

**China's energy security policy in relation to the Myanmar-China crude oil
pipeline project:**

*How China's non-interference principle and pipeline diplomacy can bring crude
oil imports at risk*

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Preface

This thesis is, at least for now, the closure of my academic journey that started with my bachelor in International Relations and International Organization at the University of Groningen in 2007. A few months earlier I graduated with philosophy as one of my majors, and during these classes I became fascinated by the philosophy of power. During my bachelor, I combined my interest in power with my interest in international relations; I found it very interesting how the one state or person(s) can act in a certain way and get away with it while the other states or persons definitely cannot, and how this causes friction and even conflicts. It all depends on power and how one plays the political game. To gain a deeper understanding of my favorite topics I did an extra minor in Conflict Studies at the University of Amsterdam, and I wrote my bachelor thesis about the Angolan civil war focusing on the power of spoilers in peace negotiations. During the research for this bachelor thesis I became very interested in the role natural resources play within conflicts; often the one who possesses the natural resources of a country, also has the power.

In September 2013 I continued my studies with a master Conflicts, Territories and Identities at Radboud University Nijmegen. I expanded my master program with the elective 'Energy and Geopolitics in Eurasia: China and the European Union' by dr. Mehdi Amineh at the University of Amsterdam, which made me even more enthusiastic about the role of energy and especially natural resources in politics. Determined to learn more about this I applied for a research internship at Clingendael International Energy Programme, and herewith I already would like to thank dr. Coby van der Linde and dr. Lucia van Geuns for giving me this opportunity, and Sammy Six for teaching me more about the role of energy and oil in the world than I ever expected.

All this has led to the content of this thesis, which includes all of my favorite topics: power, oil, international relations, diplomacy, energy security and conflicts. I could not have accomplished this thesis without the support, from beginning to end, of certain important people in my life. First of all, I would like to thank my supervisor dr. Lotje de Vries for giving me the confidence to take position and to write this thesis in the way it is now, for her professional guidance and constructive criticism, and her time to help me with all my questions. A special thanks to my mamma Caroline who was always willing to read and discuss my study during the past half year, and also to her and Evi for the much needed moral support during the last days of writing. Last but not least I would like to say a special word of gratitude to my pappa Jan-Hein: Thank you for your unconditional support and trust in me, and thank you for all the opportunities you have given me during my academic journey!

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List of Abbreviations

ASEAN	Association of Southeastern Asian Nations
bpd	barrels per day
CICIR	China Institute of Contemporary International Relations
CIEP	Clingendael International Energy Programme
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
CPC	Communist Party of China
CRP	Centre for Rising Powers
EIA	Energy Information Administration
ESPO	East Siberia Pacific Ocean crude oil pipeline
FDI	Foreign Direct Investments
FYP	Five-Year Plan
GIGA	German Institute of Global and Area Studies
IAE	International Energy Agency
ISIS	Islamic State of Iraq and Syria
KIO	Kachin Independence Organization
KMG	KazMunaiGas
mbpd	million barrels per day
MOGE	Myanmar Oil and Gas Enterprise
NBR	National Bureau of Asian Research
NGO	Non-governmental organization
NLD	National League for Democracy
NOC	National oil company
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PRC	People's Republic of China
Sinopec	China Petrochemical Corporation
SIPRI	Stockholm International Peace Research Institute
SPR	Strategic Petroleum Reserves
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
US	United States
USD	American dollars
USWA	United Wa State Army
WTO	World Trade Organization
9/11	Terrorist attacks on the United States on September 11 th 2001

List of figures

- Figure 1 China's crude oil imports by origin in 2013
- Figure 2 Three perspectives of energy security according to Cherp and Jewell
- Figure 3 Chinese demand for vehicles continue to increase
- Figure 4 Energy sources used in Chinese sectors in 2013
- Figure 5 Total energy consumption in China by type in 2011
- Figure 6 China's crude oil imports by source in 2013
- Figure 7 China's transit and cross border crude oil pipelines
- Figure 8 Social unrest along the Myanmar-China crude oil pipeline
- Figure 9 Map of the locations of three major Chinese energy projects in Myanmar
- Figure 10 Map of ethnic minority groups within Myanmar

Table of Content

Preface.....	i
List of Abbreviations.....	iii
List of figures	v
Table of Content.....	vii
1. Introduction	1
1.1. Aim of the thesis.....	5
1.2. Methodology	6
1.3. Scientific and societal relevance	9
1.4. Outline of the thesis	10
2. Theoretical Framework	13
2.1. The definition of energy security	13
2.2. The measurement of energy security	14
2.3. Diplomatic aspects of energy security	17
2.3.1. Pipeline diplomacy.....	17
2.3.2. State of current pipeline diplomacy.....	19
2.4. Conclusion	20
3. China's energy security.....	21
3.1. History of oil in China	21
3.2. The role of oil in China.....	22
3.3. China's energy security policy	25
3.3.1. Decrease of crude oil import dependency on demand-side	25
3.3.2. Strategic petroleum reserves.....	25
3.3.3. Diversification of energy mix	26
3.3.4. Oil diplomacy to support Chinese national oil companies.....	26
3.3.5. Diversifying oil suppliers	27
3.4. The Malacca dilemma	28
3.4.1. Pipelines as a solution to the Malacca dilemma	29
3.5. Conclusion	31

4. China’s pipeline diplomacy towards Myanmar in relation to the Myanmar-China crude oil pipeline project.....	33
4.1. History of the relation between China and Myanmar	33
4.2. How the reforms of Thein Sein challenge Chinese pipeline diplomacy	34
4.2.1. <i>China’s pipeline diplomacy in response to the reforms in Myanmar</i>	36
4.3. How ethnic conflicts in Myanmar challenge Chinese pipeline diplomacy	37
4.3.1. <i>China’s pipeline diplomacy in response to the ethnic conflicts in Myanmar</i>	39
4.4. How Myanmar’s local society challenges Chinese pipeline diplomacy	41
4.4.1. <i>China’s pipeline diplomacy in response to Myanmar’s local society</i>	42
4.5. Conclusion	43
5. How pipeline diplomacy challenges China’s principle of non-interference	45
5.1. Non-interference and China’s commitment to this principle	45
5.2. Consequences of China’s commitment to the non-interference principle within its oil and pipeline diplomacy	47
5.3. How diplomatic aspects within China’s energy security ask for a flexible interpretation of the principle of non-interference	49
5.4. Conclusion	50
6. Conclusion.....	51
Bibliography.....	55
Appendix I.....	63
Appendix II.....	65
Appendix III.....	66
Executive summary	67

1. Introduction

Lipstick, glue, and earphones seem not related at all, but nothing is further from the truth. These three products have one thing in common: they are all produced from crude oil.¹ These three are just a random selection from a list with plenty more products we use in daily life that are made of crude oil.² Besides that crude oil is the base of many products, it is also a major driver of countries' industry and manufacturing sectors, as oil is the fuel for machines and vehicles. Although oil is thus of major importance for the development of every country in the world, oil sources are not equally divided. For instance, the twelve countries that are members of the Organization of the Petroleum Exporting Countries (OPEC) have 81 per cent of all proven crude oil reserves in the world, of which 66 per cent are situated in the Middle East (OPEC, 2013).³ This unequal division is one of the reasons countries create strategies in order to secure their access to oil. These strategies form the energy security policy of countries. Energy security policies are not merely limited to oil (Yergin, 2006, p. 70), but this study focuses on crude oil only.

Energy security becomes a question of national strategy for countries when a certain energy source is an important power resource for these countries. The degree of importance of having access to crude oil varies from country to country, just as the moment in time at which oil became important for them. For instance, for industrialized countries oil security became extremely important when they switched from coal to oil as the important power resource during the industrialization. Without crude oil they could not continue their economic development. As for emerging countries, such as China,⁴ energy security became a question of national strategy when China's domestic oil production could not meet its demand for oil anymore. China had to import crude oil and became oil import dependent. Additionally, since the terrorist attacks of September 11th 2001 there is a renewed focus on energy security. On the one hand countries became more aware of the need of possessing energy sources in order to increase or ensure their economic growth, on the other hand they realized that most of the oil producer states appear to be political

¹ Because of the readability of this study the term oil and crude oil will be used interchangeably. However, there are some other terms that need an explanation. There is a difference between the terms crude oil, petroleum products and petroleum. Firstly, crude oil is a mixture of hydrocarbons that exists as a liquid in natural underground reservoirs and remains liquid when brought to the surface. Once produced, crude oil undergoes refining to create such widely-used products as gasoline, diesel, kerosene and heating oil. Secondly, petroleum products are produced from the processing of crude oil at petroleum refineries and the extraction of liquid hydrocarbons at natural gas processing plants. Lastly, petroleum is the broad category that includes both crude oil and petroleum products. Petroleum products are products that are created from refined crude oil (IEA, n.d.).

² See Appendix I for a list of products made of crude oil we use in our daily lives.

³ OPEC consists of Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

⁴ This research will refer to 'China' instead of using the official name of 'People's Republic of China' for the sake of the readability of this study. For the same reason, country names such as China and Myanmar are often used to indicate the political ruling elites who are in power in these countries.

unstable. Since then there has been an increased threat of terrorism and geopolitical rivalries over supplies (Yergin, 2006, pp. 69-71). So the aims of developing energy security policies are protecting oil exports or imports –this varies by country- against geopolitical uncertainties and possible disruptions in oil demand or supply (Evans, 2010, pp. 12-13). As the goal of any country’s foreign policy is to enhance national interests, energy security policy has major influence on foreign affairs of countries and thus on the international relations in the world (Jackobson, 2007, p. 14).

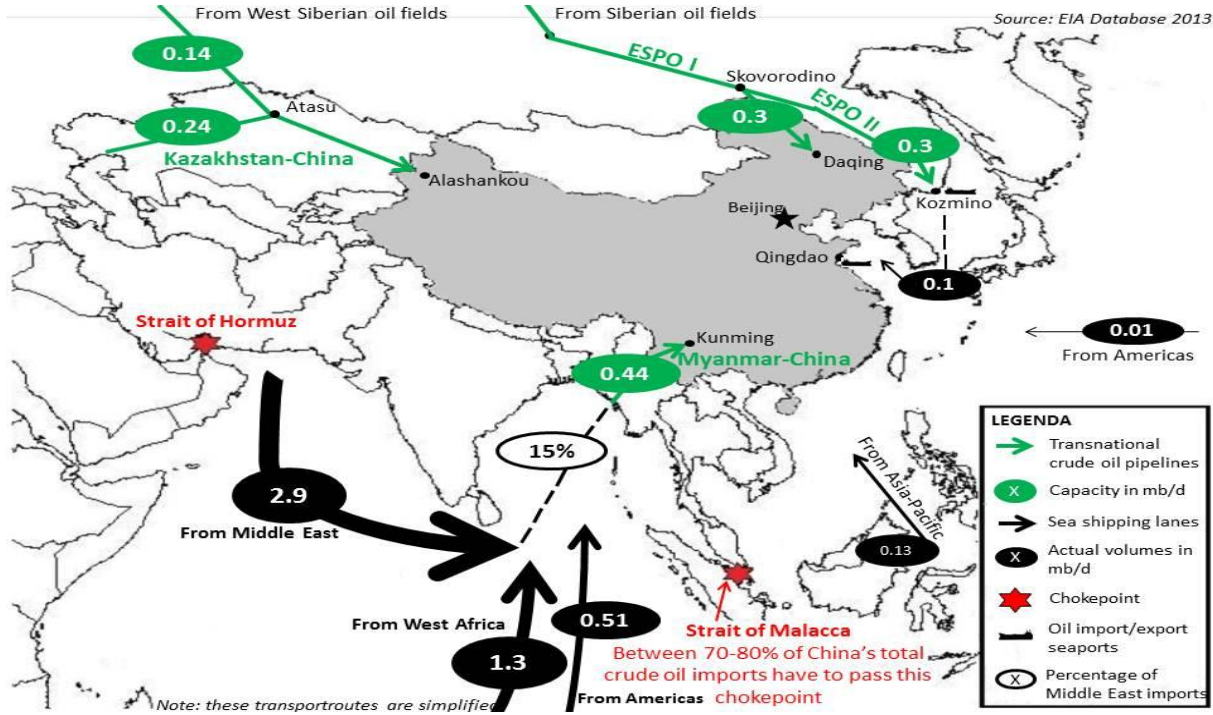
One month ago, the International Energy Agency (IEA) reported that global demand for oil will increase substantially the next year, and this growing demand will mainly come from China (NOS, 2014). In 2013 China consumed an estimated 10.7 million barrels per day (mbpd)⁵ of which China domestically produced approximately 4.5 million mbpd and thus had to fill a gap of 6.2 mbpd with imported oil from other oil producer states (EIA, 2014a). In March 2014 China has taken over the United States as largest oil importer of the world (EIA, 2014b). The prospects are that oil consumption in China will rise to approximately 11.1 mbpd this year. By 2035 China’s oil imports will reach 12.2 million barrels per day, and therefore China will account for nearly 40 per cent of the world oil demand growth from 2011 till 2035 (EIA, 2014a). China’s oil imports come from all parts of the world and are mostly transported over sea shipping lanes by oil vessels, as shown in figure 1. Not surprisingly that oil is at the heart of any discussion about China’s economic power and political stability and its consequences (Jackobson, 2007, p. 14). The importance of Chinese crude oil imports are illustrated by a quote of a member of the National Energy Agency (NEA) of China in Leung *et al.* (2014);

... problems [with coal supplies and related electricity shortages] can be solved by ourselves. Oil imports are different. If our oil imports are cut off, it affects the whole nation, not just certain provinces, and we no longer *zili gengsheng* (would be self-reliance) ... If China was heavily dependent on coal imports, coal could also be an energy security issue. (p. 19)

All this makes China an interesting case for this study.

⁵ To indicate, one barrel of oil contains 159 liters, or 42 US gallons. The kind of expression that is used to indicate a certain amount of oil depends on the state. In the United States one often uses quantities of produced or moved oil, for example barrels (bbl) or US gallons. For instance in the United Kingdom, and often in China, one uses the weight and density of the oil to indicate an amount, such as the use of tons or tonnes; one (metric) ton is approximate 7.3 barrels of crude oil. However this study will use barrels per day (bpd) or more frequently million barrels per day (mbpd), because this term is mostly used in the international energy sector.

Figure 1. China's crude oil imports by origin in 2013 (based on EIA, China, 2014).



As shown in figure 1, between 70 and 80 per cent of China's total oil imports have to pass the Strait of Malacca. This narrow stretch of water between Malaysia, Singapore and Indonesia links the Indian Ocean with the Pacific Ocean. This strait is the shortest sea route between the oil exporter states in the Middle East and Africa to the growing Asian import markets. Therefore Chinese leaders consider the Strait of Malacca as a maritime chokepoint for a long time now (Leung, 2011, p. 1333; EIA, 2012). Their biggest fear is the presence of the navy of the United States in this Strait, and the possibility that some day the United States will create a blockade, for instance in response to a conflict over Taiwan. In 2003, in a speech to senior party members at an economic work conference the Chinese President Hu Jintao highlighted this strategic vulnerability as the 'Malacca Dilemma': "if any unexpected event in this strait disrupts China's oil imports this will have huge consequences for the Chinese economy and social stability" (Shaofeng, 2010, p. 7; Zhang Z. , 2011, p. 7613; Sarma & Reindert, 2013). According to Dutch sinologist dr. Van der Putten this is not only a vulnerability of China's oil imports, but also for China's exports of which 80 per cent have to pass this Strait as well (Van der Putten, 2014). However, this study focuses only on China's crude oil imports.

Although the feasibility of such blockade by the United States is another debate, the threat of the possibility is enough for Chinese leaders and policy-makers to be afraid (Larson, 2014). Today the United States is the world's most powerful state when power is measured in economic and military terms. It is questionable if China's economy will ever catch up with the economy of the United States,

but China's remarkable economic growth of the past decades has already provided China a significant influence in Asia. Furthermore, China might be able to deploy a maritime force that could contest the supremacy of the United States at sea in East Asia (Art, 2010, pp. 359-360). While this is not applicable yet, it increases the competition over power between both powerful countries nevertheless. China has become one of a small number of countries that have significant national interests in every part of the world and is thus widely seen as a possible threat to the predomination of the United States (Nathan & Scobel, 2012, p. 2). Historically, the rise of one great power at the expense of the dominant one has nearly always led to conflict relations between the two. This could lead to at least political and economic frictions and maybe conflicts (Art, 2010, p. 360). Due to the contemporary economic interdependence the question remains how this issue will develop over time. In the meanwhile, Chinese policymakers remain puzzling over whether the United States intends to use its power to help or to hurt China. Chinese leaders in general share the view that the United States tries to contain China's power in Asia and in the rest of the world instead of helping them (Nathan & Scobel, 2012, p. 2).

The most important aim of China's energy security policy is to minimize all kinds of potential disruptions of its oil imports. One of China's newest strategies of its energy security policy is the Myanmar-China crude oil pipeline.⁶ This pipeline -that runs from the West coast of Myanmar to the Western Chinese province Yunnan- provides a shorter transport route for Chinese crude oil imports, which importantly, circumvents maritime chokepoint Strait of Malacca. Chinese leaders consider the Myanmar-China crude oil pipeline as a national strategic project (Sun, 2012b, p. 69; Sun, 2013, p. 8; Sun, 2014b), thus the safety of this pipeline is of major importance. However, this pipeline project increases interdependency between both states as well. This was not considered as a problem for China due to their close relationship for decades, but in 2010 after the elections in Myanmar this brotherly relation between China and Myanmar changed, with all its consequences (Yi, 2013, pp. 3,18).

⁶ Firstly, all kinds of literature use the name Myanmar and Burma interchangeably. However, this country is recognized as Myanmar by the United Nations (BBC News, 2007). Therefore this study uses the name Myanmar. Secondly, the Myanmar-China pipelines projects consists of twin pipelines: one natural gas pipeline and one crude oil pipeline. This research will only discuss the crude oil pipeline. Although it is often indicated as one project in the literature, both pipelines are its own set of stakeholders, financing, challenges, end users, etc (Vermeer, 2014).

