price other gas is going to Thailand. PetroChina will be building the pipeline as of 2008 and the agreement will be finalised at the end of 2007. 'The Chinese will build another pipeline to avoid the Malacca strait for crude oil from Kyauk Phyu. There will be a "transportation corridor", a highway to China which will

be comparable to the Silk Road.’ There had been research for an LNG plant with interest from China, India and Japan. But given the current levels of gas, this option seems too expensive. According to the geologist India’s behaviour has been perceived as difficult. OVL and GAIL were worried about financing and needed exact data from the gas results which took time. ‘They were perceived as very professional, but the Chinese were quicker – they decided despite lack of data.’^{lvi}

Myanmar has been in a rush lately to develop the energy industry as the process of exploration takes time. U Soe Myint felt that the government was in the process of reconstructing the country building new bridges, new roads and railway extensions which all need hard currency. He feels that Myanmar has been successful in promoting its energy industry and those efforts will pay off.^{lvii}

Since 2005, Myanmar has been giving out offshore blocks. Today, however, there are eight newly demarcated deep water blocks on the Rakhine coast and 10 on Moattama coast. Of the eight deep water blocks on the Rakhine coast, three are already awarded to China National Petroleum Corporation (CNPC), one to Daewoo and another three blocks are being finalised with OVL. Block M 11 is already awarded to the Sun Group (India) and Itera of Russia.^{lviii}

However, it is rumoured that China’s CNPC has already bid for blocks AD 1, 6, 7 and 8 as well as offshore block A 7.^{lix} According to interviews in India, OVL has been encouraged to bid for Myanmar’s deep sea blocks and some private companies are also interested. It is crucial for India to act soon and quickly as if enough gas is found in the deep-sea blocks a pipeline might still make sense.

There have also been some alternative proposals to the pipeline, allowing India to make use of the gas. According to Proshanto Banerjee, former Chairman of GAIL, there was an option to ship in barges across the Bay of Bengal without the need for LNG. According to Shyam Saran, a shallow water pipeline was also considered linking in with Yadana and or Yetagun gas to come along the Sittwe coast in to Mizoram creating a pipeline grid between Thailand and the North East.^{lx} Most importantly, however, was the proposal by Infrastructure Leasing & Financial Services Ltd to bring the gas via Mizoram to Tripura, convert it to electricity and bring the electricity to Eastern India via the electrical grid. Not only would that have eliminated the need for a pipeline through Bangladesh or Assam, but it would still have

allowed Tripura to develop its own gas industry. According to an interview with the Assistant Vice President of the company, this proposal never made it past the relevant ministries. The company today is bidding for the contract to rebuild the Stilwell road, hoping that at least this contract will be allowed to take off, allowing for some development in the region.

The China Factor

As has been mentioned in the foreign policy section above, India has felt threatened by China since the 1962 war. Even the more recent rapprochement has done little to quell military fears. This is compounded by economic rivalry and competition and lately the hardening of China's position on the border dispute, especially in Arunachal Pradesh.^{lxi} India feels that it needs to improve its relations with Myanmar so as to not let China benefit solely from the economic and strategic relationship. This policy has resulted in India reopening its consulate in Mandalay, where the Chinese government already has a consulate.

India recognises that in many ways Beijing's policy is similar to that of India. There is an understanding that more trade will bring prosperity to poorer regions, relieving in some ways the respective governments of the expenses of further investments into the region. For China, this is particularly the case with respect to Yunnan province.

Historically, China was involved in Myanmar through the Burma Communist Party (BCP). The BCP however was only a communist party in name and was actually projecting Chinese interests. 1989 changed nature of the relationship and China started to help with cease fire agreements. The price was more autonomy to the border regions and their integration with Southern China's economy. As described by EgretEAU, the advent of the new Junta in Yangon after the 1988 uprising and the 1989 Tiananmen massacre made the two nations seek mutual relations in the face of world isolation and criticism.^{lxii} The relationship started with a trade agreement in order to open up the provinces of Yunnan and Sichuan that are linked with Myanmar through the Irrawaddy River as well as road and rail links. There are large numbers of Chinese investors and traders throughout northern Myanmar, as well as an important Myanmar Chinese Diaspora.

