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Current Realities and Future  
Possibilities in Burma/Myanmar:  
**Perspectives from Asia**

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March 2010



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In the fall of 2009, the Asia Society established a Task Force on U.S. Policy toward Burma/Myanmar to examine the shift in the United States' approach to its relations with the country and to formulate a set of recommendations aimed at promoting the country's long-term stability. To bring a regional perspective to this effort, the Society sponsored a series of national dialogues that were carried out by leading institutes throughout the Asian region with the aim of reviewing current approaches to Burma/Myanmar and thinking through policy options going forward. In addition to the work carried out by our partner institutes listed below, a review of Chinese policy was conducted by leading experts and academics in China. The resulting collection of reports, entitled *Current Realities and Future Directions in Burma/Myanmar: Perspectives from Asia*, provides a comprehensive overview of current regional policy toward Burma/Myanmar and offers a rich compendium of policy ideas for regional and international actors. These reports and other online resources are available at: [AsiaSociety.org/BurmaMyanmarReport](http://AsiaSociety.org/BurmaMyanmarReport).

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## Table of Contents

Foreword .....	2
Introduction .....	4
Current Dimensions, Future Directions: Australian Policy toward Burma .....	9
Assessing the Current Situation in Myanmar: A Perspective from China .....	24
From Isolation to Engagement: Reviewing India’s Policy toward Myanmar .....	35
The Quest for the “Middle Way”: Indonesian Perspectives on Current Developments in Myanmar .....	49
Japan’s Policy toward Myanmar: A Special Responsibility .....	57
Pragmatic Diplomacy: Reviewing International and Malaysian Policy toward Myanmar .....	75
Developing an International Policy toward Burma/Myanmar: Philippine Perspectives .....	82
From Proxy to Principle: A Review of Singapore’s Myanmar Policy .....	90
Thailand’s Burma/Myanmar Dilemma: Domestic Determinants and Regional/International Constraints .....	101
Appendix 1: Executive Summary: Report of the Asia Society Task Force on U.S. Policy toward Burma/Myanmar .....	109
Appendix 2: Map of Burma/Myanmar .....	119

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## Foreword

**Over recent years,** political and socioeconomic conditions inside Burma/Myanmar have steadily deteriorated. Military leaders continue to govern the country in a highly authoritarian manner, suppressing domestic political opposition to its rule and committing human rights violations. Today, Burma/Myanmar stands as one of the least developed countries in the world, a result of widespread corruption and the mismanagement of the economy by the government. In short, the daily life of the average citizen in Burma/Myanmar is characterized by grinding poverty, declining health standards, and abysmal humanitarian conditions.

While there is widespread recognition within the international community that Burma/Myanmar is desperately in need of political and economic reform, a consensus has yet to emerge regarding how best to approach the country to encourage meaningful change. In fact, some observers believe that the situation has been exacerbated by conflicting signals and uncoordinated policy responses from regional and international actors.

As the government of Burma/Myanmar prepares to adopt a new and disputed constitution and convene a general election in 2010, the Asia Society thought it would be useful to partner with institutions from across the Asia-Pacific region to review the current state of play from their unique national perspectives. To this end, the Society launched this project—*Current Realities and Future Directions in Burma/Myanmar: Perspectives from Asia*—and sponsored a series of national dialogues that were carried out by leading institutes in countries throughout the Asian region, including Macquarie University, Australia; the Indian Council for Research on International Economic Relations; the Centre for Strategic and International Studies, Indonesia; the Japan Institute of International Affairs; the Institute of Strategic and International Studies, Malaysia; the Institute for Strategic and Development Studies, Philippines; the Singapore Institute of International Affairs; and the Institute of Security and International Studies, Thailand. In addition to these institutional contributions, a review of Chinese policy was conducted by experts and scholars in China working in their individual capacities.

Each team brought together experts to review and assess their government's current policies toward Burma/Myanmar and to discuss future directions and policy options. The analyses and policy recommendations in each report represent the views of their participants and authors.

In connection with this regional effort, the Asia Society established a Task Force on U.S. Policy toward Burma/Myanmar, co-chaired by General (Ret.) Wesley Clark and former USAID Administrator Henrietta Fore, to assess the Obama administration's new approach to the country and to foster an exploration of ways forward. The Executive Summary of the Task Force's report, which outlines the group's main conclusions and recommendations, is appended at the end of this document.

All of the reports and other related information are available at the project's Web page at [AsiaSociety.org/BurmaMyanmarReport](http://AsiaSociety.org/BurmaMyanmarReport).

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On behalf of the Asia Society, I would like to express deep appreciation to our partners in this effort: Sean Turnell, Associate Professor, Department of Economics, Macquarie University; Zhai Kun, Director, Division for Southeast Asian and Oceanian Studies, China Institute of Contemporary International Relations; Rajiv Kumar, Director and Chief Executive, and Santosh Kumar, Senior Consultant, Indian Council for Research on International Economic Relations; Yoshiji Nogami, President, and Nao Shimoyachi, Fellow, Japan Institute of International Affairs; Rizal Sukma, Executive Director, Centre for Strategic and International Studies, Indonesia; Tan Sri Mohamed Jawhar Hassan, Chairman and Chief Executive Officer, Institute of Strategic and International Studies, Malaysia; Carolina Hernandez, Founding President and Chair, and Herman Joseph Kraft, Executive Director, Institute for Strategic and Development Studies, Philippines; Simon Tay, Chairman, Singapore Institute of International Affairs; and Thitinan Pongsudhirak, Director, Institute of Security and International Studies, Thailand. We are grateful to them and to all who participated for the amount of time and intellectual energy they dedicated to this effort.

I also wish to thank my colleagues at the Asia Society who contributed to this project, particularly Society President Vishakha Desai and Executive Vice President Jamie Metzl. Special thanks are due to the unflagging efforts of Robert W. Hsu, the Society's Senior Program Officer for Policy Studies, who ensured that the project ran smoothly and guided the reports through their final stages and publication. We also are indebted to Priscilla Clapp for providing indispensable advice along the way. This project was made possible by the generous support of the Open Society Institute and Asia Society Trustee Leon Black.

We hope that the views, ideas, and policy recommendations presented in these reports will provide valuable insights to the governments of Asia, the United States, and beyond, international and regional organizations, nongovernmental organizations, and all who are interested in improving conditions in Burma/Myanmar.

**Suzanne DiMaggio**

*Director of Policy Studies, Asia Society*

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## Introduction

**In the fall of 2009**, the Asia Society established a Task Force on U.S. Policy toward Burma/Myanmar to examine the shift in the United States' approach to its relations with the country and to formulate a set of recommendations aimed at promoting the country's long-term stability. To bring a regional perspective to this effort, the Asia Society partnered with leading policy institutes in countries throughout Asia—including Australia, China, India, Indonesia, Japan, Malaysia, Philippines, Singapore, and Thailand—and each institute carried out a review of its government's national policy toward Burma/Myanmar and prepared a report outlining its findings and recommendations. The resulting collection of reports, entitled *Current Realities and Future Directions in Burma/Myanmar: Perspectives from Asia*, provides a comprehensive overview of current regional policy toward Burma/Myanmar and comprises a rich compendium of policy ideas for both regional and international actors.<sup>1</sup>

Similarities in the assessments of Burma/Myanmar's internal situation can be found across the reports. All note that the political and economic conditions in the country today are in a deplorable state as a result of poor governance. Moreover, there is general agreement that “Myanmar cannot move forward without complete political reform, economic development, and social transformation,” as conveyed by the report from China.

Most of the reports point out the negative consequences that poor governance and mismanagement in Burma/Myanmar have had on the rest of the region. Reports from member countries of the Association of Southeast Asian Nations (ASEAN) lament the organization's lack of success in persuading the country's military leaders to undertake political and economic reform and the damage this has done to their relations with Western partners. Some reports raise the prospect that the ruling generals' cease-fire agreements with former insurgent groups might unravel in connection with the planned 2010 elections in Burma/Myanmar, exacerbating the outflow of refugees and narcotics to the rest of the region and possibly derailing the elections. For example, the Philippine report expresses concern “over the possibility that Burma/Myanmar could implode politically, forcing ASEAN partners to absorb the consequences.” The Thai report identifies security concerns as the country's top priority in its policy toward Burma/Myanmar, stating that “large-scale, uncontrollable insurgent wars between the ethnic groups and the Tatmadaw are Thailand's nightmare scenario.”<sup>2</sup> All of the reports touch on the unsettling rumors of cooperation between Burma/Myanmar and North Korea on military and nuclear technology, although the Chinese report provides arguments as to why the state of Burma/Myanmar's economy is not sufficient to sustain a significant nuclear technology program.

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<sup>1</sup> The military government of the state changed the country's name from the Union of Burma to the Union of Myanmar in July 1989. The United Nations and most states accepted that change, but the Burmese opposition did not. Each report included in this collection uses the term designated by its national government.

<sup>2</sup> Burma/Myanmar's military force is officially known as Tatmadaw.

With the exception of Australia, the reports generally regard the planned election as “a critical point in the evolution of Myanmar toward democracy” (Malaysia), “a critical juncture in Myanmar’s development” (Singapore), and “a necessary condition for any political transition process,” providing “an opening in the political space for regime outsiders” (Philippines). The report from India asserts, “The fact that an election is being held at all is enormously significant.” The Chinese report expresses hope that the election “will readjust Myanmar’s political structure and lay a foundation for further political reforms” and “help transform Myanmar’s economy.” The Australian report is “pessimistic with respect to any imminent change in either Burma’s political or economic circumstances.” None of the reports expects the election to be “free and fair,” and all anticipate that the military will remain in political control by virtue of its stranglehold on key resources and the institutions of government. Nevertheless, many of the reports share the view that however flawed the new constitution is and the planned elections will be, both developments are signs that Burma/Myanmar is moving on a trajectory toward positive change. The Thai report adds the caveat that, in the interests of regional stability, “political dialogue and democratization, as manifested through the 2010 elections and beyond, must not lead to civil war between Naypyitaw and ethnic minorities.”

The reports note that the conditions necessary for development in Burma/Myanmar will require fundamental economic reforms, targeting:

- The central bank, to “ensure that decisions are based on scientifically valid economic principles, rather than on the whims of political leaders” (China)
- A unified exchange rate (Australia, China, India, Japan)
- State-owned enterprises, which must “evolve from instruments of patronage, personal aggrandizement, and enrichment, into responsible and efficient government-linked companies” (Malaysia)
- Marketization and capitalization of the agricultural sector (China, India, Philippines)
- Effective utilization of gas revenues “to channel them into improving the health and education sector” (India)
- The environment for investment (Singapore)

The economic problems facing Burma/Myanmar also have direct bearing on the issue of international humanitarian assistance. In this connection, the majority of the reports urge that Asian and Western nations continue and even scale up humanitarian assistance, but not through official Burma/Myanmar government channels.

Taken as a whole, the reports present a broad agenda of policy prescriptions for regional governments and the international community. The Australian report recommends that its government remain firmly wedded to its current policy of carefully targeted financial sanctions

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and avoid undertaking any new assistance programs through the Burmese government. The other reports are critical of economic sanctions and isolation as an effective means to influence the military regime, although they also recognize that their own policies of economic and political engagement have not been any more successful in encouraging change. The Japanese and Indian reports argue that Western countries can afford to “occupy the moral high ground” by imposing harsh sanctions because they do not have the strategic and economic interests in Burma/Myanmar that Asian countries have. The Malaysian report suggests that, although sanctions have not substantially modified the behavior of the military leadership, they do serve the purpose of “demonstrating the gravity with which the international community or the relevant countries view the situation.” The report goes on to recommend that “any decision to end sanctions should be tied to some movement or change on the part of Myanmar [because] ending the sanctions in the absence of any movement would send the wrong signal.”

Notwithstanding the attention paid to sanctions, the reports are clear in emphasizing that the greatest obstacle to progress in Burma/Myanmar is the ruling military generals, not Western or, more specifically, U.S. sanctions. The military’s arbitrary and often brutal suppression of political opposition groups—the most symbolic of which is the continued detention of pro-democracy leader Aung San Suu Kyi—has provoked condemnation and outrage from much of the international community. Authoritarian governance in Burma/Myanmar is not only a human rights issue, as the report from Japan argues, it is also a key destabilizing force in Burmese society. By disenfranchising large swaths of Burmese society from the political process, Burma/Myanmar’s leadership is deepening opposition to its rule, particularly among ethnic groups in the country, some of whom are engaged in low-intensity conflicts with the military.

A common thread running through all the reports is a concern about the lack of a cohesive international strategy to deal with Burma/Myanmar and to coordinate activities designed to encourage political and economic reform. While all acknowledge that the real impetus for change must come from inside Burma/Myanmar, they also assert that “the role of external influence on Myanmar is very important” (Japan), and that it will be necessary to work with the military to achieve progress. The Malaysian report suggests that the best organizing principle might be a “dual” approach in which Western and Eastern countries agree on a division of labor, with the United States, the European Union, and the United Nations pressing on human rights and democracy, while Asian players focus on technical assistance and capacity building, as well as encouraging democratic change. The Singapore report approaches the same idea from another angle, advocating that “a moral but pragmatic community needs to be constructed. Even if, like an orchestra, different countries use different instruments and play different notes, the main theme must be consistent.” The Philippine report points out that Japan has already set up a Consultative Group on Burma/Myanmar involving both civil society groups and governments and suggests that this group might provide a good focus for international coordination and “commitment to a common set of actions.”

China’s report notes that the coordinating group formed to channel assistance after Cyclone



Nargis in 2008—consisting of Burma/Myanmar, ASEAN, and the United Nations—“is a useful example of international cooperation.” And it asserts that “the United Nations is the most influential international organization in the world and addresses the Myanmar issue most comprehensively,” but it offers no ideas for UN involvement in international efforts to bring about change in Burma/Myanmar. The other reports barely mention the United Nations, if at all. Malaysia’s report, for example, says that “the UN should continue to pressure Myanmar on the issues of human rights and democracy.” The lack of focus on the United Nations may stem from a regional preoccupation with defining and redefining the role of ASEAN in this process.

Most of the reports encourage active international engagement after the 2010 elections through humanitarian assistance to promote “human security” and community development, through industrial and agricultural development projects, through programs to encourage economic reform (with a particular emphasis on channeling gas revenues to social programs), and through training programs to upgrade the human capacity required for modern governance. The Japanese report argues that Burma/Myanmar “should be integrated into the region economically and assistance should be provided to encourage economic reform and the promotion of democracy and human rights.” It submits that Japan could play a pivotal role in coordinating international responses, using an earlier Japan-Myanmar experts study on economic reform as a starting point.

China’s report points out that responsibility also rests with the government of Burma/Myanmar to “increase its engagement with the international community” by:

- Working more diligently on national reconciliation
- Placing more experts and intellectuals in high-ranking government positions
- Inviting foreign experts into its educational system and sending more students to study abroad
- Facilitating the work of international nongovernmental organizations
- Expanding tourism
- Improving transparency in decision making and policy implementation
- Playing a more active role in regional and international affairs

Most of the reports contain similar observations.

The reports of ASEAN countries focus on the role that ASEAN—both as an organization and through individual countries’ bilateral relationships with Burma/Myanmar—can play in promoting change and reform in Burma/Myanmar. Describing ASEAN as “the chief regional vehicle,” the Thai report asserts that “Thailand’s foreign relations will always be conducted through ASEAN” and emphasizes the importance that Thailand attaches to developing mainland Southeast Asia through the Greater Mekong Subregion. The Malaysian report reflects a consensus that “ASEAN should take a leading role in addressing the situation in Myanmar,” with some

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arguing that China would only intervene productively in Burma/Myanmar if ASEAN took the initiative. The Philippine report concludes that ASEAN should serve as a mechanism for the international community to coordinate policies that are “guided by the principles enshrined in the ASEAN blueprints for a Political-Security Community, Economic Community and Socio-Cultural Community in the region.” It also recommends that “ASEAN must ensure that the projected election in 2010 is as fair and free of fraud as possible.” The Singapore report envisions its government as spearheading ASEAN efforts to demand reform in Burma/Myanmar, noting that “ASEAN member countries, including Singapore, have a responsibility for addressing the situation in Myanmar as neighbors.” The report further observes that in its normal course of interaction, ASEAN hosts Burma/Myanmar delegates at some 250 to 300 meetings a year, providing a form of access to this closed society that can be translated into more leverage “as Myanmar opens up.” It goes on to recommend that ASEAN should send a team to monitor the 2010 elections and sustain its aid and technical assistance efforts, with particular reference to the Initiative for ASEAN Integration, aimed at training civil servants to narrow the development gap within ASEAN.

The Indonesian report questions ASEAN’s effectiveness as a vehicle to press for change in Burma/Myanmar and explores alternatives for a more active bilateral role on the part of Indonesia. Because ASEAN functions according to consensus decisions, the report argues, it is unlikely to serve as anything more than a structure for managing economic relations, and it cannot overcome the reluctance of India and China to do anything that would adversely affect their economic interests in Burma/Myanmar. The report concludes that “bilateral approaches, rather than ASEAN-driven approaches, have a better chance at succeeding in persuading the junta to relax its stranglehold, especially if India and China are brought into the equation.” Because the Indonesian government is not likely to take a more active role in pressing Burma/Myanmar without a firm personal commitment by the president, which remains elusive, the report recommends a “multiple track” nongovernmental strategy for Indonesia, using a prestigious ex-government envoy, engagement through community-based organizations, and business initiatives to respond to the coming period of uncertainty and change in Burma/Myanmar.