1.1. Aim of the thesis

The aim of this thesis is to show the relative absence of academic attention to the diplomatic aspects of energy security. Also, this thesis aims to gain a deeper understanding about the energy security policy of China in relation to the Myanmar-China crude oil pipeline and the diplomatic aspects of China's energy security policy. In order to reach these aims, this study looks at the different strategies of China's energy security policy of which the Myanmar-China crude oil pipeline is one. Also this study examines the extent of diplomatic aspects in China's energy security policy. To illustrate Chinese diplomatic aspects of energy security the Myanmar-China crude oil pipeline is used as a case study in this thesis. With presenting the case in this research I intend to bring to fore the consequences and effects of China's diplomatic aspects of energy security and I want to show the utter importance of including diplomatic aspects in energy security studies in order to be able to develop instruments to address them. Finally, to reach this goal this study provides a deeper insight in China's principle of non-interference and how this principle influences China's way of paying attention to the multilevel diplomatic aspects within its energy security policy. All this leads to the following main research question:

To what extent does contemporary China pay attention to its 'pipeline diplomacy' in relation to the case study of the Myanmar-China crude oil pipeline project, given its aim to assure its energy security?

To answer the main research question the following sub-questions are formulated:

- Does contemporary academic literature about energy security pay enough attention to the diplomatic aspects of energy security?
- What are China's energy security policy and strategies to meet its growing oil demand and to reduce possible vulnerabilities of its oil supplies?
- What are China's energy security policy and strategies to deal with the Malacca dilemma?
- What are challenges to the Myanmar-China crude oil pipeline on Myanmar's soil?
- To what extent does China alter its pipeline diplomacy in response to these challenges?
- To what extent is China's pipeline diplomacy challenged by its principle of non-interference?

1.2. Methodology

This study takes a critical geopolitical perspective, which means that instead of taking the existing power structures in the world for granted like classic geopolitics do, this research questions the structures of power. Classical geopolitics -with these for granted taken power structures- argue that every state creates foreign policy in a way that benefits them most. On the other hand, critical geopolitics argue that countries attempt to uncover power relations in order to shape foreign affairs. Classical geopolitics are thus seen as directly related to realism, while critical geopolitics are not (Tuathail, 1999, pp. 107-108). In addition, critical geopolitics determine foreign affairs based on how political elites and populations see their place in the world (Agnew, 2010, p. 570). So this perspective is based on structuralism, however critical geopolitics have some interpretative or so-called constructivist views as well. This perspective of interpretative structuralism fits my approach to understand the case study of this research perfectly well.⁷ On the one hand there is China. In general Chinese leaders have a perspective that is similar to more critical geopolitics. Most of Chinese foreign affairs are politically based on China's thirst for energy and do not pay any attention to situations in other states. The Chinese government focuses on its own domestic issues and interests and assumes that other states will do the same. They create their foreign affairs and bilateral agreements based on their own preference and what benefits them most, regardless consequences for other states. Since 1953 China's foreign affairs are based on the Five Principles of Peaceful Coexistence; mutual respect for sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence (Mensah, 2010, p. 98). On the other hand there is Myanmar that for a long time considered itself as China's little brother. In 2011 the Myanmar government decided to change this position through a transition from a military junta to a semi-civilian government complemented with economic and political reforms. The political elite of Myanmar changed its foreign affairs and opened up to its co-member countries of Association of Southeastern Asian Nations (ASEAN) and Western countries in order to come out from under the strong Chinese influence and to show the world that Myanmar can stand on its own feet (Sun, 2012b, pp. 52-58). Thus from a critical geopolitical perspective, Myanmar's government was aware of its by China overruled position and decided to change its position in the world by taken action and shaping new foreign affairs.

This thesis is a qualitative secondary study, because it takes notion of energy security and pipeline diplomacy as very context-specific concepts. This is why a qualitative method is chosen. A quantitative method lacks of paying attention to the context of a specific situation in a country (Cherp & Jewell, 2011, p. 209). This is in contrast with most of the contemporary academic studies

⁷ According to Martin Hollis (1994) this perspective sees social structures as sets of meaning rules that tell people how 'to do' social life, for instance language, religion, economy. Actors are role and rule followers (Demmers, 2012, p. 16).

about energy security, which is by the way a popular research topic. Most of the academic studies focus on quantitative research methods and each study uses a different model with different indicators to measure energy security. The main criticism on current and past energy security studies is that universal checklists, definitions or measurement indicators that they use are of limited value, because energy security policies vary from one country to another (Cherp & Jewell, 2011, p. 209; Chester, 2010, p. 88). This means that no single set of metrics is suitable for assessing energy security for all purposes in all situations (Cherp & Jewell, 2013, p. 146). This is best explained by a statement of Chester: “the challenge of measuring energy security is not only to see through natural, technological, and economic complexities and uncertainties, but also to address the fact that it has different meanings for different groups” (Chester, 2010, in Cherp & Jewell, 2013, p. 146). This is also supported by a study about energy security of Van der Linde *et al.* (2004);

Energy security cannot easily be translated into numbers, because it depends entirely on the political and economic circumstances of a certain state, and their ability to deal with energy supply disruptions or shortfalls. In other words, the level of security of supply depends on ... the geopolitical circumstances whether if a disruption of supply will be easily absorbed, or whether it develops into a full-blown crisis. (p. 44)

Nevertheless, contemporary academic studies about energy security use hard data from the past in order to create a historical overview for a certain country or to compare a certain degree of energy security between countries.⁸ Although I am aware that the benefit of quantitative studies is that outcomes are easier to generalize, I chose to focus more on context-specific contents and use qualitative research methods. So, this qualitative secondary study uses soft data generated through different sources. Because this is an academic thesis most of my sources are from academic literature. Examples of mostly used academic sources are academic journals and books about energy security, energy security policies of China and Myanmar, and about pipeline diplomacy and bilateral relations between China and Myanmar. For instance, relevant sources are *Energy Policy*, *Foreign Affairs*, *International Journal of China Studies*, *Eurasian Geography and Economics* and *Energy*. To collect most academic sources for this study I did a literature review starting from the literature outline of my elective course *Energy and Geopolitics in Eurasia*. Also, I found a part of my literature by searching for the terms related to this study in Google Scholar, Picarta, and in the electronic databases of Radboud University, Vrije Universiteit Amsterdam and University of Amsterdam. Then I looked into the footnotes of these articles to expand my academic sources. I have read many academic studies, but I selected the academic articles for my theoretical framework based on their

⁸ Such as Zhang *et al.* (2013), Sovacool *et al.* (2011) and Von Hippel *et al.* (2011).

contemporary relevance and outstanding arguments. I used the academic studies that are most quoted and are responses to each other, to reach the complete scope of the academic discussion about the definition and how to measure energy security. For the other chapters, I selected the articles that are most recent, relevant and in general I used more articles about Asia than other continents. Also I used grey literature and news articles to bridge the gap between theories of academic articles and examples from the daily practice. This is because grey literature and press releases are mostly more up to date about the current situation in Myanmar and China than academic studies. The so-called grey literature covers documents, reports of governments and NGO's such as the International Crisis Group, and commissioned studies as from Wood Mackenzie. Also reports of international think-tanks on China, Southeast Asia and their energy policies such as GIGA's *Journal of Current Southeast Asian Affairs* and *NBR Special Reports*, and energy reports published by the International Energy Agency (IEA) and the US Energy Information Administration (EIA) are covered by grey literature. This part of the data often helped me to get a deeper insight of the current situations in Myanmar and China. Both energy agencies IEA and EIA provided information about numbers and facts of China's oil consumption, production, imports and transport routes. Media sources, such as *the New York Times*, *the Irrawaddy*, *Bloomberg*, *Oil & Gas Journal*, *Reuters AP*, *China Daily*, *Myanmar Times*, and Chinese news agency *Xinhua*, are mostly used to provide an illustration in practice.

Furthermore, during my research internship at Clingendael International Energy Programme I have learned a lot from the expertise of dr. Coby van der Linde, dr. Lucia van Geuns and oil specialist Sammy Six. I have gained a deeper understanding of the energy scope, and especially in terms of oil. Finally, I used some elite interviews to gain deeper and more detailed information from experts. Also I did some interviews with experts, because interviews are most appropriate when detailed insights are required from individual experts (Gill, Stewart, Treasure, & Chadwick, 2008, p. 292). In line of Leech (2002, p. 665) I did semi-structural interviews; I asked prepared questions depending on their expertise and questions that emerged during the interview. Through Skype I interviewed Yun Sun, who is a Fellow with the East Asia Program at the Stimson Center and her expertise is in Chinese foreign affairs and China's relations with neighboring countries and authoritarian regimes (Stimson Center, n.d.). Also through Skype I did an interview with Ashley South, who is an independent analyst and consultant, specialized in humanitarian, peace and conflict, and ethnic political issues in Myanmar and Southeast Asia (South, n.d.). I did a face-to-face interview with Sinologist and energy expert dr. Eduard Vermeer who is attached to the University of Leiden and the International Institute of Asian Studies, and had a telephonic interview with Sinologist dr. Frans-Paul van der Putten who is attached to the Clingendael Institute in the Hague.

In relation to data collecting I am aware of the disadvantage that I do not read or speak either the Chinese or the Myanmar language. Therefore I depend on academic articles, reports and new articles that are translated into English. Another disadvantage is that I rely on articles and reports of NGO's and think-thanks, news items and interviews to understand on the one hand the public opinion in Myanmar, on the other hand to understand Chinese energy security and foreign policies to Myanmar in practice. So I am aware that I use both the public opinion in Myanmar as Chinese policies and responses as the way described in grey literature and media sources, which makes it possible that this study will not cover the complete scope. Furthermore, Chinese leaders and policy-makers are often reticent with information. Therefore it is difficult to obtain official documents about China's energy policy and stance towards the relations with Myanmar and the Myanmar-China pipeline. As Sun explains, there is a difference between Chinese commercial projects and Chinese national strategic projects, and the Myanmar-China pipeline project is considered a national strategic project. About the national strategic projects are no public open publications available, because China is not an open society and once the agreement was negotiated Myanmar was neither (Sun, 2014b). Subsequently, China's press is mainly regulated by the government and do not provide an objective view, which also complicates a comprehensive data collection.

In terms of references, I asked a native Chinese friend how to properly refer to Chinese literature because it is Chinese practice to start a name with the surname followed by the first name. He told me that when in contact with Western people, most Chinese people change the order to the Western style and use first name, surname. Therefore I assume that if a study of Chinese academics is published in English their names are already adjusted to Western use. I apologize if I did not refer correctly.

Last but not least, I use footnotes to refer to available literature specifically of to a certain topic that is not discussed in this study. Also, footnotes are used to provide, when appropriate, additional information that not directly fits into the scope of this study, but supports a better understanding of the totality of a situation or complexity.

1.3. Scientific and societal relevance

This research is relevant on both societal and scientific level. On scientific level, this study aims to show the relative absence of academic attention to the diplomatic aspects of energy security. This underexposed area within energy security, is of utmost importance to understand and to take into consideration in researches about energy security. Quantitative research methods are the scientific way to do research most of the time, but these methods miss context. Within energy security studies it is precisely this context that play important roles. Academic studies about energy securities should

focus more on the diplomatic aspects in order to create tools to deal with future problems, such as the unequal distribution of crude oil resources in the world and the fact that most crude oil resources are situated in political unstable countries. Diplomatic aspects within energy security play a major role in the contemporary international relations. Especially in case of China, diplomatic aspects within its energy security policy is gaining importance and leading to a public debate of the sustainability of its non-interference principle. Finally, this thesis is relevant because the relatively new Myanmar-China crude oil pipeline is not in operation yet and up to now is not much researched in academic studies.

The societal relevance of this thesis is related to the other aim of the thesis: to gain a deeper understanding about the energy security policy of China in relations to the Myanmar-China crude oil pipeline and the diplomatic aspects of China's energy security policy. First of all, disruptions of China's oil supplies will lead to economic decline and social unrest (Zhang, 2011, p. 7613; Shaofeng, 2010, p. 7). It is relevant to research China's strategies to prevent certain disruptions but also to research the importance of developing multilevel pipeline diplomacy, including local society as this pipeline has major influence on Myanmar's local communities and from a Myanmar perspective China is not handling this properly. Therefore this study suggests to focus more on pipeline diplomacy within energy security in practice as well. In my view, China could decrease the challenges of its energy security by implementing multilevel pipeline diplomacy in its policies. This would be a striking move of China, but would benefit local societies that are involved in Chinese overseas investments all over the world as well.

1.4. Outline of the thesis

In order to reach the aims of this thesis four chapters are written. In chapter 2, following this introduction, a theoretical framework is offered to provide a better view on the concept of energy security and its diplomatic aspects. Also this chapter examines whether or not the contemporary academic literature about energy security pays enough attention to the diplomatic aspects of the energy security policy of countries. In chapter 3, this study gives a brief insight of what China's energy security policy and its strategies comprise and what China's actions are to meet its growing oil demand and to reduce possible vulnerabilities of its oil supplies. Additionally chapter 3 brings in the study case of China and Myanmar that are in the midst of going through all the complex aspects that pipeline diplomacy consists of, due to the development of the new Myanmar-China crude oil pipeline project and discusses this crude oil pipeline as China's solution to its Malacca dilemma. The discussion in chapter 4 is about the challenges Chinese pipeline diplomacy meets with the Myanmar-China crude oil pipeline on Myanmar's soil. Also whether the Myanmar-China crude oil pipeline will

contribute to China's energy security policy or create more problems rather than be a solution. Then is described how China responds to the risks in Myanmar in order to protect its strategic importantly pipeline and how China's pipeline diplomacy towards Myanmar develops. Chapter 5 researches to what extent China's pipeline diplomacy is challenged by its principle of non-interference. Finally, the conclusion provides a brief summary of the topics that are discussed in this thesis, as well as an answer to all research questions. Also, this study makes a recommendation for further academic research.

2. Theoretical Framework

Since the new millennium in which energy security policy became a renewed focus for countries, energy security studies have emerged as a distinct area of academic studies (Cherp & Jewell, 2011, p. 202). The aim of this chapter is to answer the following sub question: does contemporary academic literature about energy security pay enough attention to all diplomatic aspects of energy security? In order to answer this question the chapter provides a brief overview of contemporary academic studies about energy security, and their differences regarding the definition of energy security and how it is measured. Additionally the second part of this chapter explains the concept of pipeline diplomacy, the importance of this concept, and its definitions.

2.1. The definition of energy security

Although energy security is a main target for every government, the concept has not been clearly defined yet (Chester, 2010, p. 887). Over time the concept of energy security has become an umbrella term for many different policy goals (Winzer, 2012, p. 36). According to Löschel *et al.* (2010) the concept energy security seems to be blurred (p. 1665), meanwhile Kruyt *et al.* (2009) call the definition of energy security elusive (p. 2166). From this academic literature this study concludes that there's no clear definition of energy security. Winzer (2012) found in his research on the definition of energy security, that the common concept behind all energy security definitions is related to possible threats that could have an impact on the energy supply chain of a country. Energy security according to his definition implies that it would practically mean: securing access to and supply of energy. In other words, in Winzer's line of reasoning the concept energy security actually means energy 'supply' security (p. 37). Other scientists, like Von Hippel *et al.* (2011) and Yergin (2006), share Winzer's supply-based focus on energy security. For instance, Von Hippel *et al.* see energy security as reducing vulnerabilities to foreign threats or pressure, and therefore preventing interruptions of energy supply (2011, p. 6719). Le Coq and Paltseva (2009) define energy security as availability of demanded energy volumes at affordable prices (p. 4475). Intharak *et al.* (2007) define energy security even more specifically as the ability of an economy to guarantee the availability of energy resources supply in a sustainable and timely manner with the energy price being at a level that will not adversely affect the economic performance of the economy (p. 6). Finally there is the best known definition of former Harvard professor and Pulitzer Prize winner Daniel Yergin, who stresses that the objective of energy security is to assure adequate, reliable supplies of energy at reasonable prices and in ways that do not jeopardize major national values and objectives (Yergin in Winzer, 2010, p. 42). However, not every scientist endorses this view. Chester (2009) argues in her article about conceptualizing the term energy security that too much focus is directed towards the supply (p. 887). Additionally Vivoda

(2009) emphasizes that the lack of a common definition of energy security is due to the fact that the contents of the definition of energy security strongly vary by country (p. 4615). This argument is applicable to the supply-based focus within energy security as well. Energy security policy of countries is shaped by their own domestic situations, which differ for each state in the world. For instance, Leung (2011) shows in his article how Chinese history and domestic developments have shaped the energy security of China (Leung, 2011, in Cherp & Jewell, 2011, p. 210). Thus, Chester emphasizes that the concept of energy security is inherently slippery because it holds multiple dimensions and different specificities depending on country, energy source, and timeframe (2010, p. 887).

In spite of these multiple dimensions and different specificities it is necessary for this study to define the concept energy security. Given that for the particular case in this study the social and political aspects will be deepened rather than the economic aspects, I consider Von Hippel *et al.*'s definition of energy security the most useful as a base for this study, because it emphasizes both social and political aspects within energy security. According to Von Hippel *et al.* energy security is: reducing vulnerabilities to foreign threats or pressure, and therefore preventing interruptions of energy supply (2011, p. 6719). However, these political and social vulnerabilities could also have major economic consequences of course. For instance, in China the government subsidizes oil and other fossil fuels in order to control energy prices. Doing so, the Chinese government keeps the consumer energy price low in order to keep its population satisfied (Jiang & Lin, 2014, p. 411). This example shows how social and political as well as economical aspects are important parts of energy security policies. Because of this I chose to add an extra part of Yergin's more economically related and less supply-based definition: ... in ways that do not jeopardize major national values and objectives (Yergin in Winzer, 2010, p. 42). Thus, for the purpose of this study I conceptualize energy security as follows: energy security is reducing vulnerabilities to foreign threats or pressure in order to prevent interruptions of energy supply in ways that do not jeopardize major national values and objectives.

2.2. The measurement of energy security

Not only the definition, but also how to measure energy security is heatedly debated. For example, articles of Cherp and Jewell (2011), and Zhang *et al.* (2013) both provide brief overviews of main academic energy security studies, but they differ and disagree with each other, as they are composed from a different point of view. According to Zhang *et al.*'s article, academic researches about oil supply security of states often measure energy security on the base of import diversification and import dependency of states (2013, p. 87). An example is a study of Cohen *et al.* (2011) that presents

the relationship between the extent of import diversification and the extent of energy security. They conclude that diversification in sources of supply is an important aspect of energy security, that should be taken into account to every research about measuring energy security (p. 4860). Another example is Vivoda (2009), who explored the relationship between the imported oil diversification and energy security of oil-importing countries, and he emphasizes the importance of diversification policies for oil importing countries (p. 4615).