Chinese ambition is further evident in the Indian Ocean helping Myanmar to modernise its naval bases at Hanggyi, the Cocos Islands, Akyab and Mergui.^{lxiii} This interest goes way beyond the economic and trade relations, but shows China's involvement in Yangon's

strategic and military affairs. India has been particularly nervous about a rumoured intelligence listening post on the Cocos Islands, only 50 km away from its own naval bases on the Andaman and Nicobar islands. Even the official statement by the Foreign Minister of Myanmar U Win Aung during his visit to India in November 2000, explicitly reassuring India that Myanmar would not let its territory be used for military facilities for a third power, has not made this rumour disappear completely.^{lxiv} However, a more recent research piece has confirmed that Myanmar has not allowed China to use its territory for military and naval intelligence purposes.^{lxv} India's maritime doctrine, published by the Ministry of Defence in late 2004 focuses, to a large extent, on China's potential threat in the Indian Ocean. According to this document, India sits astride a number of major commercial routes and energy lifelines. 300 ships and 40 tankers pass through Indian waters a day and US\$260 billion worth of oil pass through the Straits of Hormuz and Malacca annually.^{lxvi} Over 90 percent of foreign trade in volume and 77 percent in value are seaborne.^{lxvii} Most of India's oil also passes through tankers and ports from the various offshore fields. As a result, the Indian Ocean is seen as India's prime strategic place, and one it is unwilling to share with China.^{lxviii} Again good relations with Myanmar are central to India's naval strategy.

In this, China's plans for the deep sea water port at Kyauk Phuy is therefore of great importance to the Indian navy. The original plans for this port were drawn up in the 1990s, with a feasibility study conducted by the Marubeni Corporation for the Myanmar Petrochemical Enterprise in March 1997.^{lxix} The plan arranges for an oil unloading port at Gadechy Harbour, 20 kilometres of Kyauk Phyu City and Ramree Island. According to the report the site is sufficiently deep for oil tankers up to 60,000 DTW. Nay Pyi Taw seems convinced that China can pull off the deep water port as well as the crude oil and gas pipeline in two years, allowing for the gas from A1 and A3 and possibly from other blocks to follow to Yunnan Province. The negotiations between China and Myanmar have changed the energy scenario for New Delhi as it is now clear that their influence in Myanmar is waning and not strengthening as originally projected.

In many ways, India's foreign relations resemble a game of chess, where both seek allies against each other, strengthening both their economic and strategic positions. India is nervous about being encircled by China and its allies. For years, China cultivated ties with economic and military ties with Pakistan. China's involvement with Myanmar could mean that India

would find itself surrounded on three sides by Beijing and its area of influence leaving no 'buffer states'^{lxx}

It is unclear, however, in how far the various ministries understand China's economic and strategic involvement in Myanmar. The power vacuum in Kachin state which has allowed the economy in northern Myanmar to be integrated with Yunnan province is not generally understood in New Delhi. Both the Ministry of External Affairs and the Prime Minister's office seem to rely on the fact that the Myanmar government wants to balance out China's influence with relations across ASEAN and with India. This, however, is not enough as India has to be seen to be proactive in developing the ties, just as China has been. India needs to take advantage of this fact rather than let the opportunity slide by.

The Situation Today

Till around 2005 Delhi could point to results in its new foreign policy strategy: By mid-January 2004, international news reports focused on Myanmar's army cracking down on anti-India rebels operating from its territory.^{lxxi} This was after a similar offensive had been carried out successfully in Bhutan mid December 2003. Cooperation from Myanmar was seen as crucial if rebels were not to simply slip over the border into a new country. During a historic visit to Delhi, Myanmar's Foreign Minister, U Win Aung, had promised Delhi to flush out Indian insurgent camps and, in the last week of December, India's Chief of Army Staff announced jointly coordinated military operations with Myanmar. The cooperation between the two administrations has continued as the Indian police claim to have destroyed one of the largest Burmese rebel bases in India in Mizoram in September^{lxxii} and Naga rebel bases were attacked by the Myanmar forces in December 2005.^{lxxiii} The successful joint military operations in January were followed by high level visits between Delhi and Yangon. The superhighway between Calcutta and Bangkok was further discussed between Indian and Myanmar during a foreign ministers meeting in Thailand in April 2004. India sees in this the possibility of improving relations and trade with Thailand as well despite fears for increased drug and arms trafficking across that route. India and Myanmar also agreed to cooperate on fighting the drug smuggling happening through India's porous North Eastern border. Both electronic equipment and increased patrolling and joint operations have been put in place to contain the problem.^{lxxiv} India and Myanmar seemed to have agreed on a two-phased strategy: once the rebels and drug trafficking is under control, the North East will be opened to trade and with it to economic renewal. More recently, however, these coordinated efforts