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# Current Dimensions, Future Directions: Australian Policy toward Burma

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A report prepared by Macquarie University  
for the Asia Society's Burma/Myanmar Initiative

March 2010

## Executive Summary

**In September 2009**, Macquarie University convened a series of roundtable meetings in Sydney and Melbourne, Australia, to examine and discuss Australian policy toward Burma and potential future directions. The conclusions reached during those discussions—which included the participation of Burma experts and scholars of relevant backgrounds and interests—are detailed in this report, which was commissioned by the Asia Society as part of a larger review of U.S. and international policy toward Burma. The consensus that emerged from the meetings was that Australia's policy toward Burma is notable in that it is tightly targeted. This is true with respect to both sanctions—Australia applies only financial sanctions, and only to specific individuals who have close connections to Burma's military leadership—and the provision of aid. Overall, Australia's current relationship with Burma is neither close nor large in scale and scope. It sits in odd (if understandable) contrast to Australia's relationship with other nations in Southeast Asia.

Looking to the future, the participants were hopeful but realistic with respect to any imminent change in Burma's political or economic circumstances. Therefore, this report concludes that current restrictions on broad-based government-to-government aid to Burma should remain in place in the absence of genuine and substantial political change in the country; likewise, existing tightly targeted sanctions should also remain in place. On the other hand, there is much opportunity for the delivery of humanitarian aid to Burma's refugees beyond its borders, as well as aid that can be delivered into Burma from neighboring countries, especially Thailand—not least because of well-established nongovernment groups already in operation there. To this end, this report recommends boosting the Australian government's funding of such aid. Finally, the report recommends that Australia continue its diplomatic initiatives, in conjunction with other nations, to help deliver meaningful change to the people of Burma.

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In summary, the main findings and recommendations outlined in this report include the following:

- Current Australian policy toward Burma is tightly targeted with respect to both humanitarian aid and financial sanctions imposed on named individuals who form, or are connected to, its ruling military regime.
- Australia is well placed to initiate a number of diplomatic actions on Burma, including supporting a United Nations Security Council–imposed arms embargo.
- While humanitarian assistance has value, there is no prospect that official development assistance provided to Burma’s ruling regime—the State Peace and Development Council (SPDC)—would be utilized for its intended purpose. The SPDC views Burma’s economy and society exclusively through a rent-seeking lens, and so it follows that no extension of official development assistance to the regime could be expected to succeed in terms of its stated criteria.
- The central requirement for the improvement of governance and institutional quality in Burma is the removal of the military from its central position of power. Burma’s new constitution (2008) ensures that the military cannot be excised from the legislative process, and therefore little can be expected from the document on this front.
- There are grounds for the extension of particular modes of targeted aid expenditures under appropriate circumstances. Above all, cross-border aid of the type advocated by the Australian People for Health and Development Abroad (APHEDA) and other bodies should be actively supported and extended by the Australian government.
- In the absence of genuine political and economic reform, Australia should not relax its current system of tightly targeted financial sanctions.

This report was drafted by Dr. Wylie Bradford, with assistance from Dr. Alison Vicary and Dr. Sean Turnell, all from the Economics Department at Macquarie University. The report benefited from the significant input of a number of individuals and organizations in Australia, but, above all, the participants in the roundtables. These participants subsequently formed what was essentially an advisory board:

- Wylie Bradford, Economics Department, Macquarie University (co-chair)
- Alison Vicary, Economics Department, Macquarie University (co-chair)
- Alison Tate, International Director, Australian People for Health Education and Development Abroad
- Myint Cho, Medical Practitioner and Director, Burma Office, Australia

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- Maung Maung Myint, Committee for Democracy in Burma (Australia)
  - Charlotte Long, Welfare Research Officer, Students' Representative Council, University of Sydney
  - Zetty Brake, Burma Campaign Australia
  - Sean Turnell, Economics Department, Macquarie University<sup>1</sup>

The principal drafters of this report also gratefully acknowledge the assistance of APHEDA, the international aid arm of the Australian Council of Trade Unions, for its recommendations regarding Australian government support for aid to Burma's numerous refugees, and that which might be provided to the people of Burma from across its borders.<sup>2</sup>

## Current Australian Policy toward Burma

### Sanctions

The Australian government's current policy toward the Burmese regime is best described as *targeted*, incorporating a combination of sanctions applied to specifically named individuals and activities, and expenditures allocated to specific purposes and projects while eschewing broad-based restrictions on trade and investment.

Since October 2007, targeted bilateral financial sanctions against 463 members of the Burmese regime and their associates and supporters have been implemented under the Banking (Foreign Exchange) Regulations 1959. Under these sanctions, transactions involving the transfer of funds or payments to, by the order of, or on behalf of specified Burmese regime figures and supporters are prohibited without the specific approval of the Reserve Bank of Australia. To keep these sanctions current and focused for maximum effect, the Australian government revised the list of sanctioned individuals on October 22, 2008. The list will be further revised in 2010.<sup>3</sup>

Restrictions on visas to travel to Australia for members of the Burmese regime and their associates and supporters are applied according to the Migration Regulations 1994, Regulation 2.43(1)(a)(i)(A), and Public Interest Criterion 4003(a). A long-standing ban on defense exports is maintained by Customs (Prohibited Exports) Regulation 1958, Regulation 13E. Australia maintains no sanctions on trade with or investment in Burma.

### Diplomatic Initiatives

In terms of targeted diplomatic actions relating to Burma, Australia has been active in the recent past. Australia has consistently urged the Burmese regime to start a process of genuine political

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<sup>1</sup> Correspondence regarding this report should be sent to the participants from Macquarie University at [bew@efs.mq.edu.au](mailto:bew@efs.mq.edu.au).

<sup>2</sup> With particular thanks to APHEDA's Peter Jennings.

<sup>3</sup> The current list is available at [http://www.rba.gov.au/MediaReleases/2008/mr\\_08\\_23\\_annex.html](http://www.rba.gov.au/MediaReleases/2008/mr_08_23_annex.html).

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reform and national reconciliation. Australia co-sponsored a resolution on human rights in Burma at the March 2009 session of the UN Human Rights Council in Geneva. In November 2008, Australia co-sponsored a resolution on human rights in Burma in the Third Committee of the UN General Assembly.

### **Humanitarian Assistance**

The Australian government provides humanitarian assistance to the Burmese people, with a focus on women and children, ethnic minorities, and displaced persons and refugees on the Thailand–Burma and Bangladesh–Burma borders. This assistance also focuses on delivery at the community level: ensuring basic health, providing people with livelihoods, and protecting the most vulnerable. Australia’s program of assistance in 2009–2010 is estimated at AU\$29 million, including assistance for areas that were affected by Cyclone Nargis in 2008.

Current and recent assistance activities can be itemized as follows (in Australian dollars):

- Three Diseases Fund—response to counter HIV/AIDS, tuberculosis, and malaria: \$15 million
- United Nations Children’s Fund (UNICEF)—Addressing vitamin B1 deficiency in Myanmar (beriberi): \$1 million
- UNICEF—Deworming Project: \$463,443
- World Health Organization/Food and Agricultural Organization—Avian Influenza Project, which aims to strengthen the veterinary and health systems’ capacity to deal with avian influenza by improving surveillance, diagnostic capacity, and early warning systems in both human and animal sectors: \$1 million
- CARE Australia—Household Livelihoods Program for Rohingya Returnees, Northern Arakan State: \$3.48 million
- National Council of Churches Australia—Relief Programs for Burmese Refugees, which provide shelter, food, and medical services on the Thailand–Burma border: \$703,000
- United Nations Office on Drugs and Crime—Kokang and Wa Initiative, which provides food, basic health services, and support for agricultural production, sustainable land use, and income generation: \$1.9 million
- United Nations Development Programme—Community Development for Basic Needs in Northern Arakan State: \$1.1 million
- World Food Programme (WFP)—Food assistance and livelihood support to returnees and vulnerable communities in northern Arakan State, Magwe Division (Dry Zone), and Shan State: \$3 million

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- WFP—Support for nonfood items such as capacity building for local health workers, construction of water and sanitation facilities, training in building construction, and minor infrastructure development in Northern Arakan State: \$155,000
  - Austcare—Mine Risk Education in Schools, which provides landmine danger education on Thailand–Burma border: \$160,000
  - UNICEF—Juvenile Justice, which aims for the improvement of knowledge and skills of Burmese professionals working with children in conflict with the law: \$600,000
  - UN High Commissioner for Refugees—Activities in southeastern Burma (Thailand–Burma border): \$600,000
  - AusAID—NGO Cooperation Program: \$754,882

### Critique of Expanded Official Development Assistance

Recent developments in the policy discourse concerning Burma have stressed the need for greater engagement with the Burmese regime and increased provision of aid for delivery within Burma. Despite the increasing volume of these calls, there are cogent reasons to doubt the effectiveness of such a shift in policy. In what follows, the case of aid extension is the focus, but the observations apply also, *mutatis mutandis*, to diplomatic and other forms of “engagement.”

The case against the extension of official development assistance to Burma for delivery within the country rests on grounds that relate to both the efficacy of aid in general and the specific characteristics of Burma as a recipient. A primary aim of any policy approach to Burma must be to bring about genuine and sustained economic growth, which will make possible the dramatic improvements in material welfare that are desperately needed by its people. To this end, a key evaluative dimension for the provision of official development assistance is the extent to which aid provision is likely to promote growth. The empirical record on this question is reasonably clear: *Aid expenditure is not in itself productive of improved growth performance.*

The standard argument for official development assistance in relation to growth is based on what William Easterly labels the “financing gap” assumption.<sup>4</sup> According to this position, low national income produces low national saving, and thus, on the further assumption that savings are required to “finance” domestic investment, it constrains capital accumulation in such a way that poor income performance is maintained. Investment is recognized as the engine of growth, but the financial resources required to produce and sustain that investment are lacking. This “gap” is precisely what aid flows are intended to fill, leading to greater investment and hence economic growth.

The argument reflects an excessive focus on inputs at the expense of what are now seen to be crucial elements in growth performance: governance and institutional quality. As Easterly notes, a

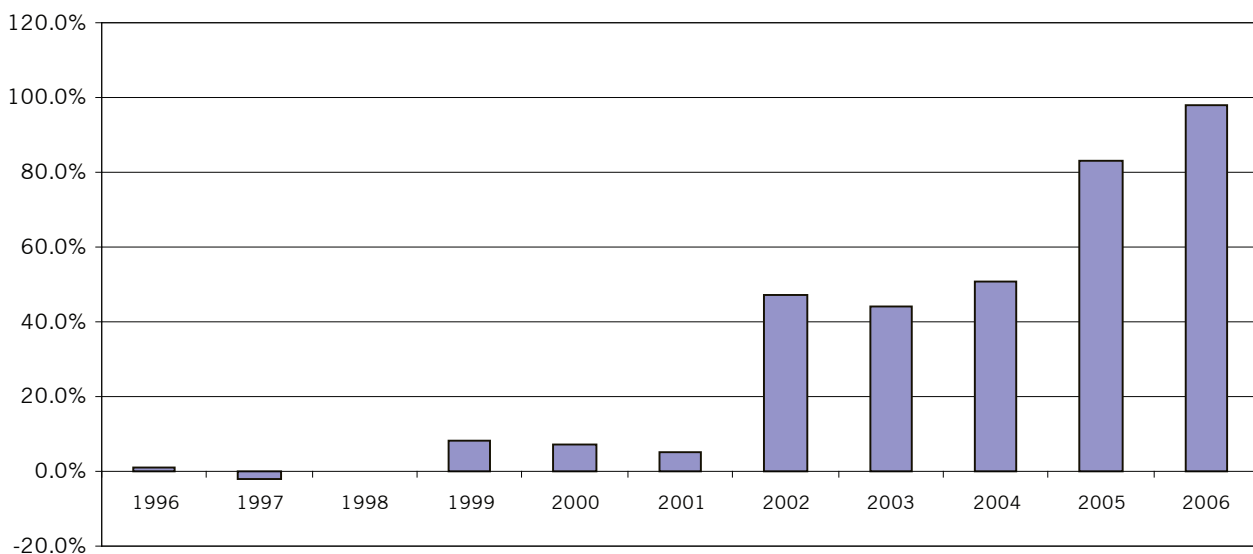
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<sup>4</sup> William Easterly, “The Ghost of Financing Gap: Testing the Growth Model Used in the International Financial Institutions,” *Journal of Development Economics* 60 (December 1999): 423–38.

crucial element of the argument is that aid expenditure flows one to one into investment expenditure. The obvious failure of this to occur lies behind his empirical finding that the financing gap model fails to hold almost universally. Historically speaking, the record of diversion and appropriation of aid funding by authoritarian regimes is a clear signal that where power has been seized and leveraged into large-scale rent seeking, the provision of funding from external sources is unlikely to induce a miraculous change in behavior. Where the incentive to steal is strong, we should not expect theft to be foregone for the national good.

In Burma, the regime's willingness to divert aid funding can be seen clearly in the case of health expenditures. External funding earmarked for health purposes increased sevenfold in the period from 2000 to 2006, and yet it made little impact on overall health expenditures by the regime. Instead, as the following figure makes clear, internal expenditures were reduced at an equal rate, with the result that overall health spending is virtually entirely aid driven. Given that the Burmese regime showed no inclination to spend properly on health prior to the receipt of aid funding, it should be no surprise that the regime maintained this fiscal stance afterward—especially when the prospect of pocketing the difference was added to the equation. For health, as for other categories of official development assistance, there is no real prospect that aid funding provided to the regime would be utilized for its intended purpose. *Therefore, aid to Burma would be a waste of resources if directed through official channels.*

**Table 1. Percent of non-Household, non-NGO Health Expenditure Accounted for by External Financing (Net of NGO)**





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The SPDC regime has provided clear evidence of its willingness to misappropriate externally sourced financing, whether arising from production or from aid-like flows from the international community. Burma's gas reserves in the Gulf of Martaban and in the Bay of Bengal have confirmed recoverable reserves of around 540 billion cubic meters—at present prices and production volumes, enough to bring in around US\$2 billion annually for the next 30 to 40 years. Despite the exploitation of significant fields in these regions since 1988, earnings flows appear to have had little impact on Burma's fiscal bottom line.

The reason for this is exchange rate manipulation. For fiscal reporting purposes, the regime values U.S. dollar earnings at the official kyat-to-dollar exchange rate, rather than in terms of the genuine market exchange rate, which is some 150–200 times greater. The market rate provides a measure of the command of U.S. currency units over Burmese goods and services, as well as expenditures by the regime on projects such as the new capital of Naypyidaw, nuclear reactor purchases from Russia, the extraordinary “physic nut” biofuel campaign, and so on. These projects are occurring while the regime is apparently mired in a perpetual fiscal crisis, despite the immense value of the gas assets—a clear indication of how much of that command is being illicitly skimmed from state accounts.

The use of the official exchange rate by the regime is not necessarily uniform in its dealings with the international community. In the aftermath of Cyclone Nargis, the SPDC presented its assessment of damages and reconstruction costs to the Association Southeast Asian Nations (ASEAN)–UN International Pledging Conference in Rangoon in May 2008. Leaving aside the question of how death tolls for pigs and ducks could be tallied down to the level of the individual animal (665,271 in the case of ducks in private agriculture) at a time when rescue boats were running out of fuel before reaching their intended targets, the SPDC claims were notable in at least two respects.

First, the obvious distortion of the pattern of damage was intended to convey the impression that any funds allocated by the United Nations or ASEAN would be used to rebuild the “private” sector rather than appropriated by the SPDC for its own purposes. Hence, the international community was expected to believe that although affected “private” factories outnumbered state-owned factories by a ratio of around 4:1, more than 50 times as many private factories were destroyed by Cyclone Nargis compared to state-owned ones! For example, the numbers for workshops show a ratio of around 10:1 for private versus state-owned, but the private destruction factor was a whopping 124 times the size. In the case of warehouses—despite there being fewer private warehouses affected—the ratio of buildings described as “collapsed” is still on the order of 12:1. Further extreme non-uniformity was evident in agricultural losses, the starkest examples being the 1.67 million bird discrepancy between private sector and state sector chicken losses and the remarkable good fortune that produced the loss of only three buffalo in the state sector under conditions that put losses of 117,125 animals in the private sector.

Such distortions lay behind the fact that of the more than US\$10 billion that the SPDC sought from the international community for post-Nargis reconstruction, 70% was attributed to the making good of private losses. Notwithstanding the political imperative for this representation,

the fact that the familiar “private/public” distinction is without meaning in Burma makes manifest the malfeasance of the regime in its dealings with the international community. The extent of the regime’s control over the banking system, industrial and commercial activity (through the military-run holdings corporations), and access to foreign exchange, in combination with the ubiquity of corruption, means that productive activity completely independent of state influence is effectively impossible.<sup>5</sup> The minimization of the true impact of Nargis on the economic interests of the SPDC was thus a straightforward attempt to exploit a human catastrophe for the purposes of cheating potential donors.

The second noteworthy aspect of the SPDC claims is the extent to which exchange rate manipulation was employed in order to inflate the overall extent of the damage. A comparison of the stated kyat and U.S. dollar–equivalent damages reported by the SPDC shows that not only was the regime happy to use exchange rates close to the market rate in this instance (perhaps because not doing so would have meant asking for US\$1.5–2 trillion on the basis of the kyat figures), but that no consistent exchange rate was used across the categories of damage. The most notable outliers were the health and education sectors, where the implied exchange rates were one-quarter to one-fifth of what was typically used elsewhere. The effect of the discrepancy was a drastic inflation of the U.S. dollar value of alleged reconstruction requirements as valued in kyat. The net effect of using varying exchange rates was that the regime claimed at least an extra US\$152 million from the international community compared to what would have eventuated if a single market-based value had been used throughout. The primary drivers of this outcome were the anomalies associated with health and education, which, of course, are public sector operations.<sup>6</sup>

The implications of this analysis in the context of an extension of official development assistance to Burma should be clear. The regime has established an unenviable track record of diversion of funds, misrepresentation of needs, and dealings in bad faith. Where official development assistance has been allocated for expenditures on vital public goods such as health, it has been effectively creamed off through substitution. Where humanitarian assistance has been incontestably required, the regime has sought to gouge the international community through misrepresentation of fact and sleight of hand (albeit singularly maladroit) in calculations. That this attitude is adopted toward handouts should not be a surprise given the record of the SPDC with regard to skimming the proceeds of bona fide productive activities.