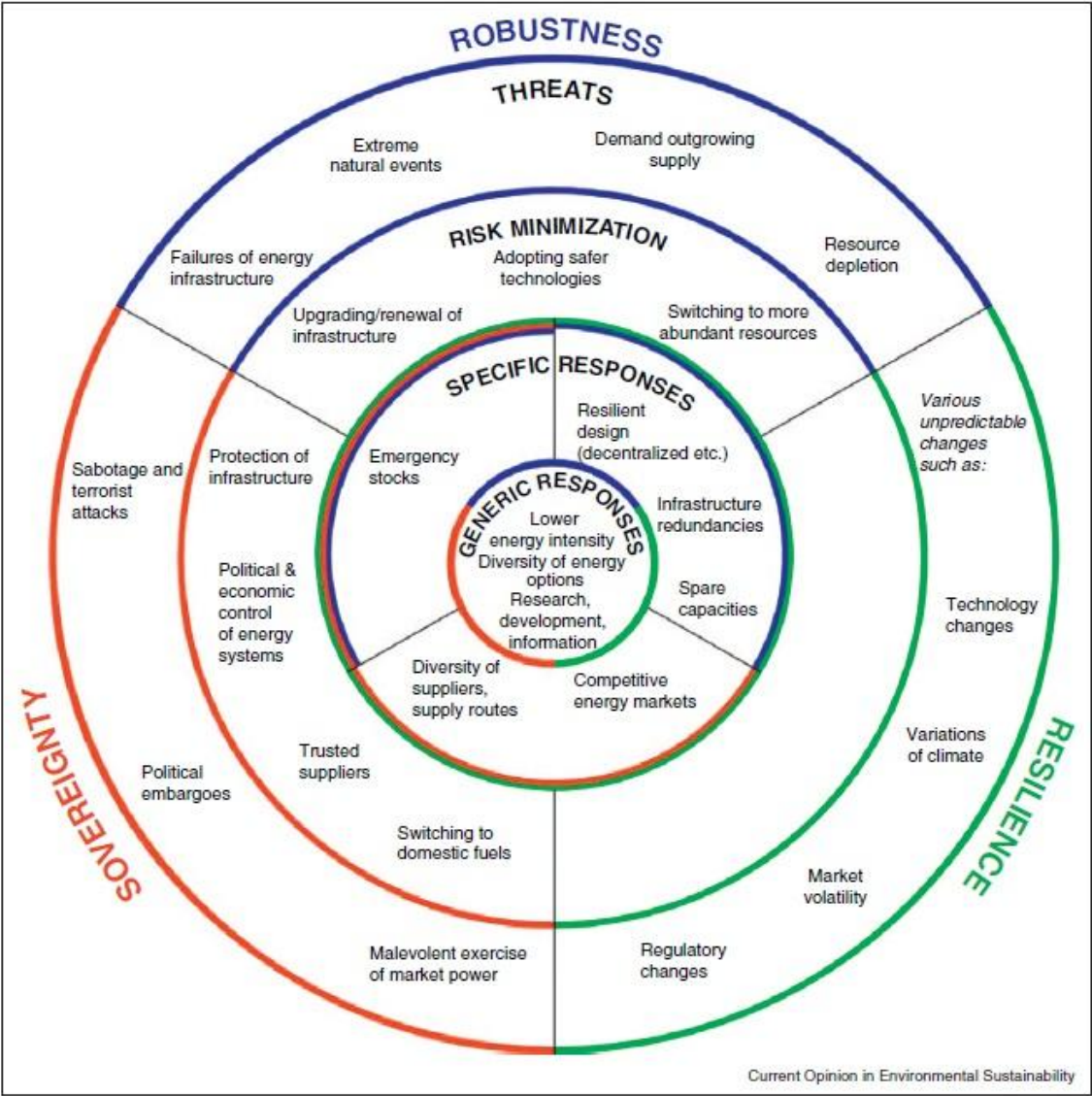
On the other hand, Cherp and Jewell mention main academic studies about measuring energy security that try to classify or quantify energy security (2011, p. 209). Examples of measuring energy security by classification are found in Intharak *et al.*'s study (2007) in which energy security is measured based on the four A's; availability, accessibility, acceptability, and affordability (p. 6). Von Hippel *et al.* (2011) created a system based on six dimensions of energy security; energy supply, economic, technological, environmental, social and cultural, and military security (p. 7619). In response to Von Hippel *et al.*, Sovacool and Mukherjee (2011) proposed five dimensions in their indicator system; availability, affordability, technology development, sustainability and regulation (p. 5343). Cherp and Jewell state that in these studies classifying dimensions and aspects of energy security are brought to fore with in general understandable names appealing to common sense. Although they agree that classifications as such will help to clarify the different aspects of energy security, Cherp and Jewell consider these studies only as a first step on the way to develop a systematic scientific understanding of energy security, because the bases for these classifications are rarely systematically justified. What also has their concern and should be given more thought is that in classifications like this several matters of energy security are placed in one certain group, which does not really contribute to integrated solutions (2011, p. 209).

Furthermore, studies that try to quantify energy security often focus on developing indicators that could calculate the significance of energy security and its risks. Kruyt *et al.* (2009) in their study for example, created formulas to measure political stability, energy price, import dependence and diversity indices that counted as indicators to measure the extent of energy security (pp. 2168-2171). The main criticism on understanding and explaining energy security by quantification is that these compound indices pay little attention to uncertainties and non-quantifiable concerns of a country and lacks context with the real and specific situation of each state (Cherp & Jewell, 2011, p. 209). For instance, every country responds in a different way to a disruption of its energy supply or production, dependent on the specific domestic situation of that country.

In order to overcome this criticism Cherp and Jewell created a diagram with the most widely ranged indicators of energy security; the Energy Security Assessment Framework as shown in figure 2. They argue that there are three distinct perspectives, all having their roots in different scientific disciplines of energy security, which makes energy security an interdisciplinary study. These

perspectives are: the sovereignty perspective rooted in political science, the resilience perspective rooted in economics, and the robustness perspective rooted in natural science and engineering. These three perspectives differ; they focus on different kind of energy security threats and risks and therefore have different response strategies. Cherp and Jewell stress that in order to overcome all the differences in conceptualizing and measuring energy security all of these three perspectives need to get full attention and should be integrated (2011, p. 202).

Figure 2. Three perspectives of energy security according to Cherp and Jewell (2011, p. 207).



Three perspectives on energy security: the three perspectives on energy security have their roots in separate academic disciplines: political science (the sovereignty perspective), natural science and engineering (the robustness perspective) and economics (the resilience perspectives). They differ with respect to their focus on different energy security threats and response strategies. The 'no-regrets' responses situated in the center of the diagram address the concerns of all three perspectives. Graphic design: V. Vinichenko.

Cherp and Jewel's point of view is that there is mainly a lack of attention to non-quantifiable vulnerabilities; I experienced a gap in academic literature mostly concerning the part of sovereignty issues. In all the articles mentioned above there has been paid very little attention to the diplomatic aspects of energy security policies of countries what would be covered by the sovereignty part of the Energy Security Assessment Framework, such as the influence of energy security policy on foreign affairs of states or the extent of bilateral relations between states. In other words, the sovereignty perspective in Cherp and Jewel's Energy Security Assessment Framework is underexposed in most of these scientific studies on energy security, and diplomatic aspects are not thoroughly studied. In many researches import dependency of producer states or certain transport routes are indicators for energy security but dependency on transit states is hardly studied, if not at all; let alone the consequences of using pipelines through transit states. Although the many differences are striking, all these academic studies have in common that contemporary academic literature about energy security does not pay much attention to foreign affairs and bilateral relations of states in relation to their energy security policy. In the next paragraph I will elaborate on the various diplomatic aspects of energy security further.

2.3. Diplomatic aspects of energy security

In contemporary international politics energy politics is an important driving factor in foreign relations between states (Lall, 2006, p. 462). Diplomatic aspects take a serious part of energy politics and have, in addition to energy security a few more concepts that need further explanation for a good understanding of this study; the difference between oil diplomacy and pipeline diplomacy to begin with. Diplomacy is the way a state creates bilateral relations with a certain other state that is of strategic importance, in this case as a part of their energy security policy. Firstly, oil diplomacy is the way state A creates bilateral relations with oil-rich state B in order to get access to B's oil. Secondly, pipeline diplomacy is the way state A creates bilateral relations with state C that accommodates a pipeline that transports energy resources from state B to state A. State A creates these bilateral relations in order to secure its supply through the pipeline. This research is focused on pipeline diplomacy.

2.3.1. Pipeline diplomacy

The naming of pipeline diplomacy derives from the view that pipeline security must be treated as a political issue, and not as a military or economic one, because interruptions of oil supply through pipelines cause political instability (Karagiannis, 2010, p. 60). For the involved governments a difficult part of pipeline diplomacy is to properly draft long-term agreements that are needed to develop and construct an oil pipeline network, because there is always a possibility of unforeseen domestic

changes. Several examples of causing such unforeseen changes are changes in regime, civil war, political and social unrest (Baghat, 2006, p. 972). Therefore some scientists, like Karagiannis (2010), emphasize the importance of assurance that political, social and economic benefits will flow to all parties involved in the pipeline project, such as governments, companies, and local community groups, in order to keep pipelines safe (p. 60). Furthermore, in the Special Report of the National Bureau of Asian Research (NBR) on pipelines Paul Stevens from Chatham House warns for transit conflicts triggered by political or economic disagreements, because the balance of bargaining power between the involved parties changes over time, especially once the pipeline investment has been completed (Stevens, 2010, p. 9).

So, pipeline diplomacy is both applicable as well as relevant in the case study of this thesis, but what is it exactly? Pipeline diplomacy is a relatively new concept within energy politics, what emerged simultaneously with the rise of cross-border and transit pipelines. In the next years more energy resources, such as crude oil and liquefied natural gas, will be transported through pipelines more often. This expected increase in energy resources transport through pipelines is due to several factors; the growing energy demand in Asia, development of new energy suppliers, new energy reserves being discovered and developed further away from markets, and as rail or road transport of oil and natural gas is extremely expensive pipelines are the only viable alternative for transporting significant volumes. There is a difference between domestic pipelines, cross-border pipelines and transit pipelines; domestic pipelines are within a state's territory, cross-border pipelines directly link the producer state of energy with the consumer state, and transit pipelines cross a third state to transport energy from the producer state to the consumer state (Stevens, 2010, pp. 9-10). This study will focus on transit pipelines.

As more transit pipelines will be needed in the future, this aspect of pipeline diplomacy will gain importance (Stevens, 2010, p. 10). This specific type of diplomacy arises in landlocked states that have no access to shipping lines on the high seas and therefore are dependent, either on the import or the export of their amount of energy resources. In both cases these states have to find ways to import or export their energy resources through at least one other country. One of the main solutions is to transport energy resources through pipelines, passing through the territory of one or more so called transit states. As a result pipelines passing through transit states increase dependency of the importing and exporting states, while in the meantime the transit states get more power. From this process of changes in power balance pipeline diplomacy between countries evolve. For instance, the country that imports oil through a transit pipeline depends on smooth cooperation with the transit state; thus building a transit pipeline requires trustworthy agreements and demands strong financial and political commitments. In such a project geopolitical interests clearly play a significant role, for example in the decision what transit states would be suitable and what would be

the best choice of routes for the pipelines. The transit country, on the other hand, will -legally or illegally- have various financial and political benefits, such as the possibility of downloading energy resources from the pipeline for domestic needs, probable increase of foreign investments and jobs, substantial income from transit fees, and political leverage over the flow of energy as explained in the energy scarcity model of Amineh and Houweling (Baghat, 2006, p. 972). In this energy scarcity model Amineh and Houweling (2007) distinguish three kinds of energy scarcities; demand-induced scarcity, supply-induced scarcity, and structural scarcity. The last kind, structural scarcity, explains that leading powers that have access to oil and natural gas stocks, like the United States, the national and international oil companies, OPEC or the transit states are able to create scarcity for selected outsiders on purpose (Amineh & Houweling, 2007, pp. 375-376).

2.3.2. State of current pipeline diplomacy

In contemporary academic literature there are a few articles that mention pipeline diplomacy. However, most of them lack to provide a definition. For instance, in his article titled '*China's pipeline diplomacy*', Karagiannis (2010) uses pipeline diplomacy without giving any definition of the concept. Furthermore, the term pipeline diplomacy is only used in the title of the article and in a section title of a brief overview he gives of China's different energy pipelines, without saying anything about how these pipelines were established. Another example is Bahgat's article (2006) about Europe's energy security. Though the text suggests what Bahgat means with pipeline diplomacy, he does not provide a clear definition of the concept. He takes pipeline diplomacy as a process governments go through when they make considerations about where exactly to build cross-national or transit pipelines. The main question for governments is with which country it would be best to cooperate with, as building a transit or cross-border pipeline always creates a certain level of interdependency and even could cause a shift in the power balance within bilateral relations (pp. 973-974). Likewise Lall's article (2006) about India's pipeline diplomacy towards Myanmar lacks a definition; only through reading the article it becomes clear that she uses the term pipeline diplomacy to indicate the process of coming to governmental agreements between India and other involved countries about the possible construction of cross-border or transit pipelines (p. 482). In addition, there is an article of Stulberg (2012) and a report of the Centre for Rising Powers (CRP) from the University of Cambridge (2012) that both use the term pipeline politics instead of pipeline diplomacy. In line with the academic studies on pipeline diplomacy the CRP report lacks a clear definition. Stulberg in his article conceptualizes pipeline politics as a strategic bargaining problem; involved parties face commitment problems in forging and maintaining mutually beneficial transit agreements (2012, p. 809).

These just mentioned academic articles on pipeline diplomacy and pipeline politics have two things in common. Firstly, they do not provide a clear definition of the concept they use, except for

one. Secondly, it seems they consider pipeline diplomacy and pipeline politics as a process that takes places on governmental level, from government to government. The more multi-layered the made agreements for bilateral relations are, the more the involved states will become interdependent and it looks like this interdependency is a kind of guarantee that states will not violate their agreements. This could explain why researchers in these articles look into multi-level bilateral relations between countries in order to measure the extent of pipeline diplomacy or pipeline politics. For instance, Lall measures the level of pipeline diplomacy by examining the history of any kind of bilateral relation between both states, such as bilateral trade agreements and infrastructure developments, mutual high-level visits, joint military operations, and cooperation on fighting drugs smuggling and other kinds of illegal trafficking (Lall, 2006, pp. 435-436).

However, the way pipeline diplomacy is treated in these studies misses an important aspect: the mutual governmental agreements on economical, strategic, political and security level don't pay attention to local society. This study argues that the bilateral relation agreements pipeline diplomacy consists of can only fully operate if agreements made on governmental level would include local society. If a government of the importing state would be more concerned about the consequences of pipelines for local societies, civil societies and local government, the so-called bargaining problem between states would certainly decrease. By not including the needs of local society, not investing in local society, governments underestimate the power of local society and overlook the consequences.

2.4. Conclusion

From this chapter I conclude that there is a gap in academic literature in terms of diplomatic aspects; diplomatic aspects are not thoroughly studied and there is very little attention for these aspects in relation to energy security policies of countries. Furthermore, if diplomatic aspects like pipeline diplomacy are discussed in academic articles, there is an absence of a clear definition. It seems that pipeline diplomacy indicates the talks, agreements and bargaining between governments over the construction of cross-border or transit pipelines and existing multi-level bilateral relations determine the extent of pipeline diplomacy. This study argues that by not including the needs of local society, not investing in local society, governments underestimate the power of local society and overlook the consequences.

In the next chapters this point of view is illustrated with a case study: the Myanmar-China crude oil pipeline project. This crude oil pipeline is seen as one of China's newest strategies of its energy security policy. In the next chapter all China's energy security policies are discussed.

3. China's energy security

Until the establishment of Communist People's Republic of China in 1949, the 'Red Nation' only had been a tiny player in the economic world market, because of its isolated economy. Today however, China's economy develops at breakneck speed and changes the world even quicker and at larger scale than people ever imagined (Economy & Levi, 2014, pp. 5-6). Currently this state is the runner up oil consumer of the world behind the United States, while China is already the largest energy consumer of the world. To indicate, China produced 4.5 million barrels per day, ranking globally as fourth. Additionally China imported another 5.6 barrels per day in 2013 (EIA, 2014a). At the end of March 2014, China became the largest net oil importer in the world (EIA, 2014b). Indeed, it is expected that China's crude oil imports will rise to around 9.2 mbpd in 2020 (Wood Mackenzie, 2013). No need to say that oil plays a very important role in Chinese society. This chapter will look into China's energy security policies; how China tries to reduce the vulnerabilities in its quest for oil. It outlines a brief overview of China's history of oil and energy security policy. Also it describes the main policies of Chinese energy security today, with a special focus on the Malacca dilemma.

3.1. History of oil in China

Already in the 1950s Mao Zedong highlighted that oil is necessary for Chinese development: "Those that fly in the sky and those that run on the earth cannot work without oil" (Leung, Cherp, Jewell, & Wei, 2014, p. 318). Between the 1950s and 1960s China largely depended on oil imports from the Soviet Union; for political reasons however the Soviet Union ceased its oil exports to China in the early 1960s. The situation got worse during the Cold War when the Western states put China under an oil embargo (Leung, Cherp, Jewell, & Wei, 2014, p. 318; Leung, 2011, pp. 1332-1333). At this time China's domestic oil production was still marginal. This sudden lack of oil disrupted daily life in China completely; it hindered logistics and transports, it caused electricity shortfalls, and blocked military trainings (Leung, 2011, pp. 1332-1333).

With its history of disrupting oil imports still in the back of their minds, Chinese leaders in the 90s strived for the maintenance of oil self-sufficiency and even issued oil import bans in 1994 and 1998. They tried to increase domestic oil production, but soon they realized oil imports would be absolutely necessary to measure up with China's rapidly growing economy. At this point the government of China under President Deng Xiaoping decided to promote energy security instead of oil self-sufficiency (Leung, Cherp, Jewell, & Wei, 2014, p. 319; Leung, 2011, pp. 1332-1333). This is one of the reasons that President Deng Xiaoping is seen as the architect of China's economic reforms, and at that time he famously advocated "no matter whether it is a white or black cat, as long as it

can catch a mouse, it is a good cat ... there is no need to ask whether [our reform] is under the name of socialism or capitalism” (Wu, 2010, p. 625). In all likelihood this would never have happened under the former Chinese regimes that avoided imports to be self-sufficient. President Deng Xiaoping however, prioritized domestic economic development ahead of their independency. Hence, China became a net oil importer in 1993 (Leung, Cherp, Jewell, & Wei, 2014, p. 318; Mayer & Wübbecke, 2013, pp. 273-274; Leung, 2011, p. 1330; Vivoda, 2009, p. 4619; Yergin, 2006).