seem to have slowed. Interviews in Guwahati and Shillong expressed a commonly-held concern that perhaps China was behind the fact that such concerted efforts are no longer undertaken. This is of course speculation, but Lieutenant-General Paramjit Singh from the Assam Rifles has been quoted saying that, 'The Myanmar promise has not reflected on the ground and the situation has not changed from what it was earlier.' He also speculates that the difficult terrain is to blame and still hopes that the Myanmar army will fulfil its promise not to let insurgency groups operate from its territory.^{lxxv} Defence cooperation is also on the basis of arms deals. In July 2007, the story broke that India was planning to sell attack helicopters which had been jointly produced with different European Union countries, to Myanmar. The controversy lay in the fact that many European Union countries follow as sanctions regime with regard to Myanmar.^{lxxvi}

The announcements that a joint business council would be set up was also welcomed by the traders in the North East of India, as the trade agreement which was signed in 1994 had failed to pick up due to too many restrictions. The business council would also facilitate private Indian investment into Myanmar. The vast potential is currently still offset by the poor infrastructure and it is hoped that once the rebel activities have been curbed that infrastructure can be improved and trade can pick up. There is also the hope that the Myanmar foreign ministry will be willing to open more trade routes and North East trade organisations (such as the North East Federation of International Trade) have been lobbying the Indian government to recognise the two other trading points. A new trading point was opened in February 2004 through Mizoram,^{lxxvii} it is, however, to date, not operational.

The momentum seems to have been lost sometime between 2005 and 2006 and with regard to the energy security situation it looks like India has lost out to China yet again with in bringing Myanmar gas back to Eastern India. The summer of 2007 saw a war of words via the press in New Delhi as to which ministry was responsible for the loss of the Myanmar gas contract.^{lxxviii} Rumours had abounded in the press as of April 2007 that the gas from A1 and A3 was going to go to China and the pipeline deal to India was off, but the official confirmation only came in July.^{lxxix} The situation is complicated by the fact that Daewoo, with a 60 percent interest in the joint venture, is insisting that they will only sell the gas to the highest bidder and not necessarily to China. According to Erwin Chan from the Energy Intelligence Group in Singapore, Daewoo's Managing Director has threatened legal action and he himself speculated that the deal might still go into arbitration.^{lxxx} In a surprise volte-

face, Bangladesh also has expressed interest in importing gas from Myanmar via pipeline, despite its earlier delaying tactics vis-à-vis New Delhi, which would have also brought them a free pipeline.^{lxxxix} Since April, there have been discussions between the caretaker government and New Delhi, trying to revive the trilateral project. However, New Delhi is sceptical that a caretaker government would be able to push such a monumental deal through.^{lxxxii}

Despite this hiatus, New Delhi should not give up on improving its relations with Nay Pyi Taw. India should bid for at least three deep sea blocks. Beyond that, the development of Sittwe Port and Kaladan river project are key. The latter project involves dredging of the river to create a trans-shipment terminal. This would take two years and whole project would take around four to five years.

Further infrastructure developments such as the Trans Asia highway from Thaton to Moreh and the rail service towards Hanoi need to be encouraged. Through the highway one could get from Mizoram to Thailand in a day, linking the North East to ASEAN. The Stillwell road needs to be decided upon and the ministries of defence, external affairs and commerce need to come to an agreement on how to balance security issues and economic priorities.

Mohreh needs to be developed further to become a state of the art border. Other border trading posts should also be developed further. The North East's connectivity to India and outside world is important. This especially warrants further thought if China and Bangladesh are going to be difficult. Besides Indian needs to cultivate closer cooperation with Indian businesses and offer soft loans to Nay Pyi Taw.

India also needs to develop a clear vision on how to deal with China's influence in Myanmar. China is seen as pre-empting India as they have no parliamentary committee. This is, however, an oversimplified vision of the situation on the ground. Myanmar is interested in balancing Chinese influence with Indian influence. The power vacuum in Kachin state is also cause for concern as Yunnan province uses Kachin state not only as a dumping ground for its goods and cross subsidising its economy, but also to integrate the two economies more closely.