*The SPDC views Burma’s economy and society exclusively through a rent-seeking lens, and so it follows that no extension of official development assistance to the regime can be expected to succeed in terms of its stated criteria.*

<sup>5</sup> Burma currently ranks above only Somalia on Transparency International’s Corruption Perceptions Index. The House of Commons International Development Committee Eleventh Special Report of Session 2006–2007 on Department for International Development Assistance to Burmese Internally Displaced People and Refugees on the Thailand–Burma Border indicated that this is true also of aid funding, noting that “[p]olitical and humanitarian ‘space’ to carry out the process of poverty reduction and humanitarian assistance is highly constrained.”

<sup>6</sup> The initial findings of the Post-Nargis Joint Assessment (PONJA) exercise highlighted the dishonesty of the regime’s dealings even more emphatically. The estimates of damage were based on sampling at the village tract level and showed, inter alia, that the combined SPDC claims for damages to private housing and industry exceeded credible estimates by around US\$5 billion.

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## The New Constitution

The foregoing conclusion accords with research on the effectiveness of aid generally. A key theme to emerge is that aid is effective only in situations of good governance and in policy environments that encourage the allocation of resources to productive activity and away from wasteful rent seeking and other forms of diversion.<sup>7</sup> Clearly, the SPDC's record in terms of economic policy vandalism is an unmistakable indication that increased aid cannot possibly be expected to "work" in the current context. To this point, there are two common, and erroneous, responses.

The first erroneous response is that the current process of constitutional "reform," which will reach its next milestone in the 2010 elections, will create a space for improved policy design and implementation. The difficulties with this position are clear. The SPDC's record with regard to the electoral process—including the referendum on the new constitution itself—shows that no assurances of freedom and fairness with respect to the election results can be seriously entertained. Furthermore, the constitution itself is inherently flawed in ways that can only impede the growth of good governance in Burma. Although much attention has been paid to the eligibility of Aung San Suu Kyi for the presidency and other offices, the general eligibility requirements for membership in the Pyidaungsu Hluttaw appear to be designed to permanently exclude elements opposed to the current regime from the political process. As such, eligibility to stand is denied, *inter alia*, to a:

- ...person himself or is of a member of an organization who obtains and utilizes directly or indirectly the support of money, land, housing, building, vehicle, property, so forth, from government or religious organization other organizations of a foreign country. Section 121(g)
- ...person himself or is of a member of an organization who abets the act of inciting, giving speech, conversing or issuing declaration to vote or not to vote based on religion for political purpose. Section 121(h)

When added to the standard eligibility restrictions relating to criminal conviction—the incidence of which can be expanded at the discretion of the regime—the criteria cited here appear to provide maximum scope to ensure that members of the National League for Democracy and other opposition groups will be unable to participate in the 2010 and subsequent elections even if they wish to do so.

Furthermore, 25% of seats in the Pyidaungsu Hluttaw are reserved for (unelected) nominees from the country's defense forces. Proposed amendments to the constitution require the approval of more than 75% of the Pyidaungsu Hluttaw members before they can be submitted to a referendum (Section 436 [a]). *Therefore, the central requirement for improvement of governance and institutional quality in Burma is the removal of the military from its central position of power.* The current constitution ensures that the military cannot be excised from the legislative process. Thus, there is no realistic

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<sup>7</sup> For example, see David Dollar and Lant Pritchett, *Assessing Aid: What Works, What Doesn't, and Why* (Washington, DC: World Bank, 1998); and Daniel Kaufman, "Aid Effectiveness and Governance: The Good, the Bad and the Ugly," *Development Outreach*, February 2009, 26–29.

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prospect of the type of institutional reform that would render greater aid to Burma effectively arising from the constitutional changes that have come into effect since 2008.

The second erroneous response to the claim that Burma's toxic institutional environment precludes aid effectiveness is that aid provision on the ground enhances the process of institutional development and the growth of good governance. The mechanisms that are usually invoked are the stimulation of "civil society," leading to the accumulation of "social capital" and to some form of social and political transformation over an unspecified time period. These claims are, at best, specious. There is simply no historical evidence to support the claim that aid improves governance. Casual inspection, for example, suggests that the correlation between official development assistance provision and rankings of institutional quality (such as Transparency International's Corruption Perceptions Index) is, in fact, negative. In addition, the explanations proffered for the causal mechanisms involved in improved governance are universally opaque and without empirical substantiation. Aid cannot render itself effective through institutional metamorphosis.

The preceding point leads to a neglected but vital aspect of aid provision that bears directly on the question of increased aid to Burma. Nongovernmental organizations (NGOs) are among the most vociferous advocates of such increases and the most ardent proponents of the effectiveness of aid. As Easterly shows, the alleged effectiveness need not be realized in outcomes on the ground or in terms of the intended use of donated funds. NGOs as deliverers of aid face a basic economic problem in terms of accountability.<sup>8</sup> The link between their supplied effort and the actual outcomes for those they are attempting to help can be rendered tenuous by factors beyond their control—principally, the actions of rogue regimes such as the SPDC. Such groups have an incentive to deemphasize the auditing of observable results on the ground as a benchmark to judge "success." In common with other activities for which output can be difficult to measure in important dimensions and only moderately correlated with supplied effort (teaching, for example), there is a tendency to measure output by counting inputs. Therefore, successful aid providers are those that attract a greater share of funding (more inputs acting as proxies for more output). In their advocacy for greater funding (NGOs after all require a constant stream of inputs if there are to be going concerns), the meaning of "success" can become blurred and disassociated with outcomes for the target populations.

Indeed, where self-denoted "successful" NGOs claim a greater need for aid provision to Burma, there must be an appropriate degree of rational skepticism rather than an acceptance of the claims as evidence of such need or the likelihood of positive outcomes arising from it. NGOs are agents with multiple ends, including, but not limited to, the welfare of the target populations. The potential for conflict among these ends has consequences for aid effectiveness. The recent International Policy Network report *Fake Aid* documents cases in which NGOs in the United Kingdom were

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<sup>8</sup> See William Easterly, *The White Man's Burden: Why the West's Effort to Aid the Rest Have Done So Much Ill and So Little Good* (New York: Penguin, 2006). For example, a 2005 collective NGO response to the Paris Declaration on Aid Effectiveness stresses the need for greater accountability for *donors*, with only incidental recognition of the need for greater accountability on the part of *recipients*. There is no mention whatsoever of accountability requirements for NGOs (available at <http://www.un-ngls.org/orf/cso/cso7/NGO-Statement.pdf>).

funded by the U.K. Department for International Development to undertake activities variously, and nebulously, described as “communications,” “awareness,” “advocacy,” and “promotion.”<sup>9</sup> These cases represent a discretionary diversion of resources away from direct service provision toward the promulgation of political agendas in donor countries. Aid providers may argue that such activities ultimately benefit target populations in recipient countries. However, it must also be acknowledged that the implied relativities of effectiveness are scarcely credible, and that the decision not to allocate the funds to direct provision involves a paternalistic judgment regarding the welfare of those populations. Clearly, assertions by NGOs regarding the need for more aid funding for Burma do not automatically imply that the funding would actually be utilized for the direct benefit of the Burmese population.

### **Future Directions: Opportunities for Increased Australian Government Support for Cross-Border Aid to Burma**

Notwithstanding the effectiveness of aid to Burma in general, there are grounds for the extension of particular modes of targeted aid expenditure under appropriate circumstances. Currently, there are three areas that are largely unfunded by the Australian government that would contribute greatly to positive change in Burma: cross-border aid, funding for the National Reconciliation Program—with Burma’s ethnic minority groups—and aid to support Burmese migrant workers in Thailand and India.<sup>10</sup>

#### **Cross-Border Aid**

Cross-border aid is implemented via Thailand in the form of training programs. Participants are trained in Thailand to undertake education programs, media programs, environmental monitoring, or medical relief. Those trained then “walk the programs” back into Mon, Karen, Karenni, Chin, Kachin, and Shan states in eastern Burma and implement the programs on the ground with local participants. Equipment taken across the border includes medical equipment or audiovisual equipment for media programs, information gathering, and monitoring. Some cross-border agencies also deliver food aid.

Border-based organizations—such as the Burma Medical Association, Back Pack Health Worker Team, Burma Medical Association, and National Health and Education Committee—have implemented a wide network of programs that deliver preventative and curative medicines to those in the eastern states of Burma who are unable to be reached through Rangoon-based aid. These programs currently provide services to a combined population of more than 386,000 internally displaced persons in eastern Burma, supporting more than 1,500 trained community health workers and underground health centers. Continuous monitoring and evaluation has enabled border-based health and education programs to develop according to the needs and capacities of

<sup>9</sup> This document is available at [http://www.policynetwork.net/uploaded/pdf/Fake\\_Aid.pdf](http://www.policynetwork.net/uploaded/pdf/Fake_Aid.pdf).

<sup>10</sup> Information pertaining to these proposals is extracted from the Union-Aid Abroad–APHEDA concept paper. See APHEDA, “Building the Capacity of Civil Society Groups on the Thai Burma Border, the Eastern States of Burma, and within the Burmese Migrant Worker Community,” May 2009.

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the communities. This has included independent monitoring by donors as well as population-based evaluation surveys. The evolution of this monitoring has led to the development of standardized educational curricula, medical treatment protocols, and data collection methodologies from across different states and ethnic communities. These have led to improved prioritization of program targets and goals.

Border-based NGOs engaged in cross-border activities on the Thailand–Burma border have developed sophisticated mechanisms for recording and monitoring cross-border aid. As some activities are funded by a handful of international donors, international standards for transparency are put in place. APHEDA’s long-term partner, the Burma Relief Centre, has been engaged in cross-border work for years, as has the Thailand Burma Border Consortium. Both organizations have a high reputation and receive international funding, mostly for their work with refugees and ethnic groups in Thailand. Some donors have even allowed funds to be spent across borders. The transparency of any cross-border activity can only be improved by an increase in donors and actors who are engaging in the activity, as they can review and support each other. APHEDA believes that these methods would be sound enough to withstand scrutiny, and under the circumstances, they should be tried so that the civil society actors engaging in cross-border work—at a grassroots level in conflict areas or behind conflict lines—can be supported and recognized as essential to democratic change in the future.

### **National Reconciliation Program**

The National Reconciliation Program (NRP), which began after the 1994 UN Security Council resolution, operates under the belief that tripartite dialogue would be the most effective means of resolving the ongoing conflicts in Burma. The NRP has been enormously successful thus far in its goals. In the few years it has been operating, it has changed the face of ethnic minority representation from being incongruent with civil society and democracy—ethnic-based military groups with top-down structures dominated by males and with little transparency—to being dominated by civil society groups that are truly representative.

The NRP facilitated this change by providing seed funding and encouraging civil society in the form of women’s and youth organizations and organizations focused on health, education, the environment, and other facets of a strong civil society. These groups are democratic in their processes and have adopted international standards of transparency, which has meant that many enjoy funding from international agencies. However, many more are not funded internationally despite their commitment to assist those in the most desperate situations, namely those living in their home states (which would require cross-border aid funding). While the military-based organizations are still present in ethnic communities, they have effectively fossilized and are unable to exert the influence on politics that they once had.

Currently, the NRP is funded by very few government organizations. Its primary funders are the Canadian government, the Euro Burma Office (a coalition of European governments), and the Danish Burma Committee. However, with the growth of the program—which has occurred

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naturally through the representative and community engagement process—the NRP is in need of further funding. Funding can be allocated for its core program of bringing ethnic minority groups together or for seed funding for the activities of smaller community-based organizations.

The NRP process is one of the most significant civil society–building projects on the Thailand–Burma border, and it has already contributed greatly to democratic processes by creating an enabling environment for community voices in ethnic areas. This will ensure that their issues are not subsumed by the undemocratic military bodies of the past. The strength of this program is so great that it is essential for support to come from the Australian government.

### **Migrant Workers**

The economic incompetence of the SPDC has pushed the people of Burma into desperate situations. To survive, many Burmese must migrate out of the country. Migrant workers also come to Thailand to escape forced labor, the systematic rape of ethnic women, forced relocation because of mega-development projects, political harassment and persecution, shortages of food, and a lack of employment opportunities. The distinction between refugees and migrant workers is academic, as Burmese migrant workers have fled Burma for the same reasons as their refugee peers but have chosen to seek work.

While AusAID has provided funding to projects working with the 160,000 or so Burmese refugees who are currently in camps in Thailand, minimal assistance has been provided to the estimated 2 million Burmese migrant workers in Thailand. Refugee workers in Thailand work in jobs that are shunned by the local workforce because of the poor pay and deplorable occupational health and safety standards. Migrant workers in Thailand work in the construction industry in booming areas such as Chiang Mai and in tourist resorts on the beaches of southern Thailand. They work in border towns such as Mae Sot in garment factories, they polish gems, and they also work in temporary agricultural jobs such as fruit picking and seasonal planting. Some of the worst conditions reported are in the fisheries industry and seafood processing, where there are reports of forced and child labor. Migrant workers also face exploitation, poor living conditions, few health programs, job insecurity, deportation, and isolation.

Strengthening workers' organizations and Burma's trade unions (operating in Thailand) is a crucial element in building a strong civil society for a future Burma. As a person must be a Thai citizen to be a member of a Thai-based trade union, a Burmese migrant worker's only option is to form or join a worker's organization. These organizations provide health education for migrant workers and other services such as schooling the children of migrant workers, educating workers about their rights, providing training in occupational health and safety, and, in some cases, providing safety equipment for workers. It is impossible to engage with this sector inside Burma, as unions are banned and repressed by the junta.

Migrant worker organizations also provide workers with access to Thai legal and health services. These organizations help those who are attempting to claim their legal entitlements from

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an exploitative employer through legal avenues. In many cases, migrant worker organizations have been successful in claiming unpaid entitlements for their members or winning them better occupational health and safety conditions. They also provide protection for migrant workers, who are some of the most exploited and vulnerable people in Thailand. Some organizations have even set up safe houses for sick and injured workers.

Through AusAID, the Australian government should provide multiyear funding to a Democracy Fund for Burma. This fund should be used to support and strengthen Burmese civil society operating along the Thailand–Burma border and in Burma’s eastern border states (ethnic minority areas). Funding that is specifically earmarked for cross-border projects is especially required. A further priority is to provide funding that will strengthen and support civil society building through the National Reconciliation Program and through worker’s organizations. A Democracy Fund that is designed to support the development of strong, representative, and effective civil society along the border, both in Thailand and in eastern Burma, and with the ethnic minorities and those working as migrant workers in Thailand and other areas, will strengthen the opportunities for a peaceful and democratic Burma in the future.

For the Australian government to truly support democratic change in Burma through a negotiated solution, it is essential that AusAID genuinely commit to supporting those actors who are, through their daily programs, committed to leading grassroots change in Burma. Indeed, AusAID should also work with Australian-based partners such as APHEDA, Act for Peace, and others engaged with long-standing reputable organizations such as the Burma Relief Centre, National Reconciliation Program, Migrant Assistance Program, and the Thailand Burma Border Consortium. This would be an excellent way to contribute to democratic change in Burma. All of these organizations work with smaller indigenous grassroots organizations to strengthen their capacity and to support them in becoming democratic, transparent, and effective civil society representatives of their ethnic constituencies.

### **Sanctions**

In the absence of fundamental political and economic reform in Burma, the Australian government should maintain its existing array of financial sanctions on individuals who constitute Burma’s ruling military apparatus and those who are connected to it. Australia’s sanctions are especially well targeted and calibrated to the following objectives:

- The average person in Burma has no access to a bank account, much less a need or desire to access the financial system. This is not true for the members of the SPDC or the rent-seeking elite connected to them. Therefore, the denial of access to the Australian financial system for this group sends the right signal to the right people.
- Financial sanctions are necessary to protect Burma against the wholesale theft of its financial and natural resources. Burma is quickly accumulating significant foreign exchange reserves



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from its exports of natural gas. Such revenues are already being disposed of offshore in ways that bring about the least advantage to the Burmese people. Australia's financial system should not aid or abet this activity.

- Financial sanctions protect Australia's own financial system from illicit and unlawful activities. Burma remains a center of "prime money laundering concern," according to the Organisation for Economic Co-operation and Development and other international agencies. Moreover, allowing free access to Australia's financial system by Burmese entities exposes it to an unnecessary source of criminality. This point has heightened relevance now that the production of narcotics in Burma has resumed its large presence in the country's economy.

There will, of course, come a point when sanctions should be reconsidered. For the moment, however, they represent a potential asset for countries such as Australia in undertaking the difficult task of encouraging something better for the people of Burma.

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# Assessing the Current Situation in Myanmar: A Perspective from China

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A report prepared for the Asia Society's Burma/Myanmar Initiative

March 2010

## Executive Summary

**In 1988, the Tatmadaw government**—also known as the State Peace and Development Council—came to power in Myanmar. Since then, the government has implemented a series of reforms, such as abolishing the one-party system; holding an election, which failed, in 1990; establishing a market economy; and opening up to the outside world. In addition, the government concluded cease-fire agreements with ethnic armed forces and ended the large-scale civil war in the country. Generally speaking, the Tatmadaw government has achieved some progress in developing Myanmar.