Between 1994 and 1998 the government of China decided to nationalize the domestic oil reserves and its production and established two vertically integrated national oil companies (NOCs); China Petrochemical Corporation (Sinopec) and China National Petroleum Corporation (CNPC).⁹ For the first time in China’s history energy security became a central theme in its 10th Five-Year Plan (FYP) for 2001 till 2005, from which the golden opportunity for the Chinese NOCs emerged to go invest overseas. As Leung (2011) in his article explains: “Chinese NOCs, hoisting the banner of ‘protecting Chinese energy security’, successfully persuaded Beijing to actively support their global investment through energy diplomacy (p. 1335).” Along with this, Chinese oil diplomacy emerged. Chinese oil diplomacy is seen as a component of China’s ‘going out’-strategy in order to secure energy sources overseas.¹⁰ This oil diplomacy consisted of bilateral agreements between the Chinese government and governments of oil producing states, with hopes of Chinese NOCs to gain access to overseas oil (Leung, 2011, p. 1335). The 10th FYP set some main goals and energy security policies that are explained in the next section about China’s energy security policies.

3.2. The role of oil in China

The Chinese government is clearly in need of having major oil supplies; moreover they consider crude oil as a meaningful political and strategic commodity. For instance, crude oil supplies are a necessity for a well-functioning Chinese military and economy. Except for oil China has also other fossil fuels –it has an abundance of coal and an increasing share of natural gas in its energy mix- but these commodities are not of any political or strategic weight like crude oil is. Chinese leaders regard oil as the most important component of their energy security; the other fossil fuels never put much pressure on China’s energy security policies, where in contrast crude oil has created domestic insecurity more than once. Therefore Chinese leaders consider crude oil as the foundation of their governmental power, and they build their policies, major strategies and core values on crude oil (Leung, 2011, pp. 1330-1332). As long as the Communist Party of China looks after economic development, improvement of living standards and territorial integrity, the Chinese population will

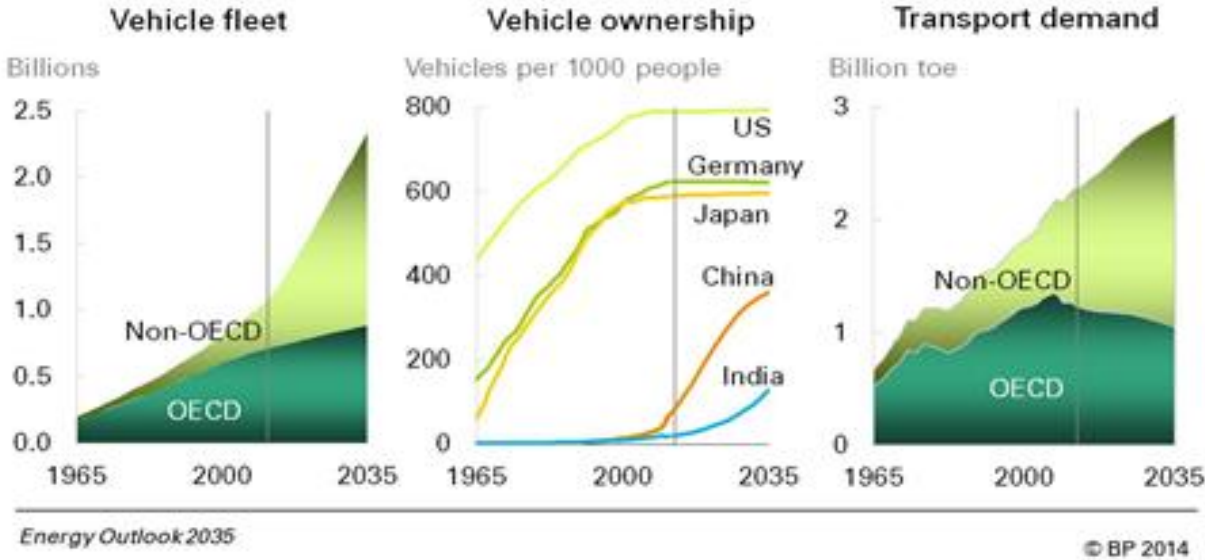
⁹ Over the years CNPC created its owned subsidiary called PetroChina, and other NOCs such as CNOOC have emerged.

¹⁰ See Bo Kong (2010a) and Wolfe & Tessman (2012).

not challenge their leaders in return. This can be seen as an unwritten agreement between the Chinese government and its people. A lack of oil would change this domestic situation; it could instantly lead to economic decline and social unrest (Breslin, 2007, p. 44).

It's therefore no surprise that the Chinese demand for crude oil is huge and rising continuously. According to researchers Economy and Levi (2014) nowadays China is a significant player in the world oil markets, also due to its emerging oil industry and rapidly growing economy, which brought domestic benefits such as a general rise in personal incomes (pp. 5-6). When in 2001 China entered the World Trade Organization (WTO), it had to comply with some free market based regulations. These regulations led to a price war among Chinese automobile manufactures, what in turn, resulted in an explosive growth of China's automobile industry (Panitch & Gindin, 2013, p. 148) (Leung, Li, & Low, 2013, p. 486). In combination with the already mentioned rise in the living standards of Chinese people vehicles became more desirable, as well as affordable (Leung, 2011, pp. 1332-1333). As shown in figure 3, in comparison with the United States, Germany and Japan the rise of vehicle ownership in China is striking. Additionally, OPEC predicts is that passenger car ownership in China will increase 9 per cent per year from 2007 till 2030, while globally this will be 2.5 per cent (Leung, Li, & Low, 2013, p. 486). This means that by 2035, the global number of cars on the road will double from 1 to 2 billion cars (Six, 2014).

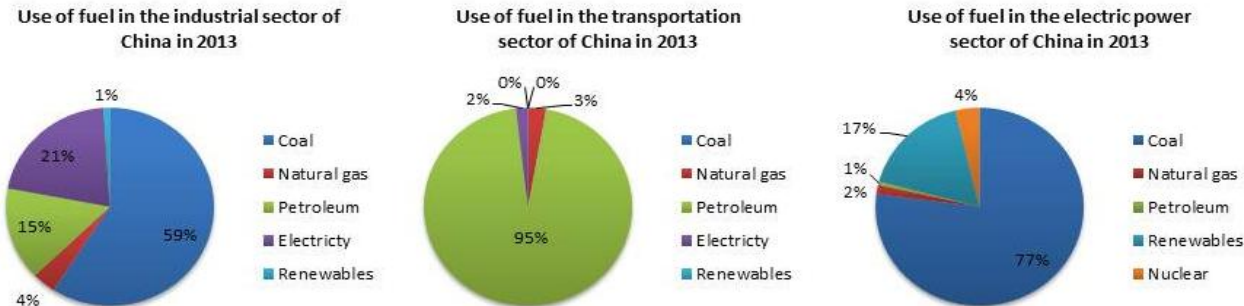
Figure 3. Chinese demand for vehicles continue to increase (BP, 2014).



The prediction is that in non-OECD countries, of which China is one, the demand in the transport sector will only continue to rise over the next years. And it is precisely that particular transport sector that for 95 per cent relies on crude oil, as shown in figure 4. The transport sector started to grow expansively due to several developments. Firstly, the already mentioned general rise of living standards resulting in a sharp increase of vehicle ownerships. Secondly, rail transport abandoned coal and became dieselized. Thirdly, there is a major proliferation of road transport going on in China, resulting in a fast and huge expansion of roadway networks. Finally, as another result of the increasing living standards the demand for domestic air transport also takes quite far already (Leung, 2011, pp. 1332-1333).

In other sectors the importance of crude oil is less. Though the industrial sector is the largest Chinese energy consumer -China is known as the World Factory and is increasingly designated on more energy intensive heavy industry- this sector does not extremely rely on crude oil, as shown in figure 4. The same counts for China’s electric power sector. China used to use crude oil to generate electricity, but nowadays electric power generation in China mainly relies on coal, as also shown in figure 4 (Leung, Li, & Low, 2013, pp. 485-487).

Figure 4. Energy sources used in Chinese sectors in 2013 (EIA, n.d.).



Source: U.S. Energy Information Administration, International Energy Outlook, 2013.

3.3. China's energy security policy

Since 9/11 the Chinese government is increasingly worried about China's energy security and it plotted some important strategies within China's energy security policy (Leung, 2011, p. 1335). Most of these strategies aim to decrease China's growing dependency on crude oil imports, both on the demand-side and the supply-side (Zhang, 2011, p. 7613; Leung, 2011, p. 1335). According to recent research of Wood Mackenzie it is expected that China's crude oil imports will rise from 5.6 mbpd in 2013 to around 9.2 mbpd in 2020 (Wood Mackenzie, 2013). This growing amount of oil imports means that Chinese dependency on crude oil imports increases as well. At the beginning of the 21st century 32 per cent of China's total oil demand was imported. In 2013 this was already 57 per cent of China's total oil demand (Xinhua, 2013). In the 12th FYP for 2011-2015, China's government targeted its future dependency on oil imports at 61 per cent of its total oil demand in 2015. The EIA and Wood Mackenzie expect that China's import dependency will increase to between 66 and 70 per cent in 2020 (EIA, 2014a; Wood Mackenzie, 2013). Within China's energy security policy the first strategy applies to the demand-side and is described in the next section. The most of the academic studies on Chinese energy security policy however, focus on the strategies concerning the supply-side and those are described in the paragraphs following the next section (Six, 2014).¹¹

3.3.1. Decrease of crude oil import dependency on demand-side

China makes efforts to reduce its domestic oil demand, in order to alleviate its reliance on foreign energy imports; it sets targets to make its use of energy more efficient and strives for less carbon emissions (Zhang, 2011, p. 7613). Furthermore China promotes scientific development with the aim of developing new technologies to use energy more efficiently and more environmental-friendly. Other measures the Chinese government takes concern strengthening environmental protection, developing public transportation and tightening regulations over the auto industry as much as possible (Shaofeng, 2010, p. 10). In 2011, the government released a desired license plate for one out of ten applications, whereas in the beginning of this year one out of hundred fifty applications got a license plate; which means a decrease of 40 per cent (De Vries, 2014).

3.3.2. Strategic petroleum reserves

In its 10th FYP of 2000 till 2005, China decided to build its own crude oil storage named strategic petroleum reserves (SPR). The goal of these reserves was to shield itself with a short-term solution, in case of potential oil supply disruption. The leaders of China agreed to create these SPR with a capacity of at least 500 million barrels by 2020, in three phases spread over 15 years. In 2009, the first phase was completed. In this phase a total storage capacity of 103 million barrels has been established, spread over different storage capacities in four Chinese provinces. The completion of the

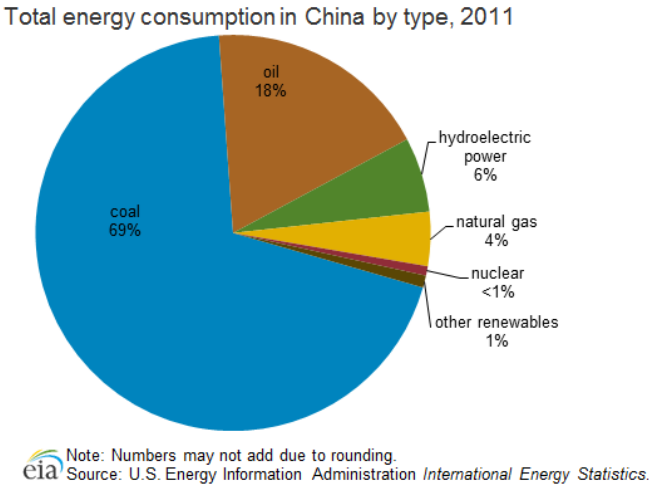
¹¹ Zhang (2011) and Shaofeng (2010) are both an exception.

second phase is expected in 2015, consisting of an additional amount of 169 million barrels, kept in eight different storages. The current total storage capacity for the SPR is already 160 million barrels of crude oil. When the third phase is also completed by 2020, China will hold a storage covering at least 90 days of net crude oil imports (EIA, 2014a; Zhang, 2011, p. 7614).

3.3.3. Diversification of energy mix

In order to lessen its dependency on oil China also made efforts to diversify its energy sources. Of China’s total energy consumption, crude oil is the second largest energy source. As shown in figure 5, in 2011 oil accounted for 18 per cent of China’s total energy consumption. In the same year coal was still the main source of energy, accounting for 69 per cent. China still is world’s biggest coal producer and consumer and it has major domestic coal reserves. According to the EIA, the share of coal in China’s total energy consumption will decrease to 63 per cent by 2020, and further to 55 per cent by 2040, due to the Chinese policy to reduce carbon emissions and to increase energy efficiency. China also invests heavily in diversifying further with renewable energy and exploring the possibilities of shale gas in an effort to reduce dependency on coal and oil. One of the other current aims of the Chinese government is to raise non-fossil fuels energy consumption, such as solar and wind energy, to 15 per cent of the total energy mix by 2020 (EIA, 2014a).

Figure 5. Total energy consumption in China by type in 2011 (EIA, 2014a).



3.3.4. Oil diplomacy to support Chinese national oil companies

Today, Chinese NOCs are in charge of oil investments and trade of oil on behalf of the Chinese government (EIA, 2014a; Polinares, 2012a, p. 12). While in the meantime, China’s government supports global investments of its NOCs using oil diplomacy. Kong states in his book that this synchronization between diplomacy and the pursuit of international oil interests has become one of the most salient features of China’s foreign policy. This implies that active oil diplomacy by Chinese

leaders goes hand in hand with the coming and goings of Chinese NOCs (Kong, 2010a, p. 116). For example, Chinese NOCs gained access to overseas oil in exchange of offering cheap loans or infrastructure projects to the oil producing countries (Polinares, 2012a, p. 12). In addition, Chinese NOCs secured bilateral oil-for-loan deals with several states, amongst others Russia, Angola, Kazakhstan, Brazil, Venezuela and Ecuador, by the end of 2012 accounting for an estimated 108 billion USD (EIA, 2014a).¹²

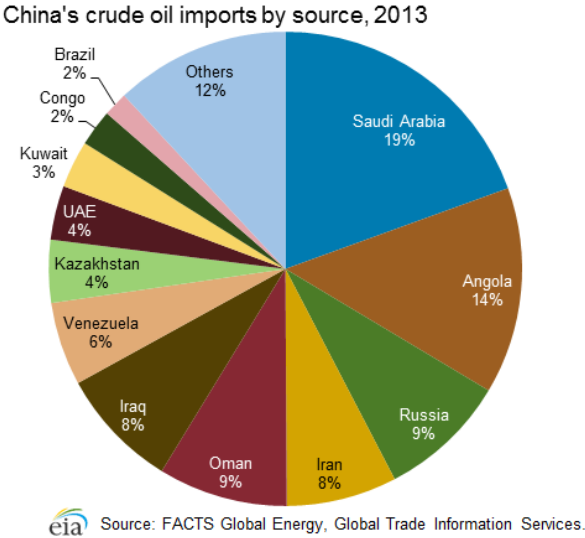
Like already stated before, according to the Chinese government oil supplies are of national strategic concern. This means that like all Chinese policies also oil diplomacy is shaped in the line of China's Five Principles of Peaceful Coexistence. This for instance implies that when international oil companies refuse to invest in Sudan or Myanmar because of human rights violations and in Iran due to suspicions about its nuclear program, China will still continue to make bilateral agreements with these internationally isolated states (Economy & Levi, 2014, p. 49). China's high valued 'non-interference in each other's internal affairs'-principle allows the Chinese government to collaborate with internationally isolated states such as Iran and Myanmar at any time (Polinares, 2012a, p. 12).

3.3.5. Diversifying oil suppliers

Due to this oil diplomacy China has strengthened its ties with oil producer states, has secured its access to overseas oil and has made agreements on bilateral oil-for-loan deals (Kong, 2010a, p. 116). As a result for China these strategies have yielded a wide range of diversified oil suppliers, as shown in figure 6. Saudi Arabia and Angola are the two largest oil suppliers, accounting together for 33 per cent of China's total crude oil imports. So, in terms of diversified oil suppliers China did a good job for its crude oil imports. In spite of this however, the transportation routes of imported crude oil are not diversified at all. In 2013, 52 per cent of China's total oil imports were transported from the Middle East, accounting for 2.9 mbpd, followed by 23 per cent of China's total oil imports transported from African countries, which accounts for 1.3 mbpd. The third region from where 10 per cent of the crude oil is transported is the Americas, accounting for 562.000 bpd (EIA, 2014a).

¹² For more information about bilateral oil-for-loan deals see Economy & Levi (2014).

Figure 6. China's crude oil imports by source in 2013 (EIA, 2014a).



3.4. The Malacca dilemma

In order to transport its oil from all over the world, vessels are very important for China. Altogether around 75 per cent of China's total oil imports are transported from the Middle East and Africa. All of these crude oil imports have to be transported by vessels, navigating through some major high sea-lanes including a potential maritime chokepoint. The main transportation route from the Middle East runs from the Persian Gulf through the Strait of Hormuz to the Arabian Sea and the Indian Sea, through the Strait of Malacca, where it finally crosses the South China Sea. Oil transportation routes by vessels from West African states such as Angola and Congo, as well as from Latin American states such as Venezuela and Brazil sail around the Cape of Good Hope into the Indian Ocean, through the Strait of Malacca finally crossing the South China Sea as well.

Already for a long time Chinese leaders consider the Strait of Malacca as a nasty chokepoint (Leung, 2011, p. 1333).¹³ This Strait of Malacca is a channel between the coasts of Malaysia, Singapore, and Indonesia; it is the shortest sea transport route from oil suppliers in the Middle East and Africa to Asian markets, but it is quite vulnerable. At the narrowest point the Strait of Malacca is less than 1,7 miles wide and because of this highly vulnerable to piracy and hijacking attacks, terrorism attacks, oil spills from accidents, and blockades. If the Strait of Malacca would be blocked for one reason or another, it would mean that almost half of world's oil fleet would have to reroute (EIA, 2012).

¹³ Maritime chokepoints or bottlenecks are defined by the EIA as narrow channels along widely used international sea trade-routes. Hence, these maritime transit chokepoints are causing real international issues since the international energy market is very dependent upon reliable transport (EIA, 2012).