Most centrally, India needs to work on its timing issue. The refrain in New Delhi is that, in India if you can't deliver you don't sign. Yet, this works to India's disadvantage when in direct competition with China.

Conclusion

The new world order has prompted India to understand that foreign relations cannot be conducted under a moral banner alone. Economic interests have come to precede almost any other priorities. In the case of Indo-Myanmar relations India's changed stand is that while it supports democratic governments, it does not interfere in the internal matters of other countries. The current government, though Congress led has not reverted to a moralistic foreign policy and seems to continue in the path set by the NDA.

However, despite a change with regard to relations between the two countries this paper has argued that due to certain ambivalence about Myanmar, the drive from the previous administration has been lost and there is no clear policy or vision with regard to building greater trade links, getting the gas to Eastern India and hurrying up with infrastructural developments. This is especially the case because different ministries work separately from each other with different goals and visions. This is especially the case with the Ministry of External Affairs vs. the Ministry of Commerce or Petroleum. Officials tend to shrug and say that the Chinese are better organised, were there early and have more resources to throw around. However no one is willing to drive forward with an Indian agenda. The paper has furthermore tried to show that the 'Look East' policy has had little effect on the North East. The original vision of opening up the land locked area seems to have been lost and only Moreh is open. India's current geopolitical and energy policy priorities seem to lie with the United States nuclear deal and after that with the Iran-Pakistan-India pipeline. There seems to be no long term understanding about what to do about China and China's encroaching presence in the region. It is also evident that the various Indian administrations do not seem to have a long term (20 year+) vision. Everything seems to stop at the next election.

With regard to the picture from Myanmar, the relationship with India is not perceived as straight forward. Whilst there is a general sense that Myanmar wants to balance out Chinese influence, India is recognised as being too slow and is not having an organised vision about its relationship with Myanmar.

Post Scriptum after the Events of September 2007

In September 2007, Yangon and other cities across Myanmar saw protests by civilians and members of the Buddhist clergy against the fuel and food price rises. The demonstrations took place over the period of several weeks and gained momentum domestically as well as a lot of attention by the international press. Both India and China were criticised vehemently for not putting pressure on the Myanmar government to reform the economy and pay heed to the Burmese people. The criticism intensified as the Myanmar police and armed forces cracked down on the demonstrators and neither India nor China commented on Myanmar's domestic situation.

During this time, on his visit on the 23 September 2007, India's oil minister Murli Deora signed the deep sea block deal with the Myanmar government, investing US\$150 million over the next few years.^{lxxxiii} Contracts were signed in Nay Pyi Taw with the state-run MOGE and gas exploration will be conducted at blocks AD-2, AD-3 and AD-9 off the Rakhine coast.

'OVL will have 100 per cent interest in AD-1, AD-3 and AD-9 deep-sea blocks. The aerial extent of the blocks is 8,100 square km, 9,900 sq km and 7,800 sq km respectively. Water depth in the block areas ranges from 1,500 metres up to 3,000 metres off the Rakhine coast of Myanmar.'^{lxxxiv}

India has been very clear that it will not interfere in Myanmar's domestic situation. This latest incident exemplifies how India's foreign policy has changed and how Indo-Myanmar relations are indeed now based on energy security and trade issues.

Timeline for India-Myanmar Meetings 2003-2007

- **23 April 2007 – Visit by 18-member Myanmar Army delegation, led by Brig Gen Tin Maung Ohn to Calcutta**, for the 30th biannual liaison meeting of army officials from both countries. Issues relating to cross-border insurgency, arms smuggling and border management were discussed.
- **December 2006 – Visit by Gen Shwe Mann, the junta’s joint chief of staff** to expand on defense talks (emphasis on arms sales)
- **November 2006 – Visit by India’s Air Marshal S P Tyagi** to discuss defense cooperation
- **September 2006 – Visit by Myanmar Deputy Minister for Home Affairs Brig-Gen Phone Swe**, to meet Indian Home Secretary Vinod Kumar Duggal in New Delhi to consider ways of securing their troubled border.
- **10 March 2006 – Visit by President Abdul Kalam** to sign an agreement on cooperation in remote-sensing technology and to sign 2 MOU on cooperation in the petroleum sector and in Buddhist studies. Besides these 3 accords of cooperation, India agreed to extend more than \$37 million in loans to Myanmar.
- **25 October 2005 - Meeting with high level delegation from Myanmar** and release of the India Myanmar Joint Task Force Report by Mr Kamal Nath, Indian Minister for Commerce & Industry
- **6 July 2005 – Visit by Myanmar Energy Minister, Brig General Lun Thi** to meet Indian Petroleum Minister Mani Shankar Aiyar to discuss the issue of the proposed gas pipeline from Myanmar.
- **28 July 2004 - Second India-Myanmar Joint Task Force Meeting**