However, Myanmar still faces many challenges, and it remains one of the least developed countries in the world. Political modernization and national unification are serious challenges. Myanmar's inability to establish a democratic system of governance has impeded the country's economic productivity. Myanmar's market economy is failing, and insufficient attention has been paid to maintaining economic growth and improving the people's welfare. The Myanmar government has spared no effort to reconcile differences among the country's ethnic groups, and it considers the creation of a harmonious society of great importance for the future of the country. Yet armed ethnic groups continue to control some of the country's regions. In foreign relations, Myanmar has faced Western sanctions for about 20 years, and the leadership's aversion to foreign assistance has hampered economic and political development. Globalization has led to increased engagement between Myanmar and the international community. Consequently, the government has had to reconsider its foreign policy strategy in order to adapt to the new international environment.

Myanmar is currently undergoing transformative changes. In May 2008, 94.8% of the population approved a new constitution in a national referendum. This is considered a significant turning point for Myanmar's political development. But recent conflicts between the Tatmadaw government and the armed Kokang ethnic group complicate Myanmar's future. Changes are expected in Myanmar, but they undoubtedly will be gradual.

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The following report provides an assessment of the situation in Myanmar and analyzes the many reforms that are taking place in the country. It also examines relations between Myanmar and the international community and provides insights into China's relationship with the country. Drafted to support a review of international policy toward Burma/Myanmar undertaken by the Asia Society, this report reflects the collective thoughts expressed during a roundtable meeting of policy experts and academics from leading institutions and universities in China. Contributors to this report include:

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### **Political Reform**

Political reform in Myanmar is of paramount importance. Although the Tatmadaw government has made some reforms, such as implementing a “seven-step road map” to democracy and drafting a new constitution, many problems still exist, and progress is slow. Myanmar cannot move forward without complete political reform, economic development, and social transformation.

Myanmar's political reform accelerated in May 2008, when the government held a referendum on the new constitution. For the Tatmadaw government, political reform is characterized by including military officers in the political process, while at the same time promoting democratic reform. Regardless of the structure of any future political setup, the military will be at the center of the country's politics. The politics of Myanmar are the politics of the military elite, and this will remain the case for the foreseeable future. The possibility of overthrowing the Tatmadaw regime or the military leadership is quite slim.

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This is the case for two reasons. First and foremost, the Tatmadaw's power is centralized and, according to the new constitution, opposition parties do not have the means to rebalance political power in their favor at the expense of military. Although the government has experienced many internal conflicts and struggles, it remains united and maintains firm control over power. In the year to come, the government's first priority will be to legitimize its regime by strictly adhering to the seven-step democracy road map and by following through with the general election in 2010. Through the house arrest of opposition leader Aung San Suu Kyi and the crackdown on armed ethnic groups in the Kokang region, Myanmar's government is paving the way for the election.

Moreover, the Tatmadaw government has taken steps to guard its interests and to secure its power. The government has accelerated the adjustment of personnel, and it is preparing for control in the country after the election. For example, a large number of retired military officers are being transferred to local administrative bodies where they can exert more influence, thus enhancing the military's control over the elections. The government has also expanded the number of civil servants in grassroots units or commissions. Until now, few forces or groups were capable of challenging the government's political arrangement.

Second, many factors continue to disrupt the political situation in Myanmar, and these factors will influence future developments to some extent. The first concerns Aung San Suu Kyi and the National League of Democracy (NLD), the leading opposition party in Myanmar. The NLD is supported by Western nations and regarded as a big threat to the government. As the most powerful opposition party in Myanmar, the NLD has shown no hesitation in fighting against the Tatmadaw government for the past 20 years. Recently, however, the Tatmadaw government and the NLD have started to soften their attitudes toward each other and are engaging in a limited dialogue. One government official has even raised the possibility of releasing Suu Kyi and allowing her to have a role in politics. Still, it is unclear how much freedom the government will actually give her.

The second disrupting factor is the presence of national ethnic armed groups—such as the Wa and Kachin—which will continue to pose a threat to the government and to national unity. Indeed, rising ethnic unrest is an urgent threat in Myanmar. Third, exiled dissidents and the monks who were suppressed during the 2007 Saffron Revolution will continue to organize protests against the Tatmadaw government whenever they can. For example, monks both inside and outside Myanmar conducted antigovernment activities during the first and second anniversaries of the Saffron Revolution.

The fourth disrupting factor is that Myanmar has been one of the poorest countries in the world for the past 20 years as a result of its backward economy and education system. Universities do not function properly, and they cannot produce students who are qualified to aid in national development. The poor economy and lack of intellectual capital feed a vicious circle that impedes development in Myanmar. Finally, the United States and the European Union's various forms of sanctions on the country have adversely affected the country, especially the common people. All of these challenges, however, are only affecting the political situation, and are not an existential threat to the government.

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Since the constitutional referendum in May 2008, there have been expected changes in Myanmar's political development. The constitution outlines a scheme for military officers to play a role in politics, allocating one-quarter of the seats in Parliament to the military. In the political structure to come, military officers will be endowed with great powers, through the formation of a National Defense and Security Commission, through their power to designate key cabinet ministers, and through the right of officers to nominate candidates for president and vice president together with the legislative bodies. Additionally, the commander in chief of the Defense Service will have the power to declare a state of emergency. All of this demonstrates that the future of Myanmar politics will continue to be dominated by the military under a seemingly democratic constitution.

Apart from the constitution, next year's general election is believed to be another milestone for Myanmar's political transformation. The significance of the 2010 election lies in the newly elected government. The Western world believes that the election will not be "free and fair." But while the government may be democratic only to some extent, the election will be beneficial for Myanmar's political modernization. The fact cannot be denied that the election—the first since the failed 1990 general election—will readjust Myanmar's political structure and lay a foundation for further political reforms in the country. In addition, a new state regime will take shape that features a bicameral legislature and a multiparty political system. This separation of legislative, executive, and judicial powers will increase the efficiency of governance. Finally, the election and the constitution may facilitate the unity of the nation by replacing the special ethnic regions with self-administered divisions or self-administered zones.

The election and constitution also will help to transform Myanmar's economy. The greatest barrier to economic reform in Myanmar is the lack of efficient political institutions. For that reason, the government cannot ensure a free and fair competitive environment for economic development. Although Myanmar has proclaimed that its market economy has developed in the past two decades, its internal political system has yet to meet the needs of a modern society, especially when compared with China and Vietnam, whose economic and political reforms have been acknowledged as successful.

Additionally, democratic reforms will help Myanmar engage further with the international community. Political reform is conducive to exchanges between Myanmar and the rest of the world. After the establishment of the new government, Myanmar should take steps to strengthen its cooperation with the world. The Myanmar government has always been cautious about opening its education sector to the outside world, but it should begin doing so for students in the country. The government could begin reforms in education by expanding vocational education and technical training programs. For example, the government could encourage students and officials to study abroad, and also invite foreign experts to provide training in Myanmar. Once mutual trust has taken root, the Myanmar government could expand educational cooperation in schools and at the university level by attracting private capital and foreign investment. These positive measures would strengthen the cooperation between Myanmar and the outside world.

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Even if the election goes smoothly, the way in which the new political regime evolves into a democratic system will depend on the decentralization of the Tatmadaw. In a diversified Myanmar, effective governance calls not only for the decentralization of the government, but also for the sharing of administrative power at various levels.

### **Economic Reform**

Myanmar is one of the least developed countries in the world, and its market economy has yet to develop fully. According to the International Monetary Fund, in 2008, Myanmar's gross domestic product was approximately US\$27 billion, and per capita gross domestic product was US\$474. Although Myanmar brought in substantial revenues from gas and oil exports, most of the money was used to strengthen the military forces and build a new capital at Naypyidaw—just some of those revenues have been used to improve the welfare of the common people.

Efforts should be made to speed up economic development and improve economic competitiveness in Myanmar, and there are several ways to do this. First, a central bank that is independent from politics should be established to consolidate the financial market. At present, the lack of a stable policy for macroeconomic control is an impediment to development. Decisions concerning Myanmar's economy change infrequently, and when they do, they often are not based on reasonable, scientific research. The establishment of a central bank would ensure that decisions are based on scientifically valid economic principles, rather than on the whims of political leaders. Moreover, Myanmar's exchange rate should be reformed through the central bank. Currently, different exchange rates in Myanmar—the official rate (1 USD to 6 kyats), a market rate (1 USD to 1,100 kyats), tariff rate, and bank draft rate—confine the entry of foreign capital into the country.

Second, reforming state-owned enterprises will promote economic growth. For years, Myanmar's state-owned enterprises have produced low profits. As a result, those firms rely on government subsidies to survive. Subsidies account for 75% of Myanmar's total budget, creating large fiscal deficits. Although the government has privatized some poorly managed companies, progress has been very slow. For small and medium-sized companies, the government should render more support and protection to create a fair environment for competition, as well as grant more loans to guarantee enough capital enterprises.

Third, Myanmar's government should take full advantage of capital to accelerate the marketization of the country's agriculture sector. Agriculture forms the basis of Myanmar's economy, but much of the country's cultivable land is abandoned. Agricultural reform should be undertaken quickly to secure the livelihood of the many farmers in the country.

Indeed, the essence of Myanmar's economic reform lies in the training of specialists. Myanmar's education system, however, does not nurture the development of intellectual capital. For example, courses are condensed, and the government has built many campuses to scatter students for the purpose of preventing antigovernment activities. This abnormal education system hardly improves the quality of education for students, nor does it promote the development of specialists. Education reform should concentrate on primary and higher education, as well as

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vocational education. The people of Myanmar must possess the requisite skills and knowledge to run their own economy.

### **Foreign Relations**

Myanmar has faced Western isolation and sanctions for the past 20 years. In order to survive, the country has developed close relations with other Asian countries, as well as Russia. Recently, relations between Myanmar and the United States have improved greatly. On September 18, 2009, for example, Myanmar's foreign minister, Nyan Win, was allowed to meet with Burmese embassy staffers in Washington, D.C. Nyan Win also met with a U.S.–Asian business council and with U.S. Senator James Webb, who has advocated engagement with the Myanmar government. Myanmar's Prime Minister, Thein Sein, also met with Senator Webb on September 28 during the UN General Assembly meeting.

In early November Kurt Campbell, the U.S. assistant secretary of state for East Asian and Pacific affairs, led a high-ranking delegation to Myanmar and met with Thein Sein, Suu Kyi, and members of the NLD. On November 15, U.S. president Barack Obama met with Thein Sein during the first U.S.–ASEAN Summit. The meeting was the first to take place between the two countries' head of government in 43 years. These initial steps in the warming of relations between the United States and Myanmar are likely to improve the foreign environment as relations between the two countries develop in the coming months.

Some countries, especially in Asia, believe that Myanmar does not pose any serious threat to the outside world because, for decades, it has adopted a policy of peaceful diplomacy and nonalignment. However, some Western countries believe that Myanmar's situation is not just a domestic affair, but also has an impact on countries in the region and in the world more broadly. The West has cited the Tatmadaw government's long grip on power, the country's drug problems, human rights abuses, humanitarian crises, and severe poverty as evidence of Myanmar's influence on international stability. Moreover, Myanmar's arrest and detainment of Aung San Suu Kyi challenge Western values of democracy and human rights, and Western countries cannot tolerate such antidemocratic activity. Even the International Criminal Court has condemned the government's infringement on human rights, accusing its leaders of committing crimes against humanity.

Some neighboring countries, including the countries of the Association of Southeast Asian Nations (ASEAN), have been affected by the situation in Myanmar. Thailand, for example, has received the largest number of refugees from Myanmar, and this issue has had an impact on bilateral relations. During the Kokang incident in August 2009, tens of thousands of people from Myanmar fled to China. Riots and disturbances in Myanmar could harm China's investments and economic interests in the region. Additionally, the northern and eastern regions of Myanmar are major centers of drug production. As the second-largest drug-producing country in the world, drugs from these areas in Myanmar are smuggled throughout Asian, especially to China and Thailand, and beyond.

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Despite these concerns, the international community has cooperated in helping to resolve the problems in Myanmar. Bilateral and multilateral cooperation has turned out to be a useful platform, and it should be enhanced. The coordinating group that was formed to handle the Cyclone Nargis disaster in 2008—consisting of the Myanmar government, ASEAN, and the United Nations—is a useful example of international cooperation. The international community should also help Myanmar maintain stability and development by facilitating negotiation between Myanmar’s opposition parties and the current government.

Additionally, international financial aid could effectively push Myanmar’s development forward. The first priority, however, should be to establish mutual trust. Myanmar is a sensitive country, often taking precautions before receiving foreign aid. Many officials in Myanmar—who only speak Burmese—dislike communication with the rest of world and lack international experience. They also are quite skeptical about aid that comes with political conditions. Therefore, international aid should aim to allay Myanmar officials’ reticence and render financial aid without any political conditions. Myanmar is in desperate need of foreign aid, especially in areas such as disaster reconstruction, poverty relief, medical care, and prevention of epidemics. Nongovernmental organizations (NGOs) and official aid are two channels that are available to assist Myanmar. Aid from NGOs can play an active role in promoting exchanges between Myanmar citizens and the rest of the world, while official aid can render much-needed financial support.

Equally, the Myanmar government should increase its engagement with the international community. This can be done in many ways. First, the Myanmar government should continue to make progress in national reconciliation. Second, more experts and intellectuals should be given high-ranking positions in the government. The Myanmar government can support this goal by opening education to the outside world, allowing foreign experts to teach in Myanmar, and sending students to study abroad. Third, international NGOs should be permitted to conduct activities in the country. The government can begin by allowing NGOs to work in areas that are less sensitive, such as environmental protection and health care. Fourth, tourism to Myanmar should be expanded and promoted. Fifth, transparency in the decision-making and policy-implementing processes should be improved. This will greatly improve cooperation with the outside world. Finally, Myanmar should play a more active role in regional affairs and in the international community.

The countries and international organizations providing assistance to Myanmar, however, have difficulty coordinating their efforts. The interests of China, India, ASEAN, and the United Nations differ, making it hard to act simultaneously. Different approaches also exist within ASEAN. The Philippines, Thailand, Indonesia, and Singapore are inclined to criticize Myanmar, whereas Vietnam and Laos are more tolerant. Outside ASEAN, India’s position is similar to Thailand’s, while China pursues an independent diplomatic policy toward Myanmar. The United Nations is the most influential international organization in the world and addresses the Myanmar issue most comprehensively.

China respects Myanmar’s sovereignty, does not interfere in the country’s internal affairs, and encourages the country to engage with the international community. Indeed, China and Myanmar



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have a long history of friendly relations. In 1949, Myanmar became the first noncommunist country to officially recognize the newly established People's Republic of China. Myanmar is a neighboring country with which China has lived peacefully and maintained good relations. Since the Tatmadaw government came to power in 1988, political, commercial, and military relations between China and Myanmar have grown as their interests have become aligned. China has become an important partner for Myanmar in trade, economic assistance, and investment. In 2008, bilateral trade reached US\$2.63 billion, increasing 26.4% compared to the year before. In fiscal year 2008–2009, China's investment in Myanmar was US\$856 million, which ranked first among the investors in Myanmar that year.

The outside world often exaggerates China's influence on Myanmar. According to a recent report prepared by the International Crisis Group, China's influence on Myanmar is not as great as is widely assumed. According to the report, China may be able to extract minor concessions, but these have never led to fundamental changes in Myanmar. China could not stop the conflict between the Myanmar army and the Kokang cease-fire group. That conflict forced an estimated 30,000 Kokang and Chinese to flee from Myanmar into China's Yunnan Province, and the Chinese Foreign Ministry noted that the conflict "harmed the rights and interests of Chinese citizens living [in Yunnan]." The report also said that China's influence is limited by the Tatmadaw government's profound distrust of China and its anxiety about domination by China (which will not occur). Moreover, Myanmar's leaders are sensitive to outside interference, and therefore have developed relations with India, Russia, ASEAN, and other countries to balance China.<sup>1</sup>

Bilateral relations between China and Myanmar are nevertheless on a stable base, and dialogue between the two countries is frequent. On September 28, 2009, for example, General Tin Aung Myint Oo, first secretary of the Myanmar government, attended a reception in honor of the sixtieth anniversary of the People's Republic of China in Rangoon along with Lieutenant General Myint Swe, the chief of the Bureau of Special Operations-5, which oversees the Rangoon Regional Military Command, and other senior officials.

## Security Issues

Myanmar has been struggling with some long-simmering security issues. For example, Myanmar is faced with an unstable situation in the country's ethnic areas and instability resulting from the flow of refugees to neighboring countries such as Thailand and Bangladesh. In addition, drug smuggling out of Myanmar threatens the stability of other countries.

More recently, a new security issue has begun to attract global attention—Myanmar's nuclear ambitions. Rumors of Myanmar's "nuclear plan" have circulated in the Western media, and even U.S. Secretary of State Hillary Clinton has voiced concern over the country's alleged nuclear aspirations. However, it is doubtful that an impoverished country like Myanmar could even produce an atomic bomb, especially in the short term.

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<sup>1</sup> International Crisis Group, "China's Myanmar Dilemma," Asia Report no. 177, September 14, 2009.

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Behind the spread of rumors, there are other media fabrications. The international press corps has played up Myanmar's nuclear plan, reporting that Myanmar has acquired nuclear technology and weapons from North Korea. These allegations have come up at a time when nuclear proliferation concerns regarding North Korea and Iran have become hot-button issues in the Western media. The *Sydney Morning Herald*, for example, broke the news on August 1, 2009, reporting that Myanmar had embarked on a clandestine nuclear project with assistance from North Korea that was aimed at acquiring its first atomic bomb within five years. The article further alleged that Myanmar had been providing Pyongyang with enriched uranium in exchange for nuclear technology. On August 3, a Russian newspaper quoted exiled Myanmar scholars who said that the number of Myanmar's nuclear experts would reach 1,000 by the year 2012.<sup>2</sup>

This situation has drawn the attention of the United States. In July 2009, U.S. Secretary of State Clinton raised the specter of a close North Korea–Myanmar collaboration to develop nuclear weapons as a dangerous precedent during her visit to Thailand to attend ASEAN's Regional Forum. Moreover, she voiced concern that such a collaboration would threaten neighboring countries and regional stability. Kurt Campbell, U.S. assistant secretary of state for East Asia and Pacific affairs, also speculated that Myanmar intends to reinforce its cooperation with North Korea for the purpose of obtaining a nuclear weapon.