This dependence on the Strait of Malacca to import crude oil gives Chinese policymakers major headaches (Mirski, 2013, p. 389). Approximately 80 per cent of China's total oil imports have to pass the Strait of Malacca in oil vessels (EIA, 2014a). In 2003, in a speech to senior party members at an economic work conference the Chinese President Hu Jintao highlighted this strategic vulnerability as the 'Malacca Dilemma' (Sarma & Reindert, 2013). Any unexpected event in this strait will disrupt China's oil imports and would have huge consequences for the Chinese economy and the social stability (Zhang, 2011, p. 7613; Shaofeng, 2010, p. 7). Academic literature often mentions a potential blockade by the navy of the United States in response to a conflict over Taiwan or the South China Sea as examples, as well as pirate attacks.¹⁴ Although the likelihood that such disruptions in China's crude oil imports will happen is questionable,^{15,16} already the thought of the possibility makes China's leaders very nervous (Larson, 2014).

3.4.1. Pipelines as a solution to the Malacca dilemma

In 2009 the Chinese government brought up a possible solution to this Malacca dilemma: constructing cross-border pipelines to deliver oil from neighboring oil producers Russia and Kazakhstan and additionally building a transit pipeline through Myanmar to circumvent the Strait of Malacca (Erickson & Collins, 2010, p. 90). In 2011, the Kazakhstan-China pipeline became the first cross-border crude oil pipeline of China. This entire pipeline project was accomplished by the China-Kazakh Pipeline Company; which is a joint venture between KazMunaiGas (KMG) and CNPC. The pipeline spans around 1384 miles and runs from Atyrau port in Northwestern Kazakhstan to the Chinese border city of Alashankou in the province of Xinjiang. At the opening this pipeline had the capacity of 240.000 barrels per day, now in 2014 the capacity will be nearly doubled to 400.000 bpd, of which 140.000 bpd come from Russia. Currently there are plans to build a parallel second crude oil pipeline in order to increase Chinese crude oil imports from Kazakhstan, whether this will be established is still to be seen. In 2009 Russia and China signed a 20-years supply contract in which they agreed that between 2011 and 2030 Russia will annually provide 300.000 bpd of crude oil, running through a spur of the East Siberia Pacific Ocean pipeline (ESPO), between Skovorodino in

¹⁴ For example, Sarma & Reindert (2013), Leung (2011) Zhang (2011), Shaofeng (2010).

¹⁵ Piracy attacks in the Strait of Malacca went from thirty-eight in 2004 to twelve in 2005 after a series of devastating tsunamis in December 2004. This is more than 60 per cent reduction. The tsunamis particularly hit the northern area Aceh on Sumatra where many pirates were believed to be based. Some coastal villages in Aceh lost more than 70 per cent of their inhabitants (Raymond, 2009, p. 37).

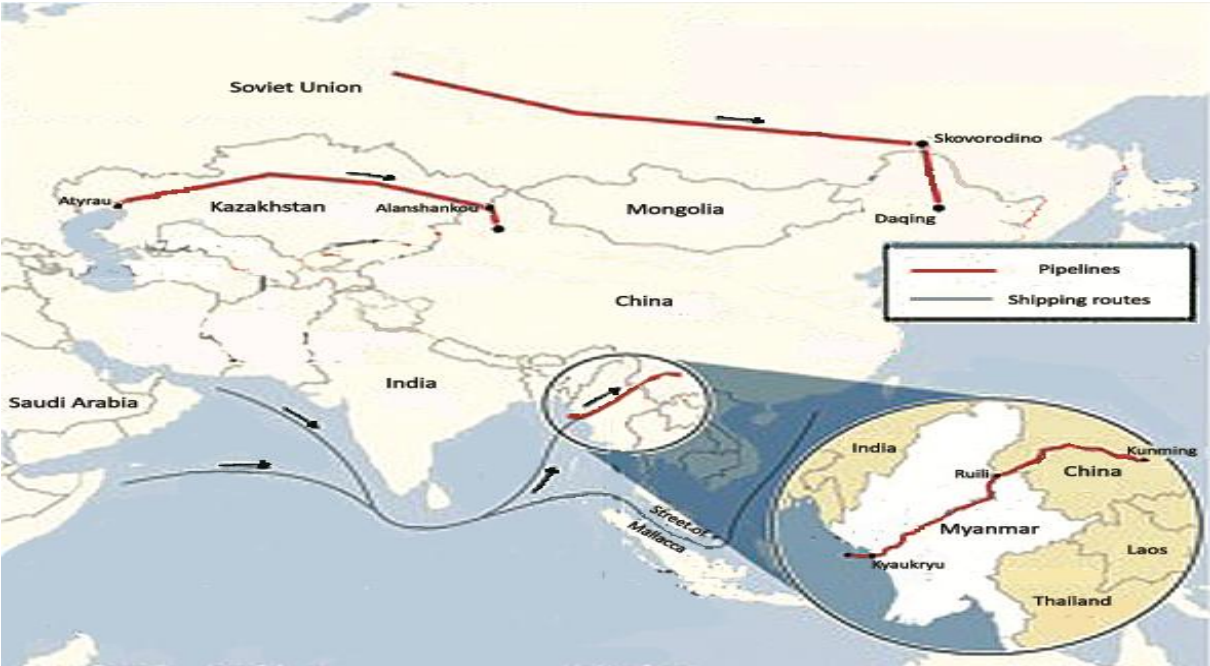
¹⁶ The United States navy already dominates in the Asia-Pacific region since World War II, with the aim to assure the current status quo and stability in the region. In the meantime China modernized its military resulting in a shift of the military balance in this region; the dominance of the United States is decreasing, while China strengthens its naval power partly in order to secure its trade routes. This means that to create a successful blockade the United States would highly depend on the support of at least Russia, Japan or India. Today, this seems unlikely especially in the case of Russia. Also, a blockade would wreak enormous economic damage on both sides due to economic interdependency. Hence the United States will only set a blockade in the Strait of Malacca when there is a protracted Sino-American conflict of vital importance. Thus, the possibility of a blockade affects both Chinese and American policies, even though such a blockade will probably never be executed (Mirski, 2013, pp. 386-389).

Russia and Daqing in Northeast China (EIA, 2014a). This long-term agreement between Rosneft and CNPC has already been stretched to 340.000 bpd in 2013, and Russia will increase its supply to 400.000 bpd in 2015. The final aim is to transport 600.000 bpd of Russian crude oil through the spur to Daqing by 2018 (Reuters AP, 2014). This ESPO pipeline –which is 2920 miles long and runs over Russia’s territory- has cost around 25 billion USD, of which the main part is paid by CNPC in exchange for long-term agreements on crude oil supplies (BBC News, 2011).

So, now China has two operational cross-border crude oil pipelines with Kazakhstan and Russia, and the Myanmar-China transit crude oil pipeline is under construction (Leung, 2011, p. 1333). The main aim of the Myanmar-China crude oil pipeline project is said to create an alternative transport route for crude oil imports that bypasses the Strait of Malacca. China calls this pipeline its ‘fourth energy source’ besides its two cross-border pipelines and sea route through the Strait of Malacca (Vermeer, 2014). In 2008, CNPC -supported by the Chinese government- and Myanmar Oil and Gas Enterprise (MOGE) -supported by Myanmar’s military junta- signed an agreement concerning the Myanmar-China pipeline project. The project consists of two parts: a twin natural gas and a crude oil pipeline. A year after signing the agreement the construction of the Myanmar section began. MOGE and CNCP created two joint venture companies to develop this project: the Southeast Asia Oil Pipeline Co Ltd and the Southeast Asia Gas Pipeline Co. The controlling party of the whole joint venture is CNPC Southeast Asia Co, who is also in charge of the design, construction, operation, expansion and maintenance of both pipelines (Pipelines International, 2011). The completion of the crude oil pipeline missed its first targeted deadline of December 31th 2013, and also its second of June 2014 (Larson, 2014). Every minute this newest transit crude oil pipeline of China can be brought into service.¹⁷ This crude oil pipeline runs from Kyaukpyu port on the West coast of Myanmar and enters China at Ruili, a border city of the Yunnan-province, as shown in figure 7. From this city it continues to Kunming, the capital city of the Yunnan-province.

¹⁷ At the moment of submitting this thesis the Myanmar-China crude oil pipeline is not brought into service yet.

Figure 7. China’s transit and cross-border crude oil pipelines.



The total length of this crude oil pipeline is approximately 1493 miles; it will traverse 479 miles in Myanmar and 1014 miles in Chinese territory (Kong, 2010b, p. 57). The crude oil pipeline will have a maximum capacity of 440,000 bpd, of which 200,000 bpd will be transported to the Yunnan-Anning refinery that is a joint venture of CNPC, the NOC of Saudi Arabia Saudi Aramco and a local company. The plan is that this refinery is going to process crude oil from Saudi Arabia and Kuwait (EIA, 2014a).¹⁸ The crude oil that will be transported through the pipeline will be brought in from the Middle East by oil vessels. It will be transported to the huge oil import port at Kyaukpyu, where the input point of the Myanmar-China crude oil pipeline is located (Smith C. , 2013). When this crude oil pipeline will be brought into full capacity it will transport around 15 per cent of the total Chinese oil imports from the Middle East.¹⁹

3.5. Conclusion

Crude oil plays an important role in China’s society since long, and predictions are that its role will only grow. In order to create sustainable supplies of crude oil, China has developed its energy security policy including demand-side and supply-side strategies. One of bottle-necks Chinese leaders

¹⁸ Presumably the refinery will be completed in 2016, however at the moment the construction of this refinery is suspended due to overcapacity of refineries in China. However, Saudi Aramco believes that because of China’s growing demand for crude oil this refinery will be brought into service within three years (Vermeer, 2014).

¹⁹ In the meantime, CNPC’s owned subsidiary PetroChina has planned to build three oil product pipelines to deliver oil products from the Yunnan-Anning refinery to northeastern, northwestern and southern parts of the Yunnan province. These three projects consist of the Anning–Kunming–Qujing Pipeline, the Anning–Chuxiong–Dali–Baoshan Pipeline and the Anning–Yuxi–Mengzi–Wenshan Pipeline (Pipelines International, 2011).

and policy-makers have to deal with is China's huge amount of oil imports that have to pass the Strait of Malacca, which is a maritime chokepoint. China hopes to solve this problem by investing in cross-border pipelines with neighboring states Russia and Kazakhstan, and one other transit pipeline running through Myanmar, circumventing the Strait of Malacca. Chinese leaders strongly believe that these new overland crude oil pipelines will diminish their reliance on the Strait of Malacca (Leung, 2011, p. 1333). According to Erickson and Collins, however it is not likely that these pipelines will increase Chinese oil import security in quantitative terms, because the additional volumes they bring in will be overshadowed by China's increasing demand for crude oil. In other words, China's net reliance on oil imports over sea will continue to grow as well, nevertheless these new crude oil pipelines. Furthermore, there are other issues regarding the Myanmar-China crude oil pipeline. It is not a real overland supply alternative, because the crude oil first has to be transported by oil vessels over high sea lanes from suppliers in the Middle East to Myanmar (2010, p. 91). China probably has also a hidden agenda and wants to keep control over Myanmar and use it as a strategic buffer zone (Kong, 2010b, p. 58; Van der Putten, 2014). This is not without consequences as is discussed in the next chapter.

4. China's pipeline diplomacy towards Myanmar in relation to the Myanmar-China crude oil pipeline project.

For decades China has called Myanmar one of its 'few loyal friends', due to their long history of strong bilateral relations (Sun, 2012a, p. 73). It is thus not so strange that China decided to build a transit pipeline in the territory of its ally Myanmar, instead of in other potential countries like Thailand or Pakistan (Karagiannis, 2010, pp. 59-60). Since 2010, however, several events have occurred that might jeopardize a secure proper functioning of the Myanmar-China crude oil pipeline in the long term. This chapter discusses the challenges Chinese pipeline diplomacy meets with the Myanmar-China crude oil pipeline on Myanmar's soil: the democratic reforms of President Thein Sein after the elections in 2010, the protracted ethnic²⁰ conflicts in areas of the pipeline route, and the empowerment of the local communities due to the democratic reforms. This chapter looks into to what extent China alters its pipeline diplomacy or not in order to appropriately respond to these challenges.²¹

4.1. History of the relation between China and Myanmar

China and Myanmar have a longstanding economic relationship for decades. From 1988 onwards, also their mutual beneficial political relationship strengthened rapidly. In that year the military junta took power in Myanmar, and when Western countries imposed punitive sanctions on the military junta because of this power grab and the violations of human rights, China stepped in and helped Myanmar to overcome its import vacuum (Lee, 2013, p. 5). In China President Deng Xiaoping just had introduced economic reforms and 'go-global'-policies. These policies encouraged Chinese companies to invest overseas to improve their competitiveness, which led to a substantial increase of Chinese investments in Myanmar. In the early 90s, cross-border trade between China and Myanmar opened up, resulting in consumer goods such as bicycles, cheap textiles and sewing machines, medicines and crude oil flooding into Myanmar (Hilton, 2013, p. 1). After 1988 Myanmar changed its policy towards China from strategic neutrality to strategic alignment, leading to mutually gaining economic and diplomatic profits. This mutual relationship is often described as a *Paukphaw* –like an elder and a younger brother- relation, though this bilateral relation is less uneven and asymmetrical as this term suggests as both countries benefitted strongly, strategically as well as economically (Yi, 2013, p. 3).

²⁰ This study understands the term 'ethnic' in conformity with the definition of Hutchinson (1996, p. 6), who describes an ethnic group as a certain group of people with a common descent who share historical memories, elements of a common culture, a shared link with the homeland and a sense of solidarity.

²¹ Although China is not a landlocked state, Myanmar is nevertheless used by China as a transit state. This is because Myanmar offers China access to the Indian Ocean, and a trading outlet for the Chinese landlocked provinces Yunnan and Sichuan. Therefore the concept of pipeline diplomacy is applicable in this case study as well.

From a Chinese perspective, Myanmar is an important strategic buffer zone (Kong, 2010b, p. 58; Van der Putten, 2014), because China sees the world as a dichotomy: China's neighboring countries and the rest of the world. For China its neighboring countries are far more important than the rest of the world (Van der Putten, 2014). Myanmar offers China access to the Indian Ocean for military purposes as well as a trading outlet for the Chinese landlocked provinces Yunnan and Sichuan. Myanmar also helps to protect Chinese imports that can partly avoid the Strait of Malacca. Moreover China needs Myanmar for maintaining security and stability in the border areas, for economic cooperation, and for coping with India's rise. Lastly Myanmar is important for China to fulfill its need for natural resources and to enhance its energy security. Obviously, maintaining brotherly relations with Myanmar is very important for China (Hilton, 2013, p. 1; Yi, 2013, p. 3; Li & Lye, 2009, pp. 258-261). On the other hand, during the time that Myanmar was imposed under extensive sanctions of Western countries, China supported the military junta of Myanmar nevertheless. Since 2010, China is Myanmar's most important trading partner and one of its most important foreign investors (Hilton, 2013, p. 1).

Before 2010, Thailand and Singapore were the largest investors in Myanmar, instead of China, but in this year Chinese investments were boosted by three major Chinese energy projects: the Letpadaung copper mine project, the Myitsone dam project, and the China-Myanmar oil and gas pipelines project.²² These three projects stand out in relation to other Chinese investments in Myanmar, due to their immense size, high costs and strategic importance for China. The agreements between China and Myanmar about all three projects were finalized between December 2009 and June 2010, just before the elections in Myanmar of 2010. First of all it was remarkable that these energy projects collectively were valued at a cost of eight billion USD. Secondly, that China consciously pushed to ink these agreements before the governmental elections to maximize its holding of natural resources in Myanmar; China was already concerned about possible changing policy directions of the next Myanmar government (Sun, 2013b, p. 5).

4.2. How the reforms of Thein Sein challenge Chinese pipeline diplomacy

In November 2010 elections in Myanmar were held, but expectations of both the international as the domestic community were low; the opposition party National League for Democracy (NLD) of Aung San Suu Kyi was absent and the present multiple ethnic political parties in the parliament were too small to challenge the party of the ruling military regime at that moment (Clapp, 2014, p. 19). The elections were neither free nor fair thus it was quite unexpected that during his first day in office the new 'elected' President and former general Thein Sein announced a transition into a semi-civilian

²² See Appendix II for a map with the locations of these three major Chinese energy projects in Myanmar.

administration including political and economic reforms.²³ China was not only surprised but it also felt humbled by its close friend. Despite China's earlier advice to focus on economic development first to build legitimacy, President Thein Sein chose the direct opposition: he started with political democratization.²⁴ Myanmar's relative stable and peaceful transition created an additional pressure for Chinese leaders. For a long time Chinese leaders delayed the promised political reforms in China because of their fear for chaos and instability, but now Chinese intellectuals consider Myanmar's political reform that protects the interests of both the military and the democratic forces as a perfect example of how it could work (Sun, 2012b, pp. 60-61). China still did not worry about its investments in Myanmar including the strategic important Myanmar-China crude oil pipeline, because Thein Sein already endorsed all the Chinese investments when he was prime minister in Myanmar from 2007 till 2011 (Sun, 2013b, p. 4). Just five months after his inauguration on March 30th in 2011, however, President Thein Sein suddenly suspended the construction of the Myitsone dam in the Kachin State, a 3.6 billion USD costing Chinese energy project. To make it worse, after this suspension the Myanmar government announced a government scrutiny of the Letpadaung copper mine and other Chinese energy investments (Pedersen, 2014, p. 67). Both major energy projects were negotiated with the military junta and were under construction despite a litany of political, economic, social and environmental controversies, such as a lack of transparency, corruption, displacement of villagers, and manipulated environmental impact assessments. The same applied to the Myanmar-China crude oil and gas pipelines. The decision of the Thein Sein government to suspend the Myitsone dam project was directly associated with the public opinion and the desire of the new government to honor the will of its people. This was a major step into the new direction of democracy. In a public statement about the suspension President Thein Sein said: "We have to respect the will of the people as our government is elected by the people" (Sun, 2012b, p. 58). The last straw for China that broke the camel, were the American high-level official visits that fuelled China's fear for a close relationship between the United States and Myanmar. On 30th of November in 2011, Hilary Clinton visited Myanmar as the first American Secretary of State in Myanmar since 1955 (Lee, 2013, p. 3; Sun, 2012b, pp. 65-66; Quinn, 2011). Just one year later, in November 2012, President Obama visited

²³ The exact reasons for this ongoing and unexpected political transformation are still open for further debate. However, according to Yun Sun (2012b, pp. 52-58) multiple internal and external factors contributed to the government's decision to reform Myanmar. Internally, the political and economic reforms are the result of a long-term process designed and implemented by the military government. Externally, the reforms are a result of Myanmar's desire to mitigate its overdependence on China and to improve its bilateral relations with the United States and with ASEAN co-member states.