- **6 April 2004 - First India-Myanmar Joint Task Force Meeting**
- **23 December 2003 – Visit by U Win Aung the Foreign Minister of Myanmar** to attend the India-Myanmar-Thailand meeting on Transport linkages held in New Delhi. The progress made in the project for construction of the Trilateral Highway from Moreh in India to Mae Sot in Thailand to Bagan in Myanmar was reviewed during this meeting and decisions were taken by all 3 countries for speedy implementation of the project.
- **2 November 2003 – Visit by Vice President Bhairon Singh Shekawat** to sign MOU with the Myanmar Ministry of Education on cultural and educational exchanges (MOU signed with India’s Ministry of Human Resource Development) and also to sign an agreement on visa exemption for official and diplomatic passport holders of the two countries.
- **September 2003 – Visit by Admiral Madhavendra Singh**
- **September 2003 - Air Chief of Myanmar visited India**
- **25 August 2003 – Visit by Communications and Information Technology Minister Arun Shourie** to sign an MOU on IT cooperation
- **14 July 2003- Visit by Commerce Minister Arun Jaitley** to sign an MOU on establishment of a Joint Trade Committee
- **April 2003 – Visit by a team of Officials from Ministry of Petroleum** to examine commercial on shore possibilities in the Oil and Gas sector.

Endnotes

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- ⁱ Egreteau, Wooing the Generals: India’s new Burma policy
 - ⁱⁱ As of 1923 Burma had a distinct government within the framework of British India. The separation of Burma from India was decided under the Government of Burma Act of 1935 and came into force on the 1st of April 1937.
 - ⁱⁱⁱ Grare, F. and Mattoo, A. India’s confrontation with Chinese Interests in Myanmar in The politics of India’s Look East Policy, Manohar, News Delhi, 2001. See also Ganguli, B.N. India’s Economic relations with the Far Eastern and Pacific Countries in the Present Century, Calcutta: Orient Longmans, 1956 and Desai, WS, India and Burma: a study, Bombay: Orient Longmans, 1954.