The Myanmar nuclear issue, however, is underfinanced and unrealistic. Myanmar did indeed pursue a nuclear plan starting in 1956, but the plan was abandoned when Ne Win took over Myanmar's government six years later. Recent efforts by Myanmar to build a nuclear reactor, this time with Russia's help, foundered as well. Initially, Moscow agreed to help Myanmar establish a nuclear studies center, including a nuclear reactor, in 2002, but the program was shelved the following year because of severe financial problems. In 2007, Myanmar and Russia signed an agreement to restart the program with the participation of Russia's State Atomic Energy Corporation.

Andrew Selth, an Australian academic and military expert, believes that the construction of a nuclear reactor in Myanmar has made little progress because of a lack of funding and technical difficulties. It is highly unlikely that Myanmar will fulfill its nuclear ambitions any time soon, and this is attributable in large part to its backward economy. With a gross domestic product of only US\$27 billion in 2008, a massive external debt of US\$6.7 billion, and limited foreign exchange reserves of US\$3.6 billion, there is no way that an undeveloped country such as Myanmar could afford the high costs of a nuclear project. In addition, and despite the country's nuclear reactor program with Russia, Myanmar does not possess the technical expertise and material support necessary for producing such weapons.<sup>3</sup>

Additionally, Myanmar has stated that any nuclear reactor will be used for civil purposes. The country signed the comprehensive safeguards agreement with the International Atomic Energy Agency (IAEA) in 1995. Under the tight regulations of the IAEA, it would be difficult

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<sup>2</sup> Hamish McDonald, "Revealed: Burma Nuclear Bombshell," *Sydney Morning Herald*, August 1, 2009.

<sup>3</sup> Andrew Selth, "Burma and Nuclear Proliferation: Policies and Perceptions," Griffith Asia Institute Regional Outlook, Paper no. 12, 2007.

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for Myanmar to undertake clandestine nuclear activities should it decide to enrich plutonium to produce nuclear weapons. Indeed, U.S. intelligence agencies have no evidence linking Myanmar to a nuclear weapons program, nor have IAEA officials made any comments on these allegations. There also is no hard evidence showing nuclear cooperation between Myanmar and North Korea.

There are several reasons for these allegations. First, one agenda clearly exists to sever North Korea's economic and trade contacts with Southeast Asia. In June 2009, for example, neither Myanmar nor any other Southeast Asian nations would dare allow Kang Nam 1, the North Korean cargo ship reported to be sailing to Myanmar for trade in weapons, to land ashore. In the future, it would be extremely difficult for North Korean ships—even those with ordinary goods aboard—to conduct normal transactions with Southeast Asian countries.

Second, the justification of sanctions on the basis of democracy and human rights has had little effect on the Myanmar regime and has not been supported by ASEAN. By igniting the Myanmar nuclear issue and possibly exaggerating nuclear proliferation concerns in the future, Western countries could “create” a nuclear-armed Myanmar. In this way, they could dramatize the country's threat to the region, create an atmosphere of fear, and encourage pressure from the international community, including ASEAN. The West then could use the nuclear threat to add further pressure on the Myanmar regime to reform and leave Myanmar more isolated than it already is.

Many questions remain about whether Myanmar will obtain its own nuclear weapons. Nonetheless, the cloud surrounding Myanmar's nuclear ambitions may expand in the future, so long as the West keeps playing up these rumors. Some U.S. nuclear nonproliferation experts have called on the IAEA to launch an investigation on Myanmar. When it comes to Myanmar's nuclear issue—as with the threats presented by Iraq's weapons of mass destruction—any slight misunderstanding could easily end up becoming another international incident.

### **Racial and Ethnic Issues**

More than 100 ethnic groups live in the Union of Myanmar, and conflicts between them have always existed. After the country gained independence in 1948, the conflicts became severe, and the central government sought to unify the country. Some ethnic groups, such as the Karen, Shan, and Kachin, however, wanted independence. The central government would not grant them independence and waged a campaign to defeat and destroy the many armed ethnic groups, such as the Karen National Liberation Army, the Shan State Army, and the Kachin Independence Army. Myanmar then fell into 40 years of civil war, which greatly affected social and economic development in the country.

After 1988, the country went into a period of relative peace. When the Tatmadaw government came to power that year, it changed the policy of controlling and defeating the armed ethnic groups and successfully concluded cease-fire agreements with 17 groups by 1997. This brought the cease-fire groups into the legal fold. The Kokang group, for instance, formed the Myanmar Nationalities Democratic Alliance Army in March 1989. The Wa ethnic group formed the Myanmar National Solidarity Party in May 1989, and the Shan State Army entered the cease-fire agreement in June

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1989. The Shan and Akhar national group in eastern Shan State formed the National Democracy Alliance and Army Military and Local Administrative Committee in June 1989.

The Tatmadaw government has allowed some ethnic groups to establish special regions to govern their own affairs and maintain their own armed forces. The Myanmar government has also provided significant funding to the border areas and formed the Ministry for Progress of Border Areas and National Races and Development Affairs to lead the development of the border areas where many ethnic groups live. The interests of the ethnic groups, however, often clash with those of the central government. The Myanmar government hopes to achieve real unification quickly, and it has attempted to weaken the power of the armed ethnic groups by persuading and even ordering them to give up their arms. Mutual trust is very fragile, and relations are still very tense despite the signing of cease-fire agreements.

The new constitution of 2008 prescribes the establishment of self-administered zones for some of the larger ethnic groups. These zones, which include the Naga, Danu, Pa-O, Palaung, Kokang, and Wa ethnic groups, will continue to be led by the central government, however, and the constitution reaffirms the preeminence of the Tatmadaw government in the nation. All of the armed forces in these zones are to stand in accordance with the constitution, and armed ethnic groups are to transform into border guard forces under the control of the commander in chief of the Defense Service. The Tatmadaw government has said that this will guarantee the security, interests, and basic needs of the ethnic groups. Moreover, the armed ethnic groups will be allowed to form political parties and participate in the general election in 2010, and leaders of the ethnic groups will be permitted to take seats in the administrative organs of the regions. In April 2009, the Tatmadaw government asked the ethnic groups to transform into border guard forces by the following October.

The ultimatum, however, was rejected by the larger ethnic groups in northern Myanmar, such as the Wa, Kokang, and Kachin, whose armed members total about 40,000. These groups believed that the Tatmadaw government would be unable to guarantee protection of their interests, safety, and property. They also worried that they would lose the right to explore resources in their special regions. Tension increased between the two sides, and on August 8, 2009, the Myanmar government sent troops into the Kokang ethnic region. On August 30, after a series of violent confrontations, the Myanmar government declared that it had gained control over the region.

The Kokang army was one of the weaker ethnic armed groups. Since this incident, the Tatmadaw government has maintained the presence of tens of thousands of troops in northern Myanmar, and the Kachin, Wa, and Shan ethnic groups have been on alert and have mobilized their own troops to strengthen their defense. For now, the situation in northern Myanmar seems to be calm, and the ethnic groups are engaging in dialogue with the Tatmadaw.

Since Myanmar gained independence in 1948, the central government has not resolved the ethnic issue. If violent conflicts such as that with Kokang occur again, it will greatly affect the general election. Peaceful negotiation and resolution is the best way to resolve the issue.

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# From Isolation to Engagement: Reviewing India's Policy toward Myanmar

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A report prepared by the Indian Council for Research on International  
Economic Relations for the Asia Society's Burma/Myanmar Initiative

March 2010

## Executive Summary

**This report summarizes the views and perceptions** of policy experts and scholars in New Delhi who are interested in Myanmar and follow developments there with some regularity. It should be clarified at the outset that the primary focus of their interest has been on what India's policy toward Myanmar should be and why. The participants who contributed their thoughts to this report closely follow the internal situation in Myanmar. They have looked at the country's external relations, mainly in the context of the evolving situation in Myanmar and its relevance to the debate relating to the formulation of India's policy toward the country. There is and has been very little interest—substantively, conceptually, or otherwise—in whether political change in Myanmar is desirable or possible and how this can be brought about through domestic or international action. The report assesses the political and economic situation on the ground in Myanmar. It looks at how this situation could evolve domestically through the own volition of the regime, how change could be promoted through international efforts, and, finally, but most importantly, a summary and rationale of India's current policy toward Myanmar.

This report was written by Ambassador Ranjit Gupta, who co-chaired a roundtable discussion held on September 12, 2009, at the Indian Council for Research on International Economic Relations (ICRIER) to assess India's policy toward Myanmar. Ambassador Santosh Kumar, a senior consultant at ICRIER, co-chaired the discussion. Prior to the convening of the roundtable, questions were circulated in advance. Participants in the roundtable included:

- Dr. Sreeradha Datta, Research Fellow, Institute of Defense Studies and Analyses (IDSA)
- Ambassador Ranjit Gupta, Member, National Security Advisory Board, and Visiting Fellow, Institute of Chinese Studies

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- Brigadier (Retired) Gurmeet Kanwal, Director, Centre for Land Warfare Studies
  - Ambassador Santosh Kumar, Senior Consultant, ICRIER
  - Mr. C. S. Kuppuswamy, Analyst, South Asia Analysis Group, and Former Director, Cabinet Secretariat, Government of India
  - Major General (Retired) Anil Kumar Lal, Former Fellow, IDSA, and author of *Neo-Terrorism and Indian Experience and Space Warfare and Military Strategy*
  - Ms. Neha Malik, Research Assistant, ICRIER
  - Professor P. Stobdan, Senior Fellow, IDSA
  - Colonel (Retired) R. S. N. Singh, author of *The Military Factor in Pakistan and Bangladesh under Siege*
  - Dr. K. Yhome, Associate Fellow, Observer Research Foundation

The roundtable and the drafting of this report were undertaken as part of an Asia Society–sponsored review of international foreign policy toward Burma/Myanmar. This report contributes a perspective from India to this initiative. Additionally, a detailed paper was prepared by Ranjit Gupta, titled “Myanmar and India’s National Interests,” for ICRIER in another context in early 2009. The paper underwent a peer review process involving 15 individuals, four of whom were previous Indian ambassadors to Myanmar. Other reviewers included those who served in positions in which they dealt officially with Myanmar, as well as academics. In penning this report, their viewpoints have also been taken into account.

### **The Internal Situation in Myanmar: Is Change Possible?**

In April 2009, Myanmar’s regime announced that ethnic groups must disarm and transform their militias into “border guards” under the command and authority of the military. This order was carried out in the context of requirements in the new constitution, promulgated in 2008, stipulating that no organized armed entity can exist in the country outside the control of the ruling regime, the State Peace and Development Council (SPDC). This order also ensures that elections can be conducted in all parts of the country under the supervision of the SPDC.

Despite lengthy negotiations, cajoling, and threats—and even requests for China’s help—all of the major ethnic groups in Myanmar refused to disarm. In the summer of 2009, the Myanmar regime, in alliance with the Democratic Karen Buddhist Army, launched a new offensive in its ongoing military campaign against the Karen National Union, sending thousands of Karen refugees into Thailand. In August 2009, military operations were launched against the Kokang ethnic group, who live along the China–Myanmar border and have political, ethnic, and linguistic ties with China. The military operation caused thousands of Kokang and Chinese refugees to flee into China, straining Sino-Myanmar relations.

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The regime's determination to disarm all ethnic groups prior to the 2010 elections could unravel the cease-fire-induced peace with Myanmar's ethnic groups that have existed since the early 1990s. Most of the adverse destabilizing consequences would manifest themselves along the border with China. As China has long-standing economic and military links to most of the ethnic groups involved, its evolving attitude towards this issue will have a major influence on the evolution and outcome of events. China certainly would like to do everything possible to prevent instability along the border. This could either compromise the strong Sino-Myanmar relationship or make the Myanmar regime even more dependent on China. The silver lining is that this imbroglio could open up possibilities for China's cooperation with the international community in relation to Myanmar.

In the context of possible difficulties with China, there is also growing concern within the Myanmar regime and mounting public resentment in Myanmar toward the influence of China in increasing parts of the country and of China's growing penetration—verging on domination—of Myanmar's economy and natural resources. The alleged brutality of Myanmar's soldiers toward Chinese immigrants settled in the border areas during the recent operations against the Kokang is a clear manifestation of this growing resentment. China's concern is evident in its unprecedented statements and demands calling on the regime to treat Chinese in Myanmar properly and to compensate them with US\$41 million for damages to Chinese-owned businesses and property. Indeed, the regime in Myanmar clearly wants to decrease its dependence on China and the nature and timing of the warming of relations between the United States and Myanmar in recent months may not be entirely coincidental. These developments could prod the Myanmar regime toward enhanced and meaningful interaction with the international community.

The fact that an election is being held at all—for the first time since 1990—is enormously significant. Clearly, the elections are not going to be a credible exercise in terms of conforming to internationally acceptable election standards. However, there is no point in insisting that international observers be allowed into Myanmar for the elections or placing other intrusive demands on the regime. Such requests will almost certainly be turned down, and therefore will vitiate the evolving atmosphere for meaningful international dialogue, which could lead to desirable domestic political changes in the country.

However stage-managed the elections inevitably will be, they will open up a space for the public to come out and talk politics. The elections will provide an opportunity for new political groupings to emerge, and this has already begun to happen. Thant Myint-U has remarked that “2010 will at the very least represent the biggest political shake-up in Burma in 20 years. All kinds of new structures are being created, and this is happening at the same time as an important generational transition within the armed forces leadership. At the very least, it's a big internal transition and perhaps [presents] new opportunities.”<sup>1</sup> Therefore, the process under way in Myanmar must be encouraged and not hindered in any way.

Unfortunately, conditions for instability are brewing even before the elections. It is possible

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<sup>1</sup> Charles McDermid, “Interview with Thant Myint-U: Missing the Point on Myanmar,” *Asia Times Online*, July 4, 2009.

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that in view of growing uncertainties on the ethnic front and potential problems with China, the Myanmar regime may find it expedient to postpone the elections. Elections represent at least a baby step forward, and nothing should be said or done by foreign governments to provide the regime with any excuse to call off or postpone the elections. Foreign governments and exiled political groups based abroad should use all of their influence within Myanmar to encourage all groups and parties in the country to participate in the elections. In particular, and despite virtually crippling restrictions, the National League for Democracy must be encouraged to change its current stance and participate in the elections.

Whatever the composition of the Parliament turns out to be after the election, the constitution is unclear about the setup of the new government. It is not easy to know where Senior General Than Shwe will fit into the new government, and whether he will serve as commander in chief or as president. Either would be problematic for protocol reasons, which cannot be easily dismissed given Than Shwe's persona. Moreover, neither scenario would allow Than Shwe the clout that he has become used to wielding for the past two decades. Fitting in General Maung Aye will be equally difficult. If both Than Shwe and Maung Aye are not in positions of absolute control and executive authority, it is virtually inevitable that the aura and substance of their authority will start to diminish. Having invested huge political capital in both the new constitution and the holding of elections, it would be difficult now to reformat the envisaged postelection government structure to accommodate a continuing high-profile executive role for both Than Shwe and Maung Aye for any length of time. Change, therefore, seems inevitable, however gradual it may be.

Under the new constitution, there will be a president and two vice presidents. Most ministers, high-ranking officials, one-quarter of Parliament members, and all other officials in elected bodies down to the village level will be nominated by the military. These officials will have to resign from the military in order to hold these positions—thus, a new “civilian” structure will be established. This will be very different from the current setup under the SPDC. Of course, the constitution is framed so that the military retains a huge reservoir of power, which could be exercised at the discretion of the commander in chief. Nevertheless, there would be two categories of “military” officers, and this could lead to interesting possibilities as new and potentially competing interests emerge.

The regime, however, has maintained loopholes in this process. The lack of a time frame for drafting a presidential election law—which impacts the timing for electing the president and forming the government—could allow the current SPDC-dominated structure to prolong its hold on power until the regime surveys its options under a changing international attitude toward it.

Nevertheless, it certainly seems that the regime is signaling to the people of Myanmar that political change is possible. First, the languid pace at which the regime was proceeding on its seven-stage road map for democracy unveiled in 1993 suddenly accelerated starting in 2007. This includes the rushed completion of the work on the constitution by the National Convention, the hurried “approval” of the constitution through a nationwide referendum, the announcement that elections will be held in 2010, and frequent announcements by the regime of various preparatory steps in the run-up to the elections.



Second, the manner in which the regime handled the recent visit by U.S. Senator James Webb to Myanmar is a further indication that political changes are possible. During Senator Webb's visit, he was allowed rare meetings with detained opposition leader Aung San Suu Kyi and the SPDC chief, Senior General Than Shwe. This was the reclusive general's first meeting with a senior U.S. political figure, and the manner in which the state-controlled media portrayed it for domestic consumption was unprecedented. "It is indeed the first step toward marching to a 1,000-mile destination," said the commentary in the Myanmar *Ahlin* and *Kyemon* newspapers and the English-language *New Light of Myanmar*. The report added that the junta "enthusiastically cooperated with Webb because of its stance to deepen bilateral relations and relieve the disagreements between the two countries."<sup>2</sup>

Finally, the less than sure-footed manner in which the regime has handled Suu Kyi-related developments encourages speculation about the government's intentions. The regime, for instance, granted Suu Kyi access to diplomats on the first day of her trial and halved her sentence immediately after the verdict was announced. The Myanmar government also granted her a meeting with Senator Webb after refusing two personal requests made by United Nations Secretary-General Ban Ki-moon during his visit in July. Moreover, the government permitted publicity around her recent letter to Senior General Than Shwe and arranged a meeting between her and the regime's liaison minister, Aung Kyi, in October, the first such meeting since January 2008.