²⁴ Within a year after the elections the NLD was brought into parliament and Aung San Suu Kyi was accepted as member of the Myanmar's senior leadership. Also, the public interest got a more central space in the governmental decision-making process and a wide-ranging peace process with the previously suppressed ethnic groups and pro-democracy activists are started. As a reaction, almost all Western sanctions were waived in 2012 and 2013, and in 2014 Myanmar is chair of ASEAN (Clapp, 2014, p. 19; Farrelly, 2013, pp. 318-321).

Myanmar in order to 'extend the hand of friendship', being the first sitting President of the United States that ever visited Myanmar (Baker, 2012).

4.2.1. China's pipeline diplomacy in response to the reforms in Myanmar

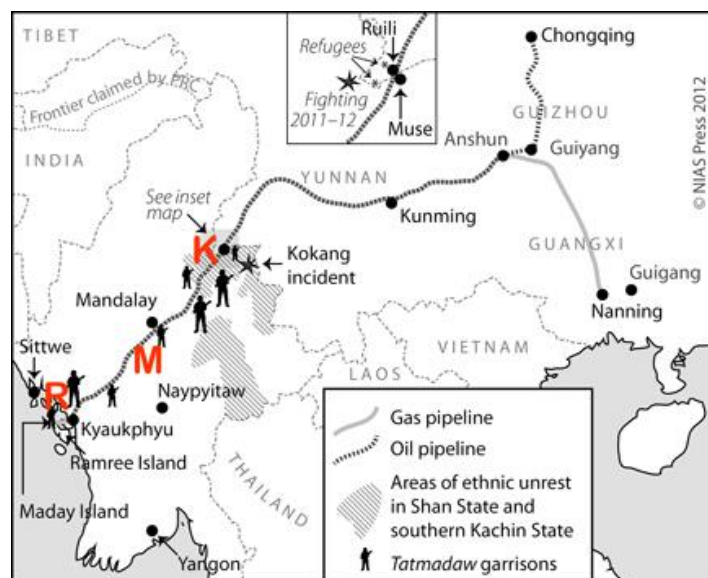
After the sudden suspension of the Myitsone dam, Chinese officials started to complain about the fact that a large number of current senior government officials in Myanmar already held high positions in the military junta before, and they had fully supported the major Chinese energy projects at the time (Sun, 2013b, p. 4). China decreased the frequency and the high-level of its official state visits to Myanmar (Pedersen, 2014, p. 66). Most of the high-level Chinese officials, who visited Myanmar between 2011 and 2012, focused more on working-level and substantive issues, rather than on high-profile display and celebration of bilateral friendships (Sun, 2012b, p. 66). Also Chinese companies privately and publically complained about the transition in policy of the Myanmar government. They argued that the lack of consistency and credibility of Myanmar damaged confidence of foreign investors what would lead to a decline in the development of Myanmar's economy (Sun, 2013b, p. 9). China used its Foreign Direct Investments (FDI)²⁵ -an important driver of Myanmar's economy- to make a statement whereby Chinese investments fell from 4.35 billion USD in the 2011-2012 fiscal year to 407 million USD in the fiscal year 2012-2013. The fall of these Chinese investments caused a downfall in Myanmar's total FDI from 20 billion USD to 4.64 billion USD in 2011-2012.¹ A year later, Myanmar's total FDI fell to 1.41 billion USD in the fiscal year of 2012-2013 (Hilton, 2013, p. 2; Sun, 2013b, p. 2). Additionally, few if any new major Chinese investment projects in Myanmar have been announced (Sun, 2013b, p. 2). Furthermore, Chinese officials have made abundantly clear in both official and private discussions with Myanmar that if it comes down to it, Chinese tolerance for any problems concerning the Myanmar-China crude oil pipeline is much lower than towards the other two large energy projects (Sun, 2013b, p. 8). Totally in contrast to the harsh words of the Chinese reactions to the Myanmar government, the Chinese Foreign Ministry made several statements welcoming the improvement of relations between Myanmar and the United States. These statements seem contradictory to Chinese government policies but can be seen as a diplomatic tactic strategy; since China is in no position to alter or slow down the improvements of the bilateral relations between the United States and Myanmar, it could be better to publicly welcome them (Sun, 2012a, pp. 88-89).

²⁵ Foreign direct investments (FDI) are investments of foreign governments, state-owned companies or international companies that invest in a project in another country. Large investments lead to job opportunities, increase in technology and a growing economic development. For foreign actors it is profitable to have large foreign direct investments in poor countries such as Myanmar because the investments are relatively cheap. On the other hand, for poor countries it is beneficial to receive FDI, because it has not the money, capital and technology to make these kinds of investments by its own. So FDI from China and other countries –since the sanctions were lifted- are now an important driver of Myanmar's economy. In Myanmar's 2010-2011 fiscal year –before the reforms- total FDI in Myanmar pledged 20 billion USD, whereof Chinese investments, mainly invested in the energy sector, accounted for estimated 13.8 billion USD (Sun, 2013b, p. 2; Hilton, 2013, p. 2).

4.3. How ethnic conflicts in Myanmar challenge Chinese pipeline diplomacy

Another threat for the safety of the Myanmar-China crude oil pipeline is Myanmar's long history of domestic ethnic conflicts, because the route of this crude oil pipeline runs right through the conflict areas, as shown in figure 8. Myanmar has an estimated population of 60 million,²⁶ and is one of the most ethnically diverse states in Asia (Smith, 2010, p. 215). Two-thirds of the Myanmar people are of so-called Burman ethnicity. This country has 135 different ethnic groups within its borders divided over the remaining third, of which the Karen, Kachin, Shan, and Chinese are most prominent (Mahadevan, 2013, p. 597).²⁷ Over time ethnic conflicts are between the Myanmar governments and armed ethnic minority groups that live along the borders and fight for more autonomy or independence.²⁸ Apart from these conflicts there is a major anti-Muslim violence coming from the Buddhist Burman ethnic majority.²⁹ Buddhism is registered as the main religion in Myanmar, namely 89 per cent of the population is Buddhist. Of the remaining 11 per cent 7 per cent is Christian and 4 per cent is Muslim (International Crisis Group, 2014; Mahadevan, 2013, p. 597).³⁰

Figure 8. Social unrest along the Myanmar-China pipelines (NIAS Press, 2013).



²⁶ The last nationwide census in Myanmar was over thirty years ago (International Crisis Group, 2014).

²⁷ This amount of ethnic groups is based on an old and much-criticized ethnic classification system of the census in 1983. See Appendix III for a map of ethnic minority groups in Myanmar (International Crisis Group, 2014).

²⁸ These ethnic conflicts started after the obtained independence of Myanmar in 1948, when the union of Burma was founded. The numerous ethnic groups agreed to this polity because they were granted far-reaching autonomy. However, soon after independence the democratic government started to institute policies of centralization,²⁸ and political factions and ethnic groups continued to fight each other. At the time General Ne Win had established a socialist government various ethnic minority groups had armed themselves, and the fight for more self-determination in the mountain border regions of Myanmar –that have an abundance of natural resources- continued (Lorch & Roepstorff, 2013, p. 2; Farrelly, 2013, pp. 314-315; Lorch & Will, 2009, p. 1).

²⁹ The resentment of the Buddhist majority towards the Muslim minority can be traced back to the military government of Ne Win. Between 1962 and 1988 he deliberately harnessed anti-Muslim sentiment as part of his divide and rule-strategy, followed by pogroms against members of the Rohingya Muslim community (Lorch & Roepstorff, 2013, pp. 2-3).

³⁰ These percentages are based on the census in 1983, however there are strong indications that the Muslim population is much larger (International Crisis Group, 2014; Mahadevan, 2013, p. 597).

Currently, there has been a recent upsurge in anti-Muslim violence (Dapice & Valley, 2014, p. 10). In April 2013, near the southern terminal of the Myanmar-China crude oil pipeline, marked with a 'R' on the map in figure 8, anti-Muslim violence broke out and claims of land clearances were made by the Muslim Rohingya community. This Muslim community of currently estimated 800.000 people lives in the Rakhine state in the Northwest of Myanmar near the border of Bangladesh, and has been designated as alien nationals since 1982 (Mahadevan, 2013, p. 607). Today the anti-Muslim conflict is very much alive. In June and October 2012, various massive acts of violence perpetrated by Buddhists led to several thousands of Rohingya fleeing into Bangladesh (Lorch & Roepstorff, 2013, p. 5; Mahadevan, 2013, p. 607). In Myanmar this minority group suffers from discrimination, forced labor, confiscation of property, land grabbing, and have suffered from torture by the Myanmar military army –called the Tatmadaw- during the military junta (Lorch & Will, 2009, p. 7). Radical Buddhist monks claim that Rohingya are a threat, that they are recent illegal immigrants from Bangladesh and they alarm that the Rohingya community is growing rapidly. Despite evidence to the contrary, this is a narrative that repeats itself already for decades; many in the Buddhist majority in Rakhine state feel that they are fighting for their ethnic and religious survival facing a Muslim Rohingya minority, while actually it is this minority that is currently denied citizenship and basic human rights (International Crisis Group, 2014; Dapice & Valley, 2014). This conflict between the Buddhist majority and Muslim minority in the Northwest has spread across Myanmar. Since 2012, there have repeatedly been bloody attacks against Muslims of various ethnicities in the Burman heartland and other regions of Myanmar following the pipelines further to 'M' in figure 8. Even in both of Myanmar's largest cities, Yangon and Mandalay there are repeated acts of violence against Muslims reported. In March 2013 there were bloody anti-Muslim attacks in the city of Meiktila in the Mandalay region located in the middle of Myanmar. A large number of Muslim houses and mosques were destroyed in this city (Lorch & Roepstorff, 2013, p. 5). There are several Buddhist monks that can be mainly taken responsible for this increased radicalization among the Buddhist majority population. Most of these monks are representatives of the radical 969-movement led by monk Ashin Wirathu (Asian Tribune, 2014). This radical leader of the 969-movement actively encouraged the anti-Muslim violent attacks of recent years through giving inflammatory speeches. What is even more worrisome is that Thein Sein's government lacks the political will to take up decisive actions against this anti-Muslim violence by the predominant Buddhist society (Lorch & Roepstorff, 2013, p. 7). According to Dapice and Valley (2014) violence with little official protection implies often that at least some elements of the government allow or even support these actions (p. 11). For instance in 2012, after several violent anti-Muslim attacks in Rakhine state, President Thein Sein announced that the 'only solution' was to send Rohingya to other countries that would accept the estimated 800.000-strong population, or to refugee camps overseen by the United Nations High Commissioner

for Refugees (UNHCR). Obviously, the UNHCR immediately rejected this proposal. Additionally, in June 2013 the international edition of Time Magazine published a cover photo of Wirathu, calling him 'the face of Buddhist terror'. In response, the office of President Thein Sein released a public statement saying that the 969-movement is 'a symbol of peace' and that monk Wirathu is 'a son of Lord Buddha' (Asian Tribune, 2014; Lorch & Roepstorff, 2013, p. 7; Marshall, 2013).

Another important cause of unrest is that the Tatmadaw occupies many areas along the pipelines route for strategic reasons. The Tatmadaw have a history of brutal violent attacks on Myanmar's population. Though this violence is partly reduced due to Thein Sein's reforms, the presence of Tatmadaw in certain regions of the Myanmar-China pipelines still causes unrest. As South explains there is widespread distrust and dislike of the Myanmar army among ethnic minority groups and Burman communities due to their violent history, but also because the Tatmadaw has an interest in securing the pipeline while there are widespread allegations that this pipeline is related to land grabbing and displacements of Myanmar people (South, 2014). The letter 'K' in figure 8 marks the renewed fighting between the Kachin Independence Organization (KIO) and Tatmadaw in the region of Kachin from 2011 till 2013, jeopardizing the security of the pipelines as well (NIAS Press, 2013). At the end of May 2013 KIO signed a preliminary peace agreement with the government (Petrie & South, 2013, p. 5). Just one month later in early June 2013, the Wa, organized in the United Wa State Army (USWA) and one of the most powerful and strongest armed ethnic minorities in Myanmar, clashed with the Tatmadaw, while officially the UWSA and the government of Myanmar had concluded to a ceasefire (Lorch & Roepstorff, 2013, p. 1). According to South there are questions whether the Tatmadaw have the same agenda as the Myanmar government, because the government side is quite serious about the peace process but the Tatmadaw did not go through the same civilization as the government did in the past years. This raises questions about how trustful the peace or political dialogue will be and what the results will be (South, 2014).

4.3.1. China's pipeline diplomacy in response to the ethnic conflicts in Myanmar

China needs a successful peace process in Myanmar in order to keep its precious crude oil pipeline project safe. For a long time now China has been concerned about how Myanmar's protracted ethnic conflicts challenge their investment projects and border stability in Myanmar. Already in 1988, when the military junta came to power in Myanmar, China encouraged the military junta to start negotiations with various armed minority ethnic groups about ceasefire agreements in order to end the protracted conflicts in Myanmar (Clapp, 2014, pp. 13-14).

However, these ceasefire agreements failed.³¹ In 2011, the political and economic reforms launched by the Thein Sein government breathed new life into peace negotiations between the government and armed ethnic minority groups. The government created specialized institutions to advance the peace process, and started to talk with several ethnic minority groups promising political negotiations for the first time (Lorch & Roepstorff, 2013, p. 3). As a result, through 2012, the government and most of the significant armed ethnic minority groups, representing the Chin, Mon, Shan, Karenni, Rakhine, Wa, and Karen, agreed on preliminary ceasefire agreements. So after 2012, the only major ethnic group still at war with the government was the Kachin Independence Organization, which is however one of the largest and strongest armed minority groups (Petrie & South, 2013, p. 5). In February 2013, in the Chinese border city Ruili China took its remarkable position as a mediator in the peace talks between KIO and the Myanmar government. This is remarkable, given the fact that one of Chinese Five Principles of Peaceful Coexistence is the non-interference principle. So China never played such a public role in an internal conflict of another sovereign country before, while in this case China's participation was perhaps the most important factor leading to the success of these peace talks. For these peace talks China did not only provide the location and explicitly guaranteed the security of all participants, it also actively mediated between both parties. This central role that China played in the peace process signifies a major intervention in internal affairs of another country, which is unique (Sun, 2013a, p. 1). At the end of May 2013, the KIO signed a preliminary peace agreement with the government, which was a relief for China (Lorch & Roepstorff, 2013, p. 1; Petrie & South, 2013, p. 5). This conflict had taken heavily toll on Chinese investment projects especially on the crude oil Myanmar-China pipeline, because this pipeline is situated immediately adjacent to conflict zones, which makes it strategically important and vulnerable. Thus the Chinese intervention in the peace talks between the KIO and Myanmar government obviously was self-centered, reflecting multiple considerations of China's own interests. Firstly, while China strived for maintaining border stability, the Kachin conflict imposed major pressure on its borders, such as thousands of Kachin refugees that fled into China and careless military actions of the Tatmadaw resulting in Myanmar artillery shells exploding on Chinese territory. Secondly, there were voices from within the United States and other ethnic groups calling for an

³¹ To a certain degree the negotiations brought essentially stabilization after forty years of raging civil war in Myanmar, because at the end of the negotiations there were about twenty-five ceasefire agreements in total. However, these ceasefire agreements were not able to put a permanent end to the conflicts, because the agreements were not really peace treaties. The ceasefire agreements were of a purely military nature between individual commanders of armed ethnic groups and military intelligence service of the regime, and political negotiations over autonomy rights and rights to use natural resources were not conducted. When the military junta began to Burmanizing the names of cities in ethnic minority areas as part of a long nationalist campaign in 1989, the resistance to the military junta by various armed ethnic minority groups was re-sparked tremendously. As part of this campaign the country's official name was changed from Burma to Myanmar. As a result there was major distrust between the government and armed ethnic minority groups, despite some positive outcomes of the ceasefire agreements (Clapp, 2014, pp. 13-14; Petrie & South, 2013, p. 5; Lorch & Roepstorff, 2013, p. 2).

intervention and mediation of the United States. For China, this idea of an intervention of the United States in its neighboring country was particularly troubling. If the United States would intervene it would strengthen its influence on Myanmar domestic politics, and potentially the United States could position itself right along China's border in an area critical for the Chinese crude oil pipeline and other Chinese strategic geopolitical interests in Southeast Asia. So China knew it had to intervene, if it would avoid the United States to get involved. Last but not least, China has also significant commercial interests in future natural resource projects in Kachin state (Sun, 2013a, p. 1).

4.4. How Myanmar's local society challenges Chinese pipeline diplomacy

A frequently heard critical note about the Myanmar-China crude oil pipeline is that vast majority of the transported oil will only serve China, while nearly 80 per cent of the people in Myanmar are living in darkness (Shin, 2013). Although Myanmar is one of the five major energy exporters in Asia and has an abundance of natural resources, the consumption of electricity in Myanmar is one of the lowest in the world (World Bank, 2014). Therefore the plan of MOGE and CNPC was to compensate shortages of energy in Myanmar by providing job opportunities and creating downstream local industries for the Myanmar people along the route of the pipeline (Zhao, 2011, p. 102). This plan was welcomed, given the fact that almost 40 per cent of Myanmar's population is unemployed, and a reported four million Myanmar people are forced to seek work outside their home country due to lack of domestic job opportunities (Lee, 2013, p. 11). However, due to many differences between cultures and lifestyles, the Chinese companies who work on the crude oil pipeline claim that they could not find enough qualified local workers to get involved in the project. This means that the promised job opportunities and direct benefits are unexpectedly limited and therefore fail to satisfy the involved people of Myanmar. Hence, the public discontent towards China and the Myanmar-China crude oil pipeline is increasing (Zhao, 2011, p. 102). This led to quarrels between Chinese and local workers along and an arson attack on the construction site of the crude oil pipeline in January 2014 (Larson, 2014). In addition, the Myanmar-China crude oil pipeline project was dogged from the start by protesters who claimed violations of safety and human rights, land-grabs and inadequate compensation for land confiscations, environmental damages, and displacement of farmers and fishermen (Shin, 2013). Subsequently there is an increase of anti-Chinese sentiments among the people of Myanmar (Zhao, 2011, p. 102). This is fuelled by a common perception in Myanmar that China exploited the junta's desperation for powerful allies at the time of the Western sanctions, without offering sufficient economic and social gains in return (Lee, 2013, p. 11). Also, that China was directly financing the Myanmar military junta's rule and its repression of the local people (Erickson & Collins, 2010, p. 100). During the military junta Chinese investments in Myanmar were not invested

in the population or in the economy of Myanmar, but were mostly used to support high military expenditures and to line the pockets of high officials (Miller, 2014, pp. 91-92; South, 2014). Furthermore, the eagerness of Chinese corporations and national oil companies to deploy Chinese capital and expertise for rapid resource extraction, transportation and power generation disregarding the interests of local people and environment, have been widely criticized by the population of Myanmar as well (Lee, 2013, p. 10; South, 2014). This precarious situation causes serious potential troubles for Chinese energy projects. The repercussion of the suspension of the Myitsone dam has rippled over almost all Chinese projects in Myanmar (Sun, 2013b, p. 8; Sun, 2012b, p. 69), especially the Myanmar-China crude oil pipeline project and CNPC became new top targets. As Myanmar society grew more vocal and pro-active due to the victory over the Myitsone dam and the booming democratic atmosphere, and supported by the deep resentment among many of the Myanmar population about what they perceive as Chinese arrogance and exploitative business practices (Pedersen, 2014, p. 67), they started to scrutinize and criticize other deals made by China and the military junta under similar conditions (Sun, 2012b, p. 59).