- iv This was an unusual move as Nehru in other cases of grievances of PIOs insisted that they had to either return to India or become nationals of their country of adoption. See Lall, M. *India's Missed Opportunity*, Ashgate, Aldershot 2001.
- v Thin Thin Aung and Soe Myint, *India-Burma Relations*, p. 90
- vi The frontier is divided between four Indian states: Arunachal Pradesh (520 km), Nagaland (215 km), Manipur (398 km) and Mizoram (510 km).
- vii Ne Win's nationalisation of shops and stores in the early 1960s hit traders of Indian origin badly and this time no compensation was offered. Around 12,000 Indian concerns were affected. When they left the country Indians were not allowed to take anything with them. Many could not afford the passage, as a result being left in limbo due to both the Government of India and the Burmese policies. See Thin Thin Aung and Soe Myint, *India-Burma Relations*, p. 91 Nehru stuck to his traditional policies vis-à-vis the Diaspora, not taking this up with the Burmese government. See Lall, *India's Missed Opportunity*
- viii There were some diplomatic relations between Indira Gandhi and General Ne Win, with three visits to India by Ne Win and one visit to Rangoon by Indira Gandhi in 1969. These relations have to be seen in light of India's mistrust of China and her starting worry that Burma was going to be in China's political and economic camp.
- ix Bandyopadhyaya, J. (1980), *The Making of India's Foreign Policy*, Allied Publishers, New Delhi, p.108
- x Bandyopadhyaya, J. (1980), *The Making of India's Foreign Policy*, Allied Publishers, New Delhi, p.334
- xi Dutt, V.P. (1984), *India's Foreign Policy*, Vikas Publishing House, New Delhi, p.278
- xii Nanda, B.R. (ed.) (1976), *Indian Foreign Policy - the Nehru Years*, Vikas Publishing House, New Delhi, p.16
- xiii Mutual respect for each other's integrity and sovereignty, non aggression, non interference in each other's national affairs, equality and mutual benefit, peaceful coexistence
- xiv Chopra, S. (ed.) (1983), *Studies in India's Foreign Policy*, Guru Nanak Dev University, Amritsar, p.26. It is important to note that India concentrated its defence efforts solely towards Pakistan in the first decade after independence, Nehru believing that China was a friend and not a foe.
- xv Singh, S. (2007) *Mekong-Ganga Cooperation Initiative, Analysis and Assessment of India's Engagement with Greater Mekong Sub-region*, IRASEC Occasional Paper number 3, IRASEC, Bangkok, Thailand.
- xvi Ministry of External Affairs cited in Singh, S. (2007) *Mekong-Ganga Cooperation Initiative, Analysis and Assessment of India's Engagement with Greater Mekong Sub-region*, IRASEC Occasional Paper number 3, IRASEC, Bangkok, Thailand. P.23
- xvii Singh, S. (2007) *Mekong-Ganga Cooperation Initiative, Analysis and Assessment of India's Engagement with Greater Mekong Sub-region*, IRASEC Occasional Paper number 3, IRASEC, Bangkok, Thailand. p. 34.
- xviii The NDA Government envisions a future that rests on a cooperative multipolar world order, with India as one of the poles. India's aim in foreign policy has always been to secure for itself a steadily broadening role in international affairs, so that we can contribute meaningfully to the global community's collective ability to deal with the challenges of today and tomorrow. The NDA Government is proud of its foreign policy achievements in the last five years. We will build on these successes to focus on the following objectives in the coming five years.
Further strengthen our Look-East Policy to deepen the India-ASEAN relationship; initiate the BIMST-EC process; activate the Mekong-Ganga cooperation initiative; deepen our economic cooperation with Korea; and enrich our strategic partnership with Japan. (BJP manifesto 2004 <http://www.bjp.org/>)
- xix North-East priorities
The NDA Government has given unprecedented attention to the development of the North-Eastern States in the last five years. These gains will be consolidated and placed on a stable footing. Our priorities in the coming five years would be:
- 1) Restoration of peace and normalcy in all the disturbed regions by dialogue with all groups who are willing to give up the path of violence, and by firmly dealing with those who continue on this path.
 - 2) Ensuring that the ethnic identities of all the people in the North-East are protected.
 - 3) Repeal of the IMDT Act for putting an end to infiltration from Bangladesh.
 - 4) Accelerating economic development that provides growth opportunities to all.
 - 5) Development of the communication infrastructure to overcome the constraints of physical distance.
 - 6) Making all Indians more aware of the rich history and cultural heritage of our North-Eastern States, including Sikkim.
 - 7) Expanding regional economic cooperation with countries in our eastern neighbourhood and in South-East Asia. (BJP manifesto 2004 <http://www.bjp.org/>)