Developments over the last several months and the potential postelection scenario provide hope for self-induced and self-propelled change. This is by far the best way forward rather than change being seen as forced or imposed from outside. The most productive and positive results-oriented approach would be for the international community to welcome and encourage all signs of change as they emerge without getting proactively involved in the process or prescriptively seeking previous publicly outlined objectives.

### **What Can the International Community Do?**

The Myanmar regime's main priority is to ensure its own security and continuity through control over the country, its people, and its natural resources. Whatever may be said about or against the generals, they are passionate nationalists and harbor an innate and strong suspicion of foreign countries, particularly neighboring countries. The regime's tunnel vision is distinctly inward oriented. The reality is that Myanmar has not and does not pose a threat to neighboring countries, let alone to other states.

Many odious regimes around the world with less than desirable domestic and foreign policies exist. Many of these regimes enjoy considerable interaction with Western countries, and in several cases, they receive active support and patronage. The Myanmar regime is not unaware of these invidious distinctions. The more a regime is demonized and ostracized, the less amenable to change it will be and the more paranoid it will become. Some have suggested that the generals should be

<sup>2</sup> Associated Press, "Junta's Media Hail U.S. Senator's Visit," *The Irrawaddy*, August 18, 2009, [http://www.irrawaddy.org/article.php?art\\_id=16588](http://www.irrawaddy.org/article.php?art_id=16588).

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tried for crimes against humanity after being deposed or relinquishing power. This approach only perpetuates paranoia among the Myanmar regime, is unhelpful to arriving at solutions, and should be explicitly abjured. In short, Western countries first need to change their mind-sets before they can persuade the Myanmar regime to change its own mind-set.

For example, why should the West insist on using “Burma” as the name of the country? This is an entirely unnecessary irritant that serves no practical purpose, useful or otherwise, and constitutes a gratuitous affront to the regime, the mind-set of which the West wishes to change. Therefore, switching to its official name, Myanmar, which is recognized by the United Nations and all of Myanmar’s neighbors, is the easiest self-imposed barrier to remove. Doing so would send a very useful confidence-building message to the regime. Another potentially useful step would be for the United States to reinstate an ambassador to Myanmar.

Economic sanctions are meaningless, even counterproductive, if they are not adhered to and coordinated with other countries. Most governments in Asia believe that sanctions and isolation imposed on the regime have been the two largest impediments to change in Myanmar and have driven Myanmar into China’s ever-tightening embrace. Western sanctions had an immediate adverse impact within weeks of their initial announcement, and their continuation is hurting the people of Myanmar progressively harder. Both the regime and the people of Myanmar see the sanctions as a hindrance and a nuisance. Sanctions have been largely ineffective in deterring the regime from pursuing the same policies that the sanctions were designed to deter in the first place. The junta is in firm control of the country’s natural resources and the revenues earned from them. This enormously significant source of the Myanmar regime’s strength remains totally unaffected by sanctions. As Thant Myint-U has stated, “Sanctions are extremely counter-productive, in that they have held back two forces—American soft power and global capitalism—that could have actually started to change things. In Burma, through limited Western sanctions, I am afraid we have created the perfect political economy for continued authoritarian rule.”<sup>3</sup>

Western countries, and the United States in particular, do not have vital national interests in Myanmar remotely similar to those of Myanmar’s direct neighbors. Therefore, the West can afford to occupy the moral high ground and criticize, preach, and isolate the regime (even discouraging tourism) while imposing escalating sanctions. These punitive measures have not materially affected the regime, but have only hurt the Myanmar people. If the international community really desires change in Myanmar, then sanctions have to be scrapped, however unpalatable this step may be. Removing sanctions would also bring the West closer to the policies of Asian countries and facilitate concerted international interaction with the regime.

Though there are many who are skeptical about the impact of a radical change in U.S. policy toward Myanmar, this is the only meaningful, untried option left. Whether it is Iran, North Korea, or Myanmar, the leaders of such countries want international acceptance, respect, and direct bilateral engagement with the United States without preconditions. The emergence of many

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<sup>3</sup> McDermid, “Interview with Thant Myint-U: Missing the Point on Myanmar.”

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encouraging signs from the United States in recent weeks, and equally, if not more encouragingly, a positive response from the regime, are welcome developments. It is an unavoidable and necessary condition for the United States to offer unconditional engagement if a breakthrough in U.S.–Myanmar relations is to occur. This will create grounds for mutually agreed conditions in the give-and-take of subsequent negotiations, which ideally should be conducted away from the glare of media attention.

Following the 1988 military takeover in Myanmar, the withdrawal of the Western world and Japan, as well as the virulent criticism of the military regime by India, left the field open, unchallenged, and uncontested for China to establish and consolidate its influence in the country. For two decades now, China has been the Myanmar regime's main international patron and supporter. The main reason why Myanmar's regime has been impervious to appeals, cajoling, and threats is this China factor. As long as the Myanmar regime has China's multidimensional and unquestioning diplomatic, military, and political support, and an extremely close and mutually beneficial economic relationship, there is no incentive for any substantive political change. The international community should seriously examine the incentives it is offering to the Myanmar regime for political change, which virtually amount to asking the regime to commit suicide.

However, as China's global profile rises, it is increasingly conscious of the adverse attention it receives for the strategic support that it lends to the Myanmar regime and similar regimes elsewhere. There are encouraging indications that China has been pressing the Myanmar regime to be more forthcoming on political reform and reconciliation, as well as on economic reform. For this and other reasons alluded to earlier, China may be amenable to coming onboard with international efforts to help improve the situation in Myanmar. India, on the other hand, is in a "Catch-22" situation and on the horns of a moral and political dilemma; whatever policy India adopts will be questioned for different reasons by many, both within and outside the country.

Indeed, India completely reversed its strong antiregime policy toward Myanmar starting in 1993, almost entirely because of China. If that premise remains unaltered, India simply would not be in a position to change its Myanmar policy, or to take any initiatives in suggesting reform measures or involving itself in the initial reform process in Myanmar. China's relationship with Myanmar is the result of hyperactive wooing of the military regime to implement China's own strategic agenda of acquiring a predominant position in South and Southeast Asia, as well as in the eastern Indian Ocean. India's relationship with Myanmar is the result of a reactive response to safeguard a potential threat to its territorial integrity and internal stability in the vulnerable northeastern parts of the country. Moreover, given the enormously contrasting political systems of China and India, it is objectively unfair to place India and China on equal footing in the context of the Myanmar conundrum. This will certainly not be conducive to seeking India's involvement in any concerted reform-oriented exercises in Myanmar.

The popular perception that China, India, and the Association of Southeast Asian Nations (ASEAN) hold the keys to change in Myanmar is not necessarily true. This perception ignores a very plausible proposition that Myanmar's generals have cleverly manipulated these countries for their

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own advantage and benefit. Despite the nature of the current relationships with China and India, Myanmar has always been particularly wary of its two large neighbors. Similarly, this sentiment and a deep suspicion of Thailand are generic and remain. After 1988, the regime progressively developed a pathological aversion to the policies pursued by the United States and the West, but not to the United States and the West per se. If this is realized by Western policy makers, finding a way forward could be easier. Furthermore, of all the foreign countries, the one that enjoys the greatest regard is Japan. The role that Japan could play has not been adequately explored—it could be the most acceptable bridge between the West and the regime.

Any sensible policy recommendations to address the situation in Burma will not work if they ignore the requirement of a fundamental and unconditional change of approach and attitude by the West. This is a prerequisite, as the Myanmar regime is safely ensconced, and there is no incentive for it to change. The first requirement would be to develop a consensus among the major players on a set of meaningful recommendations that could be presented to the regime in Myanmar. This process should be initiated after the elections, and it should take into account the political architecture that emerges and how the situation unfolds. In the meantime, everything should be done to encourage the elections to move ahead.

So complete is the Myanmar government's control of all facets of public life that it is difficult to identify meaningful measures that should be taken internally to alleviate the day-to-day difficulties faced by the people, let alone bring about substantive change in governance structures and practices in Myanmar. If there is anything that could be done, it can only be accomplished through interface with the government and through one or more of its multifarious agencies. Any measures to help the people of Myanmar will be a slow, tedious, and laborious process concentrating initially on humanitarian work and consciously avoiding raising suspicions about any political agenda. Moreover, as a recent report from the Brussels-based International Crisis Group argues, it is a "mistake in the Myanmar context to use aid as a bargaining chip, to be given only in return for political change." Restrictions placed on aid to Myanmar in the last twenty years have "weakened, not strengthened, the forces for change." Many suggestions have been offered for the way forward to ease restrictions on aid to Myanmar and these approaches need stronger support.<sup>4</sup>

### **India's Policy toward Myanmar: Background and Rationale**

India shares a highly porous 1,463-kilometer border with Myanmar. Located between China, Bangladesh, and four of India's sensitive northeastern states, Myanmar is a country of enormous strategic significance for India. India's national interests in Myanmar arise largely out of imperatives dictated by geography, and hence they are of long-term—if not permanent—relevance, irrespective of the nature of Myanmar's regime. These factors include India's territorial integrity in the northeast; the internal security, stability, and economic development of India's northeastern

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<sup>4</sup> In particular, see Julie Belanger and Richard Horsey, "Negotiating Humanitarian Access to Cyclone-Affected Areas of Myanmar: A Review," *Humanitarian Exchange Magazine*, no. 41 (December 2008).

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states; India's strategic interests in the Bay of Bengal and the eastern Indian Ocean, including the security of the strategically vital Andaman and Nicobar Islands; India's energy requirements; and India's "Look East" policy, which considers Myanmar the geographic bridge between India and the ASEAN countries.

Despite these factors, India's relations with Myanmar have never been in the foreground of public consciousness in India beyond episodic interest. Not a single credible person has dedicated himself or herself to studying Myanmar comprehensively as a primary interest in the so-called strategic community or in academe. Only a few young Indian researchers have taken up the study of Myanmar. More damagingly, of all of its postindependence neighbors, India has paid the least substantive attention at the official level to its relations with Myanmar. Although interest has certainly increased in recent years, India still accords the lowest priority to its relations with Myanmar among all of its immediate neighbors.

Notwithstanding this, two clearly divergent and virtually opposite streams of opinion have developed in India regarding what Indian policy toward Myanmar should be. One approach is derived from India's civilizational ethos, cultural and spiritual traditions, and pride in being an island of democracy in a sea of despotic and otherwise less than desirable regimes in the region. This led to a natural support for democracy and the shunning of Myanmar's military junta. This orientation was further buttressed by Burma's democratic leaders having developed close personal connections with many important Indians. For instance, Suu Kyi was schooled in India and has a large pool of strong emotional public support, especially within the highest echelons of India's political parties and government.

This segment of Indian opinion would like the Government of India to return to its earlier (1988–1991) policy of outspoken opposition to the military regime, which was far stronger than that of any other country in the world. During that period, political activists, dissidents, and refugees were allowed into India and were permitted full freedom to launch verbal tirades against Myanmar's military regime. It was a stance that had broad national support. However, this policy earned India the dubious distinction of being considered Myanmar's number one enemy. Combined with the isolation imposed by the West, India's policy contributed significantly to driving Myanmar into China's embrace.

As consciousness of the critical strategic consequences of this denouement became all too evident, an alternative approach for greater, active engagement with the regime emerged. Though political refugees have not been expelled, the Indian government no longer associates itself with them, nor does it encourage their activities. This is India's current policy, and the approach was promoted primarily by so-called realists and pragmatists within India's Ministry of External Affairs and the country's defense forces. The policy has won growing support within India's strategic and foreign policy community.

India has sufficient capability to handle any adverse consequences resulting from Myanmar's foreign and domestic policies if they are formulated autonomously. However, since 1988, China's footprint in Myanmar has been incrementally increasing. China has burgeoning diplomatic,

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economic, military, and trade relations with Myanmar. The country is becoming a major partner in the trade of energy. China dominates the mining sector, is heavily involved in the hydropower sector, and is poised to become the largest investor and trading partner in Myanmar's oil and gas sector. Beyond trade, China is the Myanmar regime's most important supplier of weapons. As a permanent member of the UN Security Council, China also provides the Myanmar regime with insulation against punitive international action. China exercised its veto once on a Myanmar-related resolution and has consistently lobbied to dilute UN Security Council presidential statements.

Moreover, territories in the northern parts of Myanmar, up to and including Mandalay, are being dominated by the Chinese as a result of unbridled immigration from China and increased control of the local economy by Chinese immigrants. Indeed, the overwhelming majority of the population of New Mandalay is Han Chinese, and Mandarin is the lingua franca. In addition, deepened economic and infrastructural links with China in areas that are inhabited and controlled by ethnic cease-fire groups and that are rich in natural resources—in particular, the Kachin and Shan states—have made these areas effectively autonomous from Myanmar. As a result, these areas are increasingly becoming a part of the economy in China's Yunnan Province, rather than that of the rest of Myanmar. China is also constructing river, road, and rail transport infrastructure through Myanmar to connect landlocked Yunnan Province with the Bay of Bengal and the Andaman Sea. If China were to acquire full sway over Myanmar, it would control the economy and surround India's northeastern states. Moreover, China's de facto border would extend to a less than friendly Bangladesh and to the shores of the Bay of Bengal. Such a relationship between China and Myanmar could hold India's national interests, territorial integrity, and security hostage to China's strategic plans and designs.

The situation has reached a point at which the regime in Myanmar has the potential to hurt India far more than India can hurt the regime. No neighboring country of Myanmar or any other country anywhere faces such a contingency. Therefore, it is imperative for the national interests of India to engage proactively with the Myanmar regime to prevent the emergence of worst-case scenarios. The two overriding objectives of India's relationship with Myanmar are first to ensure the economic development of India's northeastern states. This is the only viable long-term basis for India's security and stability and for the continuation of these states as a part of India. Second, it is critical that Myanmar does not become a pawn of China's strategic ambitions vis-à-vis India. Both factors are strategic policy imperatives of vital importance to India's national interests, and India's current and future policy options toward Myanmar have to be considered in the context of this background.

India's objective has not been to overtly contest China's relationship with Myanmar or try to wean Myanmar away from China. Certainly, India is trying to increase its own footprint in Myanmar, but unlike China, it is doing so in a nonexploitative manner and is motivated by increasing both countries' stakes in a progressively enlarging relationship.

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## The Economic Aspects

Self-induced economic reform in Myanmar is very difficult to envisage. Economic policy—as with most political and economic activities—is tightly controlled by the Myanmar regime even at the micro level, and the regime perceives this control as necessary for the country’s security. Whether political change will stimulate economic reform or vice versa is uncertain. However, there are precedents to guide the international community in its relations with Myanmar. For example, from the 1950s to the 1980s, South Korea and Taiwan had equally harsh authoritarian regimes. Nevertheless, they had the full support and backing of Western countries, and economic development and growth were given overriding priority over political change. This preceded and created conditions for political liberalization in both countries, and that is perhaps the only meaningful way forward in Myanmar’s case as well.

Myanmar’s economy suffers from inequitable and unbalanced regional development. The country’s economy is structurally flawed and unduly constricted because of very poor policies. The agricultural sector, which is the erstwhile mainstay of the economy, is stagnating, if not regressing, and it is increasingly starved of both capital and technology. Moreover, economic disparities within Myanmar are pronounced. As one Japanese scholar has pointed out, “Contrary to the general impression that border areas are remote and backward regions, they are better off than the proper or central region of Myanmar. It is rather surprising to see that the four regions with the highest per capita household expenditure share borders with Thailand, China and Bangladesh. These regions are also growing more rapidly within Myanmar, widening the gap between border areas and other regions.”<sup>5</sup>

The region bordering India is Myanmar’s least developed, and the unexploited potential of increased cross-border activity for both sides is huge. As a high priority, India needs to develop twenty-first-century transport and logistical infrastructure to and along the India–Myanmar border. India should put in place user friendly rules, regulations, and procedures to enable efficient large-scale, cross-border economic and social activities such as trade, tourism, and cultural and educational interaction. Over time, this would also eliminate unrecorded trade across the border, which is much larger than official trade and from which only smugglers, criminals, and insurgents benefit.

For economic development to take place in Myanmar, projects related to oil and gas, power, infrastructure, industry, agriculture, forestry, and fishery need to be identified and developed. This is especially true in areas west of the Irrawaddy River, in areas along the border with India, and in the coastal areas of the Bay of Bengal, particularly in those areas opposite the Andaman and Nicobar island chain. Importing gas from Myanmar through overland pipelines, however, is not ideal for India as it is difficult to ensure the security of these pipelines and because of the adverse environmental and humanitarian consequences associated with these projects. A far more

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<sup>5</sup> Toshihiro Kudo, “Border Industry in Myanmar: Turning the Periphery into the Center of Growth,” Discussion Paper no. 122, Institute of Developing Economies, Japan External Trade Organization, October 2007.

meaningful option would be the establishment of special economic zones on a turnkey basis near the gas production sources in Myanmar. The gas could then be used for power plants, fertilizers, plastics, chemicals, and other industries in Myanmar, which would provide long-term revenues to the state and economic growth opportunities to the people of Myanmar. Thus, India will not take Myanmar's natural resources out of the country but instead will use them within Myanmar through a model of nonexploitative economic cooperation. Additionally, similar projects should be undertaken in heavily forested areas to establish and develop timber-based industries.