4.4.1. China's pipeline diplomacy in response to Myanmar's local society

These tensions between the Myanmar government and its population on the one side and China on the other forced the Chinese government to demand more responsible behavior from its corporations in Myanmar. In all probability, the importance of the Myanmar-China crude oil pipeline means that China will stay involved in this project and therefore will have to develop new policies to address these recent difficulties (Hilton, 2013, pp. 1-2). As a result China launched several massive public relations campaigns inside Myanmar in order to improve its image and its relations with local communities (Sun, 2012b, p. 52). For instance, regarding the Myanmar-China crude oil pipeline China and CNPC made considerable efforts to address criticisms about the pipeline and met local demand as well; CNPC made the promise to commit two million USD per year for local corporate social responsibility programs (Sun, 2013b, p. 9). However, it is quite known that some Chinese NOC's have been in the habit of giving funds to the Myanmar government for local compensation, with a lack of guarantees that it will reach its intended beneficiaries. In July 2013, the Chinese Embassy together with the Chinese-Myanmar Enterprises Association in Myanmar hosted a press conference to publicize their new concern for corporate social responsibility and promised 'moral self-discipline to attain the trust of Myanmar society and people', with a focus on job creation and a greater engagement with local communities. In spite of this all activist groups continue their protests and currently complain of an increase in militarization along the pipeline to detriment of Myanmar locals (Hilton, 2013, p. 6). Additionally, South argues that China is still pretty clumsy about spinning around this anti-Chinese sentiment and that China is clearly not used to engage in demands of civil society

stakeholders. So currently they do not a really good job (South, 2014). However, Sun emphasizes that this anti-Chinese feelings were not created over one night so it will take a while to decrease this sentiment (Sun, 2014b).

For China it is now important that the Thein Sein government is able to deliver peace, equality, economic and social development and prosperity for population in Myanmar (Clapp, 2014, p. 6). With the foreign investments and international trade after the sanctions were lifted the Myanmar government needs to start to meet the public expectations (International Crisis Group, 2013, p. 2). If the reforms of the Thein Sein government do not appear to deliver substantial improvements in the living standards of Myanmar's middle and poor class, it is likely that these groups will become more restive to the point of obstructing Chinese development and investment projects such as the Myanmar-China crude oil pipeline in order to show their dissatisfaction. Besides, these civilian protests and accusations cannot be ignored or handled with force anymore, as they have been in the past (Clapp, 2014, p. 21).

4.5. Conclusion

China's pipeline diplomacy faces several challenges to the Myanmar-China crude oil pipeline on Myanmar's soil. The democratic reforms in Myanmar have changed the long standing relation between China and Myanmar. For instance, the decision of the Thein Sein government to suspend the Myitsone dam have led to a downfall of Chinese FDI and highly paid state visits in Myanmar. Also Chinese officials have stressed that if it comes down to it, the Chinese tolerance for any problems concerning the Myanmar-China crude oil pipeline is low. Besides of these threats China has changed its position to Myanmar as well. In an attempt to decrease the conflicts in the areas where the crude oil pipeline project runs and in its backyard, China took up the role as a mediator in the peace process of the Kachin conflict. At first sight a remarkable and unexpected move, because for China this is an intervention in internal affairs of another country. From China's self-centered perspective, however, it was China's best option. Unrest and criticism forced both China and CNCP to invest more in the involved local community. Because China cannot afford more threats for this importantly strategic investment (Sun, 2013a, p. 2), it started to look at pipeline diplomacy in a broader perspective in order to be able to respond appropriately to all the challenges the Myanmar-China crude oil pipeline brings up. This is also of absolute necessity as civilian protests and accusations can no longer be ignored or suppressed by force anymore, as they did in the past (Clapp, 2014, p. 21). This broader perspective on pipeline diplomacy however, puts pressure on one of China's most highly valued Five Principles of Peaceful Coexistence, namely the principle of non-interference. The nexus between this principle and Chinese pipeline diplomacy is discussed in the next chapter.

5. How pipeline diplomacy challenges China's principle of non-interference

In the case of Myanmar, it is clear that China made several strategic misjudgments (Sun, 2012a). China had to revise its strategy and started to slowly shift away from its so highly valued non-interference principle by playing the mediator role in the Kachin conflict and by starting public relations and corporate social responsibility campaigns for the involved Myanmar people. In other words China changed its pipeline diplomacy from governmental level only, to opening up to society level in order to secure the Myanmar-China crude oil pipeline project. This situation exposes China's current dilemma; in its urge to expand strategic investments beyond its own borders, its non-interference principle comes under enormous pressure.³² Over time China created for every country another approach; it gradually developed a prudent case-by-case approach (Duchâtel, Bräuner, & Hang, 2014, p. 10). This chapter provides some examples of these cases, in these, showing China's lack of multilayered oil and pipeline diplomacy. One could argue that China could have learned its lessons from these experiences, only that the non-interference principle kept China from expanding its oil and pipeline diplomacy. Therefore, this chapter discusses to what extent China's diplomatic aspects within energy security are challenged by its principle of non-interference. The theoretical base of this chapter is a very recent SIPRI policy paper written by Duchâtel, Bräuner and Hang (2014). Although this report can be labelled as grey literature, it is the most actual literature available on this topic. Firstly the principle of non-interference and China's commitment to this principle is explained. Secondly, the consequences of China's commitment to the non-interference principle within its oil and pipeline diplomacy are outlined on the basis of a few practical examples. Finally, there's a discussion on how diplomatic aspects within China's energy security ask for a more flexible interpretation of the principle of non-interference.

5.1. Non-interference and China's commitment to this principle

In 1953, China established its Five Principles of Peaceful Coexistence as guidance for its foreign policies. Since then, the principle of non-interference is a cornerstone of its foreign affairs implying that a states internal affairs, such as the political system, security arrangements, mode of government and choice of leader, should be decided by a government and its people and other states have to respect this territorial integrity and sovereignty (Duchâtel, Bräuner, & Hang, 2014, pp. 1,19; Yin Li & Zheng, 2009, p. 618; Jakobson, 2007, p. 14). This non-interference principle however is

³² The scope of 'overseas interests' is broadly defined by Chinese academics to cover China's political, military, and economic strategically interests abroad, such as investments as part of China's energy security policy (Duchâtel, Bräuner, & Hang, 2014, p. 13).

quite ambiguous. As a result China creates its own opportunities to interpret the principle of non-interference in a manner it is most beneficial for China at that moment, due to Chinese prudent case-by-case approach. The principle is ambiguous because it focuses on interference, but in some cases it also applies to intervention. In neither Chinese academic literature nor in Chinese foreign policy and Chinese policy statements there is no clear distinction between the two. This absence of distinction creates space for strategic flexibility, as the line between Chinese perspectives of interference and legitimate diplomacy practice remains vague (Duchâtel, Bräuner, & Hang, 2014, pp. 1-2).

The Five Principles of Peaceful Coexistence were created a long time ago when China had just few economic and security interests to defend overseas. As China's economic and security interests expanded over the years and are rooted all over the world today, there are calls from Chinese academics to create a more proactive and engaging foreign policy than the current principle of non-interference allows (Duchâtel, Bräuner, & Hang, 2014, p. 5). Also Chinese academics favor a more creative interpretation of the principle and explore the flexibility in implementing the non-interference principle in China's foreign policies.³³ This is in contrast with Chinese leaders who prefer to stay away from global issues, however due to China's overseas energy investments they are pushed to get involved (Van der Putten, 2014). This is reflected in the argument of Chinese leaders that the principle of non-interference serves Chinese foreign policy well; in their view non-interference is significant for the protection of China's national core interests, especially those related to China's socialist system, state sovereignty, and territorial integrity (Duchâtel, Bräuner, & Hang, 2014, p. 5). As a researcher at the China Institute of Contemporary International Relations (CICIR) Ren Weidong explains: "the principle of non-interference can therefore serve as a 'political weapon' to prevent any foreign meddling in China's domestic affairs" (Ren Weidong, June 14th 2013, in Duchâtel, Bräuner & Hang, 2014, p. 7). According to China's vice-Minister of Foreign Affairs Zhai Jun the non-interference principle is not out-dated and 'it constitutes, especially for developing countries, an important guarantee to defend their rights' (Zhai Jun, July 12 2013, in Duchâtel, Bräuner & Hang, 2014, p. 8). Additionally, Chinese Minister of Foreign Affairs Wang Yi emphasized that China must continue to 'oppose interference in internal affairs of other countries' in 2013 (Wang Yi, June 27th 2013, in Duchâtel, Bräuner & Hang, 2014, p. 6). Not only China sees the advantages of this principle, Van der Putten emphasizes that for China's small neighboring countries this principle of non-interference is a relief, having such a big and powerful neighbor country as China is of course frightening. So most of Chinese small neighboring countries only encourage such principle (Van der Putten, 2014).

³³ See Duchâtel, Bräuner & Hang (2014).

The best example of ambiguousness of China's non-interference principle is the current situation in Myanmar. In January 2013 a risk analyst of a Chinese policy bank argued: "we [China] have lost ground as a result of recent political developments in the country [Myanmar]. We could have chosen to interfere, but we decided against it" (Duchâtel, Bräuner, & Hang, 2014, pp. 3-4). However, in the same month China played an open and public role in the Kachin conflict peace negotiations between the Myanmar government and a Myanmar ethnic armed minority group (Sun, 2014a, p. 8).

5.2. Consequences of China's commitment to the non-interference principle within its oil and pipeline diplomacy

As a result of its non-interference principle, for a long time, China has merely engaged on diplomatic level with only governments (Duchâtel, Bräuner, & Hang, 2014, p. 1), thus refraining from a multilevel pipeline diplomacy with all impending consequences. This commitment to its principle has led to two major threats for China's overseas energy interests today. First, the vast majority of China's oil imports originates in politically unstable regions in Africa and the Middle East and faces an increase in political and security risks in these regions, currently due to the Arab Spring and the rise of the Muslim rebel group Islamic State of Iraq and Syria (ISIS) in Iraq. Although real attacks on Chinese overseas oil interests have been rare so far,³⁴ Chinese leaders and policy makers become increasingly aware of potential threats due to civil unrest, wars or regime changes (Duchâtel, Bräuner, & Hang, 2014, pp. 22-23). In the current situation in Iraq for instance, ISIS is taking over the Iraqi Northern regions including the oil fields. Though for China the threat is not very big yet, because its oil is mostly produced in the Southern oil fields, the international community is keeping a watchful eye and is expecting some action from China. Its reluctance to interfere in other country's domestic politics has put China in a passive position when its interests are affected by changes in the internal affairs of other countries (Duchâtel, Bräuner, & Hang, 2014, p. 13). According to Van der Putten China prefers to wait and see what happens instead of undertaking proactive actions; see the local actors, United States or United Nations act is much better according to China. There are a lot of Chinese investments, Chinese companies and Chinese employees involved in Iraq today, so one could say that China would have to respond at one point (Van der Putten, 2014). This is one of the situations that lead to the contemporary debate in China about to what extent non-interference is serving all of China's national interests (Duchâtel, Bräuner, & Hang, 2014, pp. 1-2).

³⁴ Only ten mostly small-scale attacks on Chinese energy interests overseas have occurred between 2004 and 2012, in South Sudan (2013), Colombia (2012), Sudan (2012, 2007), Yemen (2011), Libya (2011), Ethiopia (2007), Myanmar (2007) and Nigeria (2006) (Duchâtel, Bräuner, & Hang, 2014, p. 23)

Another consequence of this non-interference principle and resulting small pipeline diplomacy perspective is China's main concern about the rising anti-China sentiments among populations in for China important oil exporter countries or transit countries. These anti-China sentiments are often caused by the perception that China takes over all natural resources of a country without any compensation for local communities. Especially opposition parties that pursue populist policies use this sentiment and have been able to reduce Chinese influence in their countries. For instance, in Kazakhstan there is a lot of anger towards China because the Kazakh population feels that China takes over all Kazakh resources. Moreover, due to a deal with the Kazakh government, CNPC got permission to operate according to Chinese labor laws, herewith circumventing Kazakh labor laws. In 2007 this led to major protests against bad wages and working conditions whereby the Chinese were denounced as 'exploiters of Kazakh people'. After many street demonstrations and protests, workers of Kazakh state-owned oil company KazMunaiGas started a hunger strike in May 2011. Although a Kazakh court found the strike illegal, the hunger strike continued until the end of 2011. However, Chinese leaders alter these protests as anti-Chinese Cold War-era propaganda powered by Russian-language media in Kazakhstan (Duchâtel, Bräuner, & Hang, 2014, pp. 26-27). In Africa, forced by its principle of non-interference, China tends to limit its political relations to ruling elites as well. However, the choice of China to forge its ties with African governing elites has worsened the protests by local African societies. The first threats that China experienced on the African continent were the targeted attacks on Chinese workers constructing an oil pipeline in Sudan in the late 1990s. This was followed-up by threats and attacks in Sudan, Nigeria and Ethiopia. Later, local protests against Chinese corruption and non-transparency of its energy investments in Angola and Nigeria forced Chinese investors to scale down proposed investments in these countries (Alden & Hughes, 2009, pp. 570-571). This is just another example of cases where local societies clearly had enough influence to affect Chinese energy investments overseas, while China continues to focus only on bilateral relations with ruling elites. The next example of China's non-interference principle under pressure is the case of Sudan. When the West openly criticized Sudanese President Omar al-Bashir's for massive violations of human rights in the Darfur region and negotiated about sanctions in the Security Council of the UN between 2004 and 2006, China initially backed the regime of al-Bashir and abstained from voting on six UN Security Council resolutions that should impose sanctions. In 2005 in a reaction the Chinese Deputy Foreign Minister Zhou Wenzhong stated: "Business is business. We try to separate politics from business ... I think the internal situation of Sudan is an internal affair, and we are not in a position to impose upon them" (Duchâtel, Bräuner, & Hang, 2014, p. 31). In 2007 and 2008, Chinese investments, Chinese-run oil fields and Chinese employees were attacked by a Darfur-based rebel who justified the attacks by pointing at the Chinese support for the Sudanese government. Consequently, China started to encourage dialogues

between the fighting parties and finally supported the deployment of a UN peacekeeping mission to Darfur (Duchâtel, Bräuner, & Hang, 2014, pp. 30-32). So these actions from local society ultimately forced China to change its focus on bilateral agreements between governments as pipeline diplomacy into a broader perspective including investments in local society. Also there is another impending consequence of China's lack of a broader version of pipeline diplomacy. Currently China suffers from conflicts between its majority Han population and Muslim Uyghur minority in its Western provinces Xinjiang and Yunnan. Recently this conflict is sparked due to a series of violent attacks from Muslim Uyghur separatists on Chinese civilians. As a reaction on several bloody attacks by Muslim Uyghur on Chinese Han, Chinese government executed thirteen Uyghur people in Xinjiang region on June 17th 2014. According to the Chinese government the executions are a part of intensifying response against Uyghur separatists and growing violence that is spreading to other parts of China. On July 1st of 2014, courts in Xinjiang sentenced 113 ethnic Uyghur to prison terms for wide range of crimes including organizing and participation in terrorist organizations (The New York Times, 2014). This violent repression and responses of Chinese Han to its Muslim minority could have major consequences for China given it imports the vast majority of its crude oil from Islamic countries. According to Van der Putten this is also one of the main reasons China prefers not to interfere or even involve in situations as Iraq nowadays. China wants to avoid negative intention, especially from international terrorist organizations. Also, China does not want to create the impression that it is taking sides within conflicts beyond its own borders (Van der Putten, 2014). Additionally, Dapice and Valley (2014) argue that systematic persecution could attract international jihadi attention, what is a warning for both China and Myanmar (p.11).

5.3. How diplomatic aspects within China's energy security ask for a flexible interpretation of the principle of non-interference

China's adaptive behavior in Sudan and Myanmar are currently the most well known examples of a broader interpretation of its principle of non-interference within its oil diplomacy or pipeline diplomacy. Also during the events of the Arab Spring China showed that it is able to put some flexibility in its foreign diplomacy while adhering to non-interference, though this was more related to other interests in transport and agriculture sector rather than strategic oil interests (Calabrese, 2013).

In Africa China's commitment to the non-interference principle and limitation of bilateral relations to ruling elites still keeps the door closed for local communities and other segments in society. More and more this skipping of local communities leads to hostility towards China (Alden & Hughes, 2009, pp. 570-572). Mensah (2010) argues that if China's diplomatic aspects within energy security keep on only benefitting the elites in African countries, and if it continues to ignore the

concerns under the pretext of its principle of non-interference, then it will undermine the opportunities for long-term development that addresses the needs of the owners of African resources, namely the African people (p. 103). Additionally, professor at the Ocean University of China, Guo Peiqing emphasizes that China should actively study and participate in local affairs in other countries, for example by increasing contacts with civil society rather than only interacting with government agencies. This is because China's non-interference principle damages its credibility as a reliable partner and reinforces the impression of China as a self-interested outsider (Gou Peiqing in Duchâtel, Bräuner, & Hang, 2014, p. 17). Also well-known specialist on Central Asia of Fudan University, Zhao Huasheng argues that China's commitment to its non-interference principle reinforces the impression of China as self-interested outsider in countries that host Chinese overseas investments. According to him China should distinguish non-interference from non-involvement, and should add 'constructive involvement' to its diplomatic toolbox (Zhao Huasheng, 2011, in Duchâtel, Bräuner, & Hang, 2014, p. 18).