- xx Egreteau, R. Wooing the Generals: India's new Burma policy.
- xxi Gansen, N. Myanmar's Foreign Relations, Reaching out to the world, in Kyaw Yin Hlaing et al. Myanmar, Beyond Politics to Societal imperatives, ISAS, Singapore 2005. p. 31
- xxii Thin Thin Aung and Soe Myint, India-Burma Relations in Challenges to Democratisation in Burma, Perspectives on multilateral and bilateral responses, International Institute for Democracy and Electoral Assistance (IDEA)
- xxiii Egreteau, R. 'India and Burma/Myanmar Relations, From Idealism to realism' Conference paper 11.09.03 IIC, New Delhi
- xxiv Thin Thin Aung and Soe Myint, India-Burma Relations, p. 96
- xxv BBC news 25.10 2004
- xxvi See Appendix 1 for a more detailed time line.
- xxvii See Haokip, T.T. Ethnic and Religious Diversity: Myanmar's unresolved Core issue, unpublished paper, Department of Political Science, North-Eastern Hill University, Shillong
- xxviii According to the Indian Defence Yearbook 1998/9, the Nagaland-Manipur area (which has a 613 km border with Myanmar) has an estimated 10,700 armed guerrillas belonging to various outfits such as the NSCN, UNLF (Manipur), PLA (people's liberation army) etc.
- xxix Tin Maung Maung Thann, comment at seminar at ISEAS 22.08.2007, Singapore.
- xxx See <http://www.india-seminar.com/2005/550.htm> and in particular Ramesh, J. Northeast India in a new Asia.
- xxxi Vanlal Zwama, MP for Mizaoram, interview, 19.07.07 New Delhi
- xxxii Sanjoy Hazarika, head of Centre for North East Studies and Policy Research, interview, 17.07.07 New Delhi
- xxxiii Patricia Mukhim, writer and journalist, interview 28.07.07 Shillong. Also mentioned in her article 'Revisiting the Look East Policy'
- xxxiv Barooah, K. Centre under pressure to open NE borders. The Assam Tribune, 12.04.07
- xxxv <http://specials.rediff.com/money/2005/dec/08asean.htm>
- xxxvi Tin Maung Maung Thann, Asian Regional Powers: Junta's Lifeline but not change agents? Paper given at the Friedrich Ebert Stiftung sponsored seminar, 27th April 2007, Singapore. This is further emphasized in Das, G. Singh, N.B. and Thomas, C.J. (2005) Indo-Myanmar Border Trade, Status, Problems and Potentials, Akansha Publishing House, New Delhi, p. 26
- xxxvii Tin Maung Maung Thann, Asian Regional Powers: Junta's Lifeline but not change agents? Paper given at the Friedrich Ebert Stiftung sponsored seminar, 27th April 2007, Singapore.
- xxxviii Das, G. Singh, N.B. and Thomas, C.J. (2005) Indo-Myanmar Border Trade, Status, Problems and Potentials, p. 31
- xxxix Das, G. Singh, N.B. and Thomas, C.J. (2005) Indo-Myanmar Border Trade, Status, Problems and Potentials, p.66-67
- xl It is difficult to distinguish between Indian companies with representative offices and companies owned by Myanmar Indians doing trade with India. According to other sources there are 40-45 companies from India operating in Myanmar.
- xli Naresh Kumar, Indo-Myanmar Association, Interview, 13.06.07 Yangon
- xlii Rahul Goenka, Myanmar-India chamber of Commerce, Interview, 18.06.07 Yangon
- xliiii Zaw Win, Business man, interview, 17.06.07 Yangon
- xliv Transport Potentials of Myanmar as a regional hub, Ministry of foreign affairs, Government of the Union of Myanmar, November 2003.
- xlv Kuppuswamy, C.S. Indo-Myanmar Relations – a volte-face, South Asia Analysis Group Paper number 162, accessed on www.saag.org/papers2/paper162.html (accessed Oct 2004)
- xlvi Rahul Goenka, Myanmar-India Chamber of Commerce, 18.06.07 Yangon
- xlvii Jairam Ramesh, Minister of State, Ministry of Commerce, India, interview 18.07.07 New Delhi and Sandeep Dikshit, India's new offer to Myanmar, The Hindu, 08.08.07.
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- xliv Anonymous interview, Ministry of Commerce, India, interview 03.08.07 New Delhi
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- li At this meeting the other areas for cooperation discussed were Key areas of cooperation between the two nations include agriculture, human resource development, education, biotechnology, development of infrastructure to facilitate trade and tourism. See <http://www.mizzima.com/archives/news-in-2003/news-in-jan/20-jan03-21.htm>
- lii <http://www.observerindia.com/analysis/A022.htm>

- liii Geologist known as Joey, interview, 17.07.07 Yangon. The construction of pipeline from Sittwe to China is too expensive. He believes that PTTE will purchase the gas and lay offshore pipeline which can be done in 3 months.
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- lv Mani Shankar Aiyar, Interview, India, 19.07.07, New Delhi
- lvi Geologist known as Joey, interview, 17.06.07 Yangon
- lvii U Soe Myint, Director General, Ministry of Energy, Myanmar, interview, 15.06.07, Nay Pyi Taw
- lviii U Soe Myint, Director General, Ministry of Energy, Myanmar, interview, 15.06.07, Nay Pyi Taw
- lix Geologist known as Joey, interview, 17.06.07 Yangon and Raman, B. Myanmar: Second thoughts about Gas pipelines to India and China?, www.saag.org/papers17/paper1676.html
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