Opportunities for mutually beneficial agricultural cooperation through large-scale contract farming should also be explored. Food processing plants should be established in Myanmar, and the Indian government should commit to buying all excess production from both the farms and factories. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation—which brings together Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand—and the Mekong-Ganga Cooperation mechanism should be accorded higher priority and focused attention on increasing economic cooperation between Myanmar and the region. India should take the initiative in spearheading all of these cooperative projects and inviting cooperation with and the involvement of other interested countries, particularly ASEAN countries and Japan. The private sector from India and elsewhere should also be engaged, and joint ventures in Myanmar with international multinational corporations should be explored.

However unrealistic expectations may be for a radical change in Western policies toward Myanmar, full-scale economic engagement by the United States and other Western countries involving aid, joint ventures, technology upgrades and transfers, and unrestricted trade would be enormously helpful in bringing about meaningful economic change and reform in Myanmar. Similarly, the Asian Development Bank, the UN Development Programme, and the World Bank must become involved in building civilian capabilities and improving human development indicators in Myanmar.

### **An Economy-Related Annex<sup>6</sup>**

In 1997, the United States imposed sanctions against Myanmar, and in July 2003, the sanctions were tightened following the “Black Friday” incident of May 30. These sanctions, however, have had only a negligible negative impact on Myanmar's economy, owing to greater economic involvement of Myanmar with other Asian countries. The vacuum created by Western countries has been filled most notably by China, which has taken advantage of the situation by expanding economic cooperation with the country. While China's share in Myanmar's total trade (in goods) increased from 15.9% in 1990 to 20.6% in 2008, China's share in Myanmar's total imports was much greater: from 20.6% in 1990 to 31.9% in 2008.<sup>7</sup> China's economic cooperation and business have been directed to three main fields: infrastructure development, state-owned economic enterprises,

<sup>6</sup> Prepared by Neha Malik, a research assistant at ICRIER, with guidance from Professor Nisha Taneja of ICRIER.

<sup>7</sup> International Monetary Fund, Direction of Trade Statistics, available at <http://www.imfstatistics.org/DOT/> (accessed October 2009).



and energy exploitation. However, while strengthened economic ties with China (and other Asian countries) will be instrumental to the survival of the Myanmar regime, it will not be a powerful force facilitating economic development in Myanmar.<sup>8</sup>

Furthermore, serious reform in some of the core sectors of Myanmar's economy is needed in order to facilitate growth. Myanmar's state-owned economic enterprises have been plagued with inefficiency, poor management, rent-seeking activities, and even corruption. A total of 215 state-owned enterprises out of 288 proposed from 10 ministries had been privatized in Myanmar as of January 2007. This process needs to be continued and extended further in order to promote growth and improve the fiscal condition in Myanmar. Additionally, the agricultural sector has suffered from routine neglect and exploitation by the Myanmar government. Agriculture contributes to 44% of gross domestic product, and industry, including the natural gas export segment, accounts for 20% of gross domestic product in Myanmar.<sup>9</sup> Steps have been taken to liberalize agriculture and most production controls and mandatory procurement have ended. Moreover, some state-owned economic enterprises involved in processing and supplying inputs to agriculture have been privatized. However, these efforts have so far been modest in nature and additional reforms are needed for further liberalization of the agricultural sector and the extension of bank lending facilities directed toward the sector.

Myanmar also operates with dual foreign exchange markets. The private sector exchange rate is determined by the market, while the public sector operates under an official exchange rate. This has resulted in distortions and efficiency losses in Myanmar. There is also a black market for the kyat. To reduce pricing distortions and to strengthen incentives in the economy, the Myanmar government must move toward unifying the exchange rates. Moreover, because much of the foreign direct investment from Asian countries is concentrated in the oil and gas sector, the Myanmar government must begin to attract foreign direct investment in nonenergy sectors. Official data on Myanmar are highly unreliable and should be strengthened to facilitate the process of policy making.<sup>10</sup>

In addition to these measures, special aid programs are required to uplift the performance of the economy. Myanmar's health sector is in a dismal state, and there is a dearth of medical facilities even for routine medical care. The educational system is also in disarray, with most schools poorly equipped with basic teaching material and facilities. Cyclone Nargis in May 2008 had a devastating impact on agricultural output, and there are rice shortages throughout the country. Therefore, aid programs targeting health, education, and growing food insecurity are essential for the people of Myanmar.<sup>11</sup>

<sup>8</sup> Toshihiro Kudo, "Myanmar's Economic Relations with China: Can China Support the Myanmar Economy?" Discussion Paper no. 66, Institute of Developing Economies, July 2006.

<sup>9</sup> eStandards Forum, "Country Brief: Myanmar," available at [www.estandardsforum.org](http://www.estandardsforum.org)

<sup>10</sup> See Asian Development Bank, "Outlook for Myanmar in 2009," in *Asian Development Outlook 2009: Rebalancing Asia's Growth* (Philippines: Asian Development Bank, 2009), 246–247; and Masahiro Hori and Yu Wong, "Efficiency Costs of Myanmar's Multiple Exchange Rate Regime," Working Paper no. WP/08/199, International Monetary Fund, August 2008.

<sup>11</sup> eStandards Forum, "Country Brief: Myanmar."<sup>12</sup> ASEAN + 3 include all of the ASEAN states plus China, Japan, and Korea. ASEAN + 6 further incorporate the countries of India, New Zealand, and Australia.<sup>13</sup> eStandards Forum, "Country Brief: Myanmar."

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The economic sanctions imposed by the United States and European Union are indications that the West has little interest in engaging economically with Myanmar. Asian countries, however, have stepped into the vacuum by entering into trade agreements through a variety of multilateral arrangements. These include the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, ASEAN + 3, ASEAN + 6, and the Comprehensive Economic Partnership for East Asia, a Japanese initiative aimed at increasing economic integration in the Asian region.<sup>12</sup> These arrangements are an indication that Myanmar is now a part of the entire belt stretching to Australia. Greater efforts should be made by the international community to economically engage with Myanmar through such trade agreements and economic cooperation programs.

Finally, the one potentially transformational economic phenomenon in Myanmar in recent times has been the discovery and exploitation for export of substantial reserves of natural gas. The best way to utilize gas revenues would be for the Myanmar government to channel them into improving the health and education sector. Funds should be used to train medical personnel, and even though education is supposed to be free and compulsory, there is evidence of unofficial allowances being paid. Additionally, access to tertiary education is highly restricted and often dependent on an individual's political loyalty to the regime. Furthermore, gas revenues should be directed toward improving the country's infrastructure. Myanmar has an abundance of hydropower, which generates 36.2% of the country's electricity. However, the infrastructure sector as a whole is not well developed. Investing in infrastructure is needed to promote growth in Myanmar.<sup>13</sup>

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<sup>12</sup> ASEAN + 3 include all of the ASEAN states plus China, Japan, and Korea. ASEAN + 6 further incorporate the countries of India, New Zealand, and Australia.

<sup>13</sup> eStandards Forum, "Country Brief: Myanmar."

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# The Quest for the “Middle Way”: Indonesian Perspectives on Current Developments in Myanmar

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A report prepared by the Centre for Strategic and International Studies,  
Indonesia, for the Asia Society’s Burma/Myanmar Initiative

March 2010

## Executive Summary

**For better or for worse**, Indonesia remains a traditional leader in Southeast Asia. Indeed, as the largest country and one of the strongest democracies in the region, many have turned to Indonesia for answers when dealing with perplexing regional issues, including how to best handle Myanmar and its ruling regime, which continues to tighten its military grip. The problem worsened following the 2007 “Saffron Revolution” and the 2008 Cyclone Nargis disaster, which caused many people in Myanmar to fall deeper into the abyss of political and economic ruin.

Meanwhile, the Association of Southeast Asian Nations (ASEAN), supposedly Myanmar’s closest regional ally, is confronted with mounting international pressure to push for deeper and more meaningful change in the country. However, concerns about regional instability and intervention from major powers, as well as a complicated web of intertwining bilateral interests seem to have prevailed, hindering any meaningful unified approach to the problem. Amid all of this uncertainty, Indonesia seems publicly unwilling to commit to a comprehensive initiative to push for full-blown change in Myanmar—despite rhetorical expressions of “concern”—which has led some to doubt Indonesia’s leadership mantle.

With such an impasse brewing in the background, and as part of a larger initiative undertaken by the Asia Society, the Centre for Strategic and International Studies (CSIS) in Jakarta set out to explore the question of Myanmar and to ascertain the nature, prospects, and challenges of Indonesia’s policy regarding developments in Myanmar. CSIS also set out to examine whether Indonesia could explore policy options to push for further change in the country. A limited focus group discussion was convened on September 8, 2009, which was hosted by CSIS and involved representatives from Indonesia’s Parliament, research institutes, universities, and civil society organizations. Participants in this focus group included:

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- Rafendi Djamin, National Coordinator, Human Rights Working Group
  - Swandaru, Research Staff, Imparsial, Human Rights Monitor
  - Mangadar Situmorang, Executive Director, Parahyangan Center for International Studies, Parahyangan Catholic University
  - Alexander Chandra, Southeast Asia Coordinator, Trade Knowledge Network
  - Pierre, Research Staff, Center for Global Civil Society Studies, University of Indonesia
  - Donny Jatisambogo, Country Coordinator, Indonesia, ASEAN Inter-Parliamentary Myanmar Caucus
  - Meidyatama Suryadiningrat, Deputy Editor in Chief, Jakarta Post
  - Djoko Susilo, Member of Parliament, Commission I, and ASEAN Inter-Parliamentary Myanmar Caucus
  - Dewi Fortuna Anwar, Research Professor and Deputy Chair for Humanities and Social Sciences, Indonesian Institute of Sciences
  - Rizal Sukma, Executive Director, Centre for Strategic and International Studies
  - Clara Joewono, Vice Chair, Board of Directors, Centre for Strategic and International Studies
  - Wiryono Sastrohandoyo, Senior Fellow, Centre for Strategic and International Studies
  - Lina Alexandra, Researcher, Department of Politics and International Relations, Centre for Strategic and International Studies
  - Evan A. Laksmana, Researcher, Department of Politics and International Relations, Centre for Strategic and International Studies

The discussion addressed key questions, including whether Indonesia should do something regarding the Myanmar issue. If so, what role would Indonesia play, and through what means? If Indonesia is ready to play a larger bilateral role, does that mean that ASEAN is obsolete as a pressure group with respect to Myanmar? Given that any kind of regional pressure would need to involve India and China, how can Indonesia bring these powers to the table?

Aside from these questions surrounding the process of engaging Myanmar, the discussion also revealed that more complicated questions related to Indonesia's domestic milieu—as well those of Myanmar's—need to be addressed first. Can Indonesia's next administration spend political capital to engage Myanmar? Will President Susilo Bambang Yudhoyono be personally involved in the process? More important, considering Indonesia's own democratic atmosphere, will such engagement work without widespread support from the public, which does seem to be entirely concerned with the issue?

Following lengthy discussions of these questions, it appears that Indonesia's position can be aptly summed up as a search—or even a quest—for a “middle way” between sanctions and engagement, between relying on first-track government-to-government relations and second-track people-to-people relations, and between Indonesia's moral responsibilities and its strategic interests. Regardless of these conundrums, the consensus among the participants underscored a need for Indonesia to do something sooner rather than later. Indeed, if anything, as one participant noted, Indonesia needs to make a principled stance first, and then it could start discussing the available modalities to proceed.

The following sections will first highlight some of the fundamental problems surrounding Indonesia's policy and perspectives on the Myanmar issue. Second, based on the understanding and discussion of these problems, several policy options available to Indonesia for the foreseeable future will be considered. Third, current developments in Myanmar will be explored, and consideration will be given to whether Indonesia's window of opportunity is closing. Finally, the report will conclude by highlighting key areas that need to be addressed—if not further studied—before Indonesia can proceed with the available options.<sup>1</sup>

### Indonesia's Myanmar Question: Between a Rock and Hard Place

The discussion and the questions that ensued not only revealed Indonesia's perspectives on the Myanmar problem, but also underscored the uphill battle facing Indonesia should the government decide to launch major policy initiatives. Four fundamental challenges were highlighted as particularly relevant.

1. **The lack of strong political will and indecisiveness on the part of the Indonesian government.** Discussions revealed that many initiatives and policies, either proposed by government officials or by nongovernmental representatives, often hang in the balance. Moreover, calculations of the chances of success may have influenced the government's apparent “reluctance” to invest heavily and to play an active role in solving the Myanmar problem. Yet, at the same time, the stakes for Indonesia are high. As one participant noted, failure to even try to act would lend credence to the notion that Indonesia is incompetent as a regional leader—especially considering the country's chest-beating rhetoric whenever issues of human rights or democracy have surfaced. If, however, Indonesia decides to act but fails, the repercussions would be less damaging given the incredibly complex dimensions of the Myanmar question.
2. **Current domestic conditions within Myanmar still work to the advantage of the ruling junta.** Not only does the ruling junta remain the strongest military force within the country, but also its overall control of the state's natural resources, especially oil and gas, seems to be a trump card, if not life insurance, to sustain its leverage against external pressures—whether

<sup>1</sup> This report was written by Rizal Sukma, Executive Director of CSIS, and Evan A. Laksmana, a researcher in the Department of Politics and International Relations at CSIS.

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from inside or outside the region. This essentially translates, as one participant noted, into the absence of a condition that would force or at least induce the parties to talk. In this respect, the absence of a credible counterpart in Naypyidaw further complicates any dialogue or engagement plans. One participant noted that during second-track events involving ASEAN—supposedly, and by definition, conducted by nongovernmental officials—the representatives from Myanmar often took a listening role. This condition is further worsened by the factionalized state of dissidents and political exiles. As a final nail in the coffin, the “transfer” of Myanmar’s capital city from Yangon to Naypyidaw—about a nine-hour drive to the north and reportedly without cell phone service or an international airport—in 2005 has made any clear assessment of the conditions on the ground more elusive and difficult to verify.

3. **The lack of unity and a unified approach within Indonesia’s political and foreign policy establishment.** Aside from the government’s indecisive policy-making style, the lack, or even absence, of a sense of urgency within Parliament and among the general public often provides the pretext, if not justification, for Indonesia’s lack of full commitment. Occasional public pressures, however, can still be seen during critical events. To complicate matters, one participant added that the next parliamentary term (2009–2014) could worsen matters, as not only would there be a whole contingent of inexperienced new faces at Commission I meetings dealing with foreign and defense affairs, but also there would likely be a lack of alternative policy voices, as most of the seats are controlled by the president’s Democratic Party. Eventually, under such an unfavorable environment, the task of crafting a credible, unified, and comprehensive initiative seems to be too herculean to tackle—which perhaps explains the growing apparent “strategic confusion” in Indonesia’s policy toward Myanmar.
4. **The absence of a regional concert of powers to engage and pressure Myanmar, both within ASEAN and among the major powers such as China and India.** While championing ASEAN unity, the participants also recognized the counter productiveness of utilizing ASEAN as a vehicle to pressure Myanmar. For one, consensus-seeking organizational decision making within ASEAN would make it virtually impossible to have a policy supported by all 10 of its member countries. Moreover, other bordering countries, especially those in mainland Southeast Asia, are concerned about China’s growing influence, as well as their own economic interests and investments tied to the ruling junta in Myanmar. The reluctance of India and China—Myanmar’s biggest neighbors and perhaps its biggest investors—to do anything that would jeopardize their relations with the ruling regime is further complicated by the two countries’ own traditional rivalry—not to mention their wariness of being portrayed as America’s proxy. On the one hand, without a concerted approach supported by these major powers, any kind of pressure would be easily deflected. Not only do these powers see no compelling need to pressure Myanmar—unlike North Korea, for example—but also they judge their position based on the fact that some members of ASEAN are continuing, and even increasing, business relations with the ruling junta. Even an incredibly huge natural disaster such as Cyclone Nargis

did not change the junta's behavior one bit. Short of an open and public exposure of nuclear facilities inside Myanmar, these major powers are unlikely to budge.

These four fundamental challenges are among the most difficult to tackle. However, it is also precisely because of these highly complex issues that the participants were able to eventually muster new ideas and thinking in terms of how to engage the regime without doing so at the expense of the people in Myanmar. With the basic goal of finding policy options beyond “imposing sanctions” or “fully embracing” the junta, the following clusters of policy options were discussed by the participants.

### **Policy Options for Indonesia: Finding a Middle Way**

Despite the consensus on the need for Indonesia to do something, and while noting the challenges described, the discussion revealed a variety of policy options available to Indonesia beyond the traditional binary option of “sanction” versus “engagement.” However, one participant underlined the need to distinguish between the ruling regime per se, and what the regime does in calibrating a strategy of engagement to avoid any future blowback. Consequently, this suggests that Indonesia's policy options should be based on the following starting points.

1. **Bilateral approaches, rather than ASEAN-driven approaches, have a better chance of persuading the junta to relax its stranglehold, especially if India and China are brought into the equation.** But in order for bilateral initiatives to emerge, the current debate needs to move away from the binary options of either sanctioning or embracing the ruling regime in Naypyidaw.
2. **Change from within Myanmar is the only reasonable way forward for any kind of meaningful and sustainable peace to take hold in the future.** Therefore, as long as domestic conditions—especially the internal balance of power—inside Myanmar are still in favor of the ruling junta, the conditions needed to bring that country to the negotiating table would have little chance of succeeding. In addition, there is a need to shift the viewing lens when it comes to dealing with the ruling regime—perhaps away from a human rights-based and “problem-centric” view to a “peace-centric” view.
3. **A realistic analysis based on facts on the ground as they are—including the junta's relations with the great powers, its control over key resources, and its military power—rather than some ideal version should underpin any future policy initiatives.** Such analysis is also a prerequisite for any future meaningful dialogue or engagement. Consequently, gradual, manageable progress is the best expectation for the time being.

With these starting points as the linchpin, the following policy options were highlighted during the discussion.