5.4. Conclusion

It is safe to say that the call to broaden China's diplomatic aspects within its energy security policy challenges its principle of non-interference. Through China's increasing international economic expansions, including investments in some of the world's most conflict-ridden regions, its non-interference principle comes increasingly under pressure. According to the study of SIPRI it appears that in the foreseeable future China will not move away from its non-interference principle; Chinese leaders argue that the benefits of further adherence outweigh the potential costs of a major policy change (Duchâtel, Bräuner, & Hang, 2014, p. 17). The absence of a clear defined content in the non-interference principle creates some flexibility in its case-to-case diplomacy, but with China's economy continuously growing more interdependent on other countries, it is likely that China's interests abroad will be more exposed to global risks, which in turn will keep on putting more and more pressure on China's stance of non-interference. This study recommends that China finds ways to create more flexibility in its outdated principle of non-interference to participate in local affairs in other countries and develop multilevel pipeline diplomacy, involving local society. This leads to a decrease of the anti-China sentiment and a change in its image of self-interested outsider. For China it also means an opportunity to secure its strategic important energy investments outside its borders, in the long term as well. If China would be able to look further than good governmental relations and on forehand would invest in the involved local community, it also will survive obstacles like a regime change. As long as China continues to understand the principle of non-interference as non-involvement or not exerting influence, China may fail to protect its overseas interests (Duchâtel, Bräuner, & Hang, 2014, p. 14).

6. Conclusion

This thesis started with a brief overview of contemporary academic studies about energy security, from which I conclude that within energy security there's a relative absence of academic attention to the diplomatic aspects. After gaining deeper understanding of the current debate about energy security in academic literature, it has become clear to me that there is no clear common definition of energy security either.

In terms of measurement, academic studies in general measure energy security through categorization and quantification of a broad range of combinations of indicators. In their Energy Security Assessment Framework, Cherp and Jewell try to overcome all these differences in conceptualizing and measuring energy security, using three perspectives that should be integrated: the sovereignty perspective, the resilience perspective and the robustness perspective. In spite of this framework however, in academic studies the sovereignty perspective, which includes diplomatic aspects, is heavily underexposed. The main criticism on understanding and explaining energy security by quantification is that these compound indices pay little attention to uncertainties and non-quantifiable concerns of a country and lacks context with the real and specific situation of each state. After having written this thesis I endorse this point of view. I would recommend more academic research on the diplomatic aspects of energy security, using qualitative research methods allowing contextual situations.

Although pipeline diplomacy is used in some academic articles, the definition of pipeline diplomacy is not clearly formulated yet. It seems that pipeline diplomacy indicates the talks, agreements and bargaining between governments over the construction of cross-border or transit pipelines and existing multilevel bilateral relations determine the extent of pipeline diplomacy. I found that these bilateral agreements are not as multilevel as that sounds, and also should include the needs of local society. I conclude that by not investing in local society, governments underestimate the power of local society and overlook the consequences.

From the energy security policy of China we can make up that oil is not only an indispensable energy resource, but oil is also of national strategic concern. Oil imports of China come from all over the world and with its rapidly growing economy, the demand for oil will greatly increase, and China will become more and more dependent on other states, for supply as well as for transport. I found that China's energy security policy mainly focuses on its oil imports and how it could decrease potential disruptions. The construction of the China-Myanmar crude oil pipeline could be seen within this scope as this new oil transport route circumvents the chokepoint Strait of Malacca. However, it is not likely that this pipeline will increase Chinese oil import security in quantitative terms, because

the additional volumes they bring in will be overshadowed by China's increasing demand for crude oil. Another issues regarding the Myanmar-China crude oil pipeline is that it is not a real overland supply alternative, because the crude oil first has to be transported by oil vessels over high sea lanes from suppliers in the Middle East to Myanmar. All together I conclude that China probably also has a hidden agenda and wants to keep control over its neighbor Myanmar and use it as a strategic buffer zone.

Due to the development of the new Myanmar-China crude oil pipeline project, China and Myanmar are currently in the midst of going through all the complex aspects that pipeline diplomacy consists of as discussed in chapter 4. From this chapter I conclude that the democratic reforms in Myanmar and the conflicts with the ethnic minorities in Myanmar forces China to reconsider its pipeline diplomacy. The role as a mediator China took up in the peace process of the Kachin conflict and the increasing investments in the involved local community due to domestic unrest and criticism are examples of imposed changes in its pipeline diplomacy.

As described in chapter 5 this broader perspective on pipeline diplomacy, puts pressure on one of China's most highly valued Five Principles of Coexistence, namely the principle of non-interference. Since China's increasing international economic expansions, including investments in some of the world's most conflict-ridden regions, its non-interference principle comes increasingly under pressure. Although Chinese leaders argue that the benefits of further adherence outweigh the potential costs of a major policy change by adjusting the non-interference principle, in my view examples in practice show that China already has lost several overseas energy investments, due to a rigid pipeline diplomacy, that only focuses on ruling elites of countries, excluding local society from bilateral relations. I would therefore recommend that China finds ways to create more flexibility in its outdated principle of non-interference, to participate in local affairs in other countries and develop a broader perspective of pipeline diplomacy by involving local society. If China would be able to look further than good governmental relations and on forehand would invest in the involved local community, this would be a better way to secure its oil supplies in the long-term.

This is not only an urge on international level, in my opinion also internal matters will force China to broaden its perspective and to develop new pipeline diplomacy both on external and internal level. Internally, current conflicts between the Chinese majority Han and Muslim minority Uyghur in its Western provinces where both the Kazakh-China and the Myanmar-China crude oil pipelines end, call for an adequate response. Externally, the rise of ISIS in Syria and especially Iraq today could also have major impact on China's oil and pipeline diplomacy and puts pressure on its principle of non-interference. I also foresee problems, sooner or later, that stem from the protracted poor treatment of Muslims in China, while China depends on oil imports from Muslim countries.

Taking all this into account, I conclude that China should not wait to reconsider its internal and external pipeline diplomacy, and should open up its non-interference principle as well.

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Appendix I

List of products made of crude oil and we use in our daily lives (Illinois Oil and Gas Association, 2010).

Agriculture

- plastic ties
- row cover
- irrigation piping
- polyethylene
- polypropylene
- bags and packaging
- pesticides and herbicides
- food preservatives
- fertilizers

Around the Office

- ball point pens
- diskettes
- thermometer
- ink
- computers
- business card holders
- copiers
- waste baskets
- calculators
- printer cartridges
- microfilm
- name tags
- binders
- erasers
- rulers
- scotch tape
- magic markers
- telephones

Automotive

- antifreeze
- flat tire fix
- street paving (asphalt)
- car battery cases
- coolant
- motor oil
- tires
- loud speakers
- bearing grease
- sports car bodies
- traffic cones
- car enamel
- brake fluid
- dashboards
- windshield wipers
- visors
- car sound insulation
- oil filters
- car seats
- convertible tops

- fan belts
- gasoline

Beauty

- cologne
- hair brushes
- lipstick
- permanent wave curlers
- perfume
- hair colour
- mascara
- petroleum jelly
- comb
- foam rubber curlers
- shampoo
- contact lenses and cases
- hair spray
- hand lotion
- shaving foam
- hair dryers
- shoe inserts
- dentures
- body lotion
- face masks
- skin cleanser
- deodorants
- moisturizing cream
- soap holders
- disposable razors
- leather conditioner
- mouthwash
- sunglasses
- facial toner
- lens cleanser
- nail polish
- sunscreen
- tooth brushes
- toothpaste tubes
- vitamins
- synthetic wigs
- bubble bath
- soap capsules

Building and Home

- caulking material
- light switch plates
- plungers
- faucet washers
- clotheslines
- measuring tape
- polyurethane stain

- water pipes
- electric saws
- paintbrushes
- propane bottles
- wood floor cleaner/wax
- vinyl electrical tape
- plastic pipe
- shingles (asphalt)
- light panels
- garden hoses
- plastic wood spackling paste
- awnings
- glazing compound
- Plexiglas
- spray paint
- enamel
- epoxy paint
- artificial turf
- folding doors
- floor wax
- glue
- house paint
- paint rollers
- toilet seats
- water pipes
- putty
- solvents
- roofing material
- plywood adhesive
- sockets
- propane

Clothing and Textiles

- ballet tights
- nylon cord
- everything polyester: blouses, pants, pyjamas etc.
- everything permanent press: shirts, dresses etc.
- beads
- bracelets
- pantyhose
- nylon zippers
- plastic hangers
- purses
- thongs and flip flops
- earrings
- ribbons
- fake fur
- windbreakers
- sandals

- garment bags
- shoe laces
- rain coats
- iron-on patches
- sneakers
- sweaters
- sofa pillow material
- tote bags
- umbrellas

Furnishings

- carpet padding
- Naugahyde
- Venetian blinds
- TV cabinets
- extension cords
- picture frames
- flocked wallpaper
- shower doors
- Formica
- refrigerator lining
- vinyl wallpaper
- curtains
- kitchen carpet
- shag carpet
- welcome mats
- fan blades
- lamps
- shower curtain
- patio furniture
- swings
- linoleum
- upholstery
- rugs

Infants and Children

- acrylic toys
- baby oil
- laundry baskets
- waterproof pants
- baby aspirin
- bath soap
- mittens
- pacifiers
- baby blankets
- bibs
- rattles
- double-knit shirts
- baby bottles
- disposable diapers
- baby shoes

- teething rings
- nipples and binkies
- dolls
- stuffed animals
- baby lotion

Kitchen and Household

- vinegar bottles
- egg cartons
- meat trays
- trash bags
- breadboxes
- freezer containers
- melamine dishware
- tumblers
- cake decorations
- jars
- microwave dishes
- utensils
- candles
- freezer bags
- milk jugs
- vacuum bottles
- coasters
- gelatine molds
- nylon spatulas
- wax paper
- coffee pots
- ice cream scoops
- oven bags
- mops
- drinking cups
- ice trays
- plastic containers
- fabric softener
- detergent bottles
- plastic table service
- drain stoppers
- dish drainers
- lunch boxes
- pudding molds
- sponges
- dish scrubbers
- brushes
- baggies
- drinking straws
- Styrofoam
- paper cup dispensers
- measuring cups
- Teflon coated pans
- table cloths
- refrigerator shelves

Miscellaneous

- ash trays
- dog food dishes
- toolboxes
- CDs and DVDs
- balloons
- dog leashes
- tape recorders
- synthetic rubber
- bubble gum
- dog toys
- flashlights
- nylon ropes
- bungee straps
- flight bags
- disposable lighters
- cassette player
- flea collars
- flutes
- lighter fluid
- cigarette cases
- electric blankets
- tool racks
- name tags
- cigarette filters
- ammonia
- newspaper tubes
- calibrated containers
- insect repellent
- phonograph records (vinyl)
- crayons
- ice buckets
- dyes
- pillows
- credit cards
- flashlights
- fly swatters
- plastic cup holders
- dice
- movie and camera film
- k-resin
- rain bonnets
- luggage
- video cassettes
- charcoal lighter
- rayon
- safety glasses, gloves, hats
- shoe polish
- signs
- cassette tapes
- toys

- watch bands
- waterproof boots
- shopping bags
- bedspreads
- checkbooks
- covers
- tobacco pouches
- clothes hangers
- flea collars
- flavours
- masking tape
- safety flares
- flags
- butane

Sports, Hobbies and Games

- backpacks
- fishing lures
- air mattresses
- cameras
- beach balls
- fishing poles
- hang gliders
- vinyl cases
- footballs
- glue containers
- puzzles
- darts
- Frisbees
- golf ball and golf bags
- shotgun shells
- ear plugs
- knitting needles
- yarn
- kites
- waterproof clothing
- stadium cushions
- earphones
- tennis racquets
- fabric dye
- decoys
- lifejackets
- nylon strings
- face protectors
- volley balls
- model cars
- plastic water guns
- fishing bobbers
- soccer balls
- oil paints
- parachutes

- fishing cylvume
- light sticks
- earphones
- playing cards
- photographs
- monofilament fishing lines
- diving boards
- poker chips
- goggles
- rollerskate and skateboard wheels
- whistles
- guitar strings
- picks
- rafts
- ice chests
- tents
- sleeping bags
- pole vaulting poles
- motorcycle helmets
- skis, water skis
- rubber cement
- plastic flowerpots
- hot tub covers
- sails
- snorkels
- monkey bars
- photo albums
- wet suits
- flippers
- tennis balls
- boats
- insulated boots

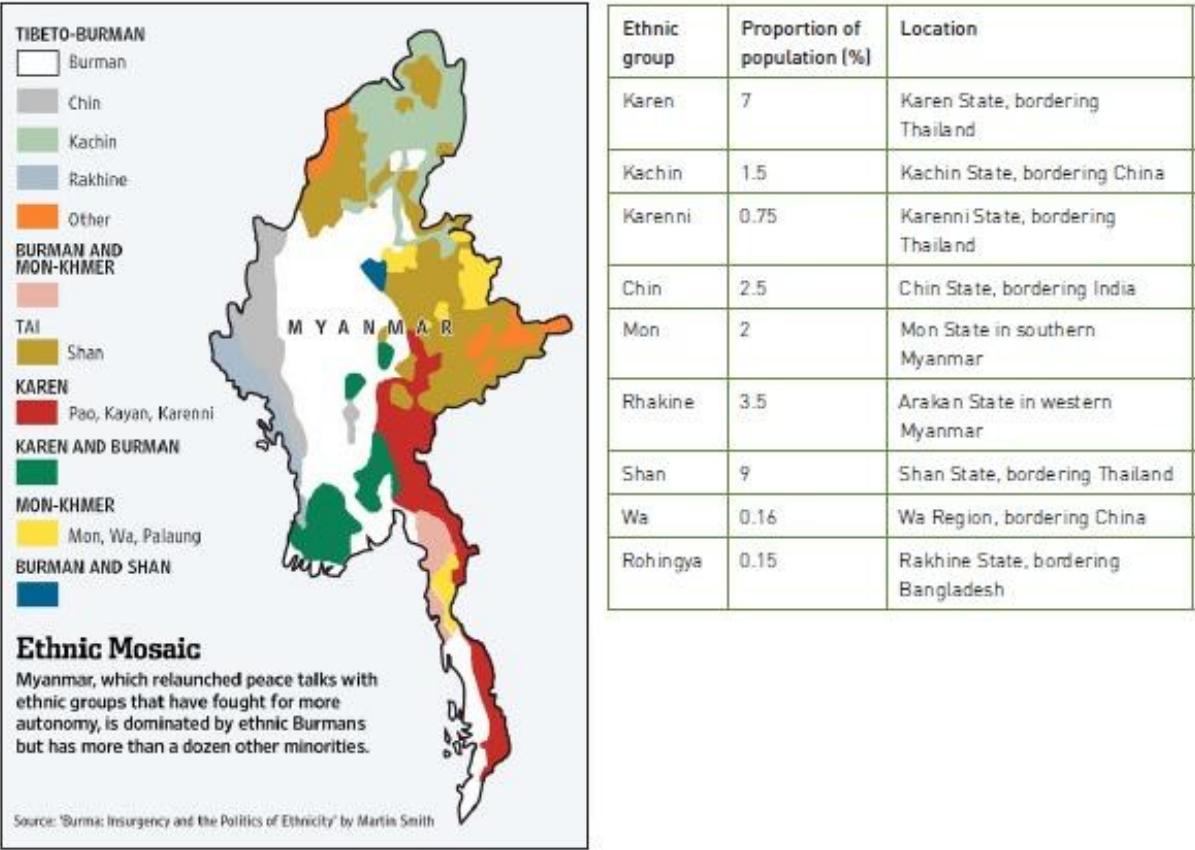
Appendix II

Figure 9. Map of the locations of three major Chinese energy projects in Myanmar (Sun, 2013b, p. 3).



Appendix III

Figure 10. Map of ethnic minority groups within Myanmar (Hilton, 2013, p. 4; Lorch & Roepstorff, 2013, p. 2).³⁵



³⁵ This figure is a simplified figure based on the same ethnic classification system of 1983, because the results of the census in March and April 2014 are not published yet. In some cases an ethnic group is divided into many categories based on villages or clan names, such as the Chin group. Or an ethnic group is representing several ethnicities that are actually not related, such as in the Shan State. But in order to give an idea about ethnic groups in Myanmar this figure is useful. (International Crisis Group, 2014).

Executive summary

This study examines if contemporary academic literature regarding energy security pays enough attention to the diplomatic aspects of energy security. Therefore a theoretical framework is offered to provide a better view on the concept of energy security and its diplomatic aspects such as oil diplomacy and pipeline diplomacy.

Following the theoretical part, this study gives a brief insight of what China's energy security policy and its strategies comprise and what China's actions are to meet its growing oil demand and to reduce possible vulnerabilities of its oil supplies. In March 2014 China has taken over the United States first position as largest oil importer of the world. China's oil imports come from all parts of the world and are mostly transported over sea shipping lanes by oil vessels. Between 70 and 80 per cent of China's total oil imports have to pass the maritime chokepoint Strait of Malacca, and Chinese leaders fear any potential blockade, which could disrupt its oil imports some day. In 2003, President Hu Jintao emphasized this strategic vulnerability as the 'Malacca Dilemma', and explained that "if any unexpected event in this strait disrupts China's oil imports this will have huge consequences for the Chinese economy and social stability." Over time China has developed several strategies as part of its energy security policy, and the most important aim is to minimize all kinds of potential disruptions of its oil imports. One of China's newest strategies of its energy security policy is the Myanmar-China crude oil pipeline project, a pipeline that runs from the West coast of Myanmar to the Western Chinese province Yunnan and provides a shorter transport route for Chinese crude oil imports and more important, which circumvents the maritime chokepoint Strait of Malacca as well. For Chinese leaders the safety of this pipeline is of major strategic importance. Though the pipeline project increases interdependency between China and Myanmar, this was not considered as a problem for China due to their close relationship for decades. In 2010 however, after the elections in Myanmar this brotherly relation between China and Myanmar changed, with all its consequences.

With presenting the Myanmar-China crude oil as a case study, this thesis intends to bring to fore the consequences and effects of China's diplomatic aspects within its energy security, because today China and Myanmar are in the midst of going through all the complex aspects that pipeline diplomacy consists of. This study discusses the main challenges Chinese pipeline diplomacy meets with the Myanmar-China crude oil pipeline on Myanmar's soil. Also it examines whether the Myanmar-China crude oil pipeline will contribute to China's energy security policy or create more problems rather than be a solution. Finally it discusses in what ways China's pipeline diplomacy is and will be challenged by its traditional principle of non-interference.