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**Option 1—Wait and See: Much Ado about Nothing?**

This option would basically sustain the status quo. It also could worsen Indonesia's regional, if not global, standing, and would do so at the expense of the continuing suffering of the people of Myanmar. Although at first glance, this option might be appealing to the policy makers in Jakarta, as it costs them nothing, it eventually would put Indonesia in the backseat of any future regional initiatives. Furthermore, such "complacency" (if not appeasement) from the biggest country in Southeast Asia might hinder ASEAN's integration and possibly invite further interference from nonregional powers, including China and India. Therefore, most of the participants felt that this option is a nonstarter—assuming that Indonesia rightfully felt the moral responsibility to be involved.

**Option 2—Government-to-Government: The Seemingly Futile First Track?**

Currently, conditions on the ground are not favorable for a negotiated solution, especially considering that military leaders feel—perhaps rightly so—that they have the upper hand, and therefore there is no compelling reason for them to negotiate and relinquish their power. Under these conditions, relying on the government as a driving force could be counterproductive, especially considering Indonesia's lack of strategic interest—and consequently the lack of other tools and credible intelligence—in Myanmar. However, given that "short-term" crises within Myanmar could very well turn up unexpectedly, Indonesia could not completely abandon government-to-government contacts. The ideal option would be to craft an integrated strategy that factors in such contingencies with a long-term approach in Myanmar. Additionally, the government-to-government approach remains an underpinning modality for Indonesia to incorporate other actors—regional or otherwise—in any future eventualities, or even negotiations.

**Option 3—Deeper Sanctions: Hurting Whom?**

During the discussion, participants noted that sanctions, especially those imposed by the United States, have yet to show results. If anything, the sanctions seem to be hurting the wrong people for all the wrong reasons, while conditions on the ground continue to deteriorate. Most, if not all, of the participants quickly dismissed the idea of imposing economic sanctions as a feasible policy option. However, some participants believed that Indonesia has a very slim chance of succeeding when making demands on the ruling junta. Others noted that the strategic confusion within Indonesia's foreign policy establishment seems to explain the corresponding silence.

**Option 4—Deeper Engagement: Multiple Tracks beyond Diplomacy**

*Special envoy: The "one and a half" track?* This option requires a credible figure from Indonesia's side. He or she must have access to President Yudhoyono and preferably should be, as one participant noted, a "heavyweight." This would underscore the government's commitment to see the process through. The figure also should be a nonactive member of the government—whether from the executive, legislative, or judicial branch—and should have been well received in Myanmar before. This option would allow some room for the government to support an initiative without formally



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or officially endorsing it. This option also gives some leeway to sidestep any ongoing government-to-government or regional engagements without ruining them. In other words, the figure could play the role as a special envoy, but “without the flags.”

*Community-based civil society organizations: The growing second track.* Following the Cyclone Nargis disaster in 2008, one participant who had lived in the area for a few months since then noted that, surprisingly, there is a growing sense of communal unity. Furthermore, he noted that independent, self-organized civil society organizations (CSOs) had begun to mushroom in small sizes, but also had become widespread throughout the area. These new CSOs have consistently expressed their interest in ending Myanmar’s isolation and in having the country engage more with the outside world, especially at a time when Myanmar could use all the help it can get. Therefore, it is not inconceivable that these self-styled CSOs are more pragmatic than some, if not most, of their Indonesian counterparts. This makes them more amenable to dialogue and assistance, including that from Indonesia. Areas of engagement could range from humanitarian assistance and economic development to governance support programs.

*The businessmen: A possible third track?* Using the momentum of ASEAN’s push for further regional economic integration, several participants proposed to further encourage Indonesian businessmen to invest in Myanmar, and perhaps to slowly open the country to the outside world. Once such businesses are established, this track would likely gain greater capital and more capacity to support the other tracks, especially humanitarian CSOs. One participant, however, noted that in terms of investment and economic ventures, Indonesia is far behind other regional countries. Finally, this business track, which could take years and possibly decades to take root, could in the long run strengthen or at least spark the rise of a stronger middle class.

Despite these broad policy options, a course of action would depend on the specific “agenda” that Indonesia wants to use as a foundation for dialogue—on which the participants were not able to agree. For example, when one participant raised the idea of offering military aid and assistance from the Indonesian military as an incentive, as well as perhaps offering a “civil-military power sharing” model similar to what Indonesia had during the New Order, others noted that such initiatives had been tried during the 1990s without success. It would be an even tougher sell now, when they see Indonesia as a self-proclaimed “beacon of democracy” in the region even as its own military deteriorates.

Therefore, such attempts at agenda setting can only be settled once Indonesia publicly commits to making a principled stance and clearly defining what kind of change it wants to see in Myanmar and within what time frame. Unfortunately, as one participant noted, such a stance is difficult to make when it all depends on whether President Yudhoyono is willing to make a personal investment and immerse himself in the process—especially considering the seemingly absent strategic interest of Indonesia in Myanmar.

Some variations or derivations of the aforementioned policy options are certainly worth

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exploring. These policy options, and the availability and suitability of each, may very well change dynamically within a few months. Even more so, when considering the upcoming general elections in Myanmar scheduled for 2010, rising political tensions, another ensuing humanitarian crisis, or even a declaration of a state emergency could certainly change the feasibility of the options. This is all the more reason for Indonesia to act sooner rather than later.

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# Japan's Policy toward Myanmar: A Special Responsibility

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A report prepared by the Japan Institute of International Affairs  
for the Asia Society's Burma/Myanmar Initiative

March 2010

## Executive Summary<sup>1</sup>

**The Japan Institute of International Affairs held** a roundtable discussion on September 9, 2009 with a group of experts on Myanmar, Southeast Asia, and international politics. The discussion was organized as part of an Asia Society initiative to examine the international community's policies toward Burma/Myanmar. Reflecting the complexity and difficulty of the Myanmar problem, there were a variety of views and opinions among the participants. Although it was not possible to forge a complete consensus, several important points of agreement emerged from the discussion.

The undemocratic military regime of Myanmar and the deteriorating economic situation in that country are problems for the international community, as these factors threaten to destabilize regional peace and security. For East Asian countries, Myanmar's strategic location makes integration of the country into the region of critical significance for the realization of a prosperous regional community. The international community has a strategic interest and a responsibility to address the problem of Myanmar from the point of view of human security, especially in light of the poverty and human rights violations suffered by the people of Myanmar. In this regard, it is important for Myanmar to establish a democratic government that has the popular support of its people. The next election, which the military government announced would be held sometime in 2010, could be an opportunity for change. But the transition to democracy, if it happens at all, will be very slow given the military regime's efforts to secure its own power base. Therefore, the role of external influence on Myanmar is very important.

To confront these challenges, the international response to Myanmar should be better coordinated. The "sanctionist" approach taken by Western countries has only exacerbated the

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<sup>1</sup> The rapporteur for this section was Nao Shimoyachi, a research fellow at the Japan Institute of International Affairs.

poverty of the people in Myanmar. Rather than isolate Myanmar, the country should be integrated into the region economically, and assistance should be provided to encourage economic reform and to promote democracy and human rights. Depending on the results of the 2010 elections, Japan and other members of the international community should increase assistance to the country for human security. Neighboring countries, particularly China, should be attentive to the governance issues of Myanmar's military regime when purchasing natural resources and developing economic ties. As the largest donor maintaining high-level dialogue with the Myanmar government, Japan could play a pivotal role in coordinating international responses. In particular, the recommendations submitted by Japanese and Myanmar experts to former Myanmar Prime Minister Khin Nyunt in 2003—which sought to provide a road map for the rehabilitation and reconstruction of Myanmar's economy—should be a starting point for promoting economic reform in Myanmar.

Participants in the roundtable discussion included:

- Toshihiro Kudo, Director, Southeast Asian Studies Group II, Area Studies Center, Institute of Developing Economies, Japan External Trade Organization
- Nobuyoshi Nishizawa, Professor of Economics, Kinki University
- Takayuki Ogasawara, Professor of International Relations, Yamanashi-Gakuin University
- Naoko Saiki, Deputy Director General, Japan Institute of International Affairs (chair)
- Nao Shimoyachi, Research Fellow, Japan Institute of International Affairs
- Isami Takeda, Professor of International Relations, Dokkyo University
- Shigeru Tsumori, Visiting Professor, Toin University of Yokohama

### **The Current Situation in Myanmar<sup>2</sup>**

In late 2007, the military regime in Myanmar announced that national elections would be held in 2010, in accordance with the new constitution. This constitution, which had been drafted after lengthy deliberations in the National Convention, was adopted by an overwhelming majority in a national referendum in May of 2008. Since then, the internal situation in Myanmar has revolved around these scheduled national elections. If nothing unexpected happens, the elections will be held as planned in 2010, although the exact date has not yet been announced. However, there are still many uncertainties involved, and the lack of transparency in internal politics will no doubt lead to rumors and speculations, including unfounded or unconfirmed conjectures circulating inside and outside the country in the coming months.

Whatever the result of the elections, it is almost certain that the “disciplined democracy” proclaimed by the military regime will be far from a genuine democracy. The substantial control of the country by the military will continue for quite some time under the new constitution. For

<sup>2</sup> The rapporteur for this section was Shigeru Tsumori, a visiting professor at Toin University of Yokohama.

example, it stipulates that the military will have privileges with respect to responsible positions in the administration as well as to seats in Parliament.

The present military government has not gained genuine legitimacy because it completely ignored the result of the 1990 elections, in which the National League for Democracy (NLD) won with an overwhelming majority of the votes. After the elections in 2010, a new government will come into office, and the most crucial problem will be whether this new government acquires legitimacy among the population. In judging this, the relevant issue is how the NLD perceives the election and whether that party participates in it. This is one of the most important yardsticks for measuring the extent to which the new government will acquire legitimacy. If the NLD does not or cannot participate in the elections, the problem of legitimacy will remain, at least in relation to this opposition party.

It is also possible, however, that the political landscape will be different from that of the past twenty years, characterized by a military government led by the State Peace and Development Council (SPDC),<sup>3</sup> eventually opening the way for political stakeholders and the people in Myanmar to fulfill their aspirations and advance their interests.

## Preparations on the Part of the Government

### *When Exactly Will the Elections Be Held?*

The appropriate timing for the 2010 elections would be before the monsoon season begins—that is, before May—which is what many observers are predicting will happen. Yet there are no signs that the government has been preparing to hold the elections in the early months of 2010. Three possibilities have been suggested:

- The elections will be held in the second half of the year after the rainy season is over. There are precedents for this timing.
- No elaborate preparations will be made so that the vote is carried out in a “rough-and-ready” way.<sup>4</sup>
- That the elections will not be held by the end of the year cannot be excluded. If such a decision were made, it would generate strong negative sentiment among the population. Senior General Than Shwe, however, could easily change his mind and arbitrarily postpone the elections for whatever reason.

### *The Enactment of Election and Political Party Laws*

Myanmar’s information minister told Ibrahim Gambari, the special envoy of the United Nations secretary-general, in February 2009, “We are already taking all necessary measures for the formation of the 2010 election commission and enacting election and political party laws. We

<sup>3</sup> Formerly called the State Law and Order Restoration Council (SLORC).

<sup>4</sup> See, e.g., International Crisis Group, “Myanmar: Towards the Elections,” Asia Report no. 174, August 20, 2009.

will issue announcements concerning these matters at the appropriate time. The laws will offer a broad range of rights to set up political parties, conduct canvassing campaigns and stand for the elections.” After more than six months, though, the government has not made any announcements. Some observers are suggesting the possibility of an “ambush strategy,” one that will not give the opposition parties sufficient time to prepare for the elections.

#### *The Union Solidarity and Development Association*

The official claim is that the Union Solidarity and Development Association (USDA) has 24 million members (some 40% of the total population). The secretary-general of the USDA—Minister of Agriculture and Irrigation General Htay Oo—did not give any hint as to whether or when the USDA would become a full-fledged political party. He did indicate, however, that many members of the USDA have the capability and intention to play important roles in future Myanmar politics. There are three political roles that this government-supported association could play in the future:

- The USDA could become a full-fledged political party.
- The USDA could be dissolved and two or more groups could arise from it to form political parties.
- The USDA and some splinter groups could form political parties.

At the moment, there are no clues to judge which role is more probable for the USDA. However, it is almost certain that these political parties will play the most important role in advancing the interests of the military in the elections and in the national parliament.

#### *“Clearing the Decks” by the Authorities*

During late 2008 and early 2009, many dissidents and antigovernment personalities were arrested and sentenced to long prison terms (the longest being 104 years), mostly in connection with the September 2007 demonstrations. The would-be political party laws could also be used as a tool to silence opposition parties or to impose on them more stringent regulations. Aung San Suu Kyi will most probably not be released before the elections, although the government has suggested the possibility of it under certain conditions.

## **Ethnic Groups**

#### *Cease-Fire Groups*

Many ethnic groups participated in the National Convention hoping that this process would enhance the possibilities for them to advance their political and economic interests. However, this aspiration has not been fulfilled, and many leaders of these groups seem to be very much disappointed. The military government has tried to persuade them to wait until a new government comes into office

after the elections, but this argument has not been persuasive. Some representatives of these ethnic groups have tried assiduously to demand amendments to the constitution, although they know very well that it would be extremely difficult because of the parliamentary seats reserved for the military.

More than 10 armed ethnic organizations—including the Kachin Independence Organization, the Shan State Army (North), and the New Mon State Army—would probably try to keep their status and arms without becoming political parties, although observers say they would not be opposed to their people establishing their own political parties to participate in the elections. In April 2009, however, the government issued a proclamation transforming these organizations into “border guard forces.” According to unconfirmed information, so far, only the Democratic Kayin Buddhist Army and the new leadership of the Kokang Group (after their defeat by the national forces in August 2009) have accepted this new order. Meanwhile, other groups have either ignored the order or proposed certain conditions for accepting it. As the Kokang incident showed, this is a potentially incendiary problem, which could cast a shadow on the military government’s entire road map process. According to a September 4 report by the *International Herald Tribune*, the military government sent 7,000 troops and 20 tanks to the Wa region, where the 20,000-strong United Wa State Army is on the alert.

In the case of Kachin, the newly established Kachin State Progressive Party receives support from the Kachin Independence Organization, the New Democratic Army-Kachin religious groups, and civil organizations. It remains to be seen whether this cross-state political party can get the support of the other ethnic groups inside the state, in particular that of the Shan group.

#### *Kokang Ethnic Group*

The armed forces of the Kokang ethnic group (National Democratic Alliance Army), which was the first to sign a cease-fire agreement with the national forces in April 1989, fought with the national army for three days and were defeated at the end of August 2009. According to a report from the *New Light of Myanmar* newspaper, 34 soldiers from both forces died. Whether this incident exerts any adverse effect on the cease-fire agreements with other ethnic groups and the reconciliation process remains to be seen.

#### *The Karen National Union*

The Karen National Union (KNU) continues armed struggle with the national forces. In June 2009, the national forces achieved a significant victory against the KNU. Around 4,000 people fled across the border to Thailand. The KNU, which has been resisting the control of the central government for decades, could run the risk of being marginalized further if it boycotts the elections next year.

### **Opposition Groups**

In April 2009, the NLD held a national conference and issued the Shwegondaing Declaration, in which three conditions were established for participation in the election: the release of all political prisoners, including NLD leaders; the amendment of some nondemocratic provisions of the

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constitution; and the holding of inclusive, free, and fair elections under international supervision. The NLD has persistently demanded recognition of the outcome of the 1990 elections. This is basically a legitimate assertion, but if the NLD boycotts the elections this time, it runs the risk of being left behind in the political scene once the new parliament is open. Thus, the party faces something of a dilemma. Many other smaller opposition groups exist that are ready to participate in the elections.

### **The Future**

Assuming that the elections are held in 2010 as scheduled, there are three possible postelection scenarios: status quo, gradual transition, or chaos and crisis.<sup>5</sup> As there are so many uncertainties involved—the stance of the NLD and the posture of armed ethnic groups, a possible power struggle inside the military, and so on—it is very difficult to predict in which direction the situation will develop in the coming months. It is probable, however, that the military will try to hold the elections as scheduled next year and to control the situation so that its interests remain intact in the new political process after the elections.

If “gradual transition” means a transition to political democratization, a “disciplined democracy” could be a first step toward a more democratic system. Such a process could be very long, and how solid this change will be depends again on uncertain conditions. However, one thing is clear: external influence should continue to be exerted, however limited its effect might be. But in the final analysis, internal dynamism, or *bama-lo* (in the Burmese manner), is without a doubt the prime determinant in bringing about genuine change.

## **The Policy of the Japanese Government toward Myanmar<sup>6</sup>**

### **Basic Principle**

The chief aim of the Japanese government’s policy toward Myanmar is to encourage the government and the people of Myanmar to move in the direction of political democratization and economic development. In view of the flagrant violations of human rights in the country, demanding improvements in conditions from the military regime is also an important part of Japanese diplomatic activities. The political and legal legitimacy of the present Myanmar government is also relevant with regard to the Japanese government’s stance. That is, the dismissal or rejection of the legitimate results of the democratic elections held in 1990 by the SLORC must be taken into account in Japan’s policy making.

The basic principle underlying Japanese diplomacy is the recognition of the universal values of democracy and human rights, as the Japanese delegation to the 1993 World Conference on Human Rights in Vienna clearly stated. Recently, the Association of Southeast Asian Nations

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<sup>5</sup> See International Crisis Group, “Myanmar: Towards the Elections.”

<sup>6</sup> The rapporteur for this section was Shigeru Tsumori, a visiting professor at Toin University of Yokohama.



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(ASEAN) has emphasized the value of human rights, and it has established an ASEAN Human Rights Council. In the framework of the East Asia Summit, the Japanese government also has strongly insisted on respect for human rights and other values among member countries. Thus, human rights are not purely an internal matter, but are of international importance.

It is quite natural for Japan to assist Myanmar in economic development, recognizing the necessity and urgency of enhancing the welfare of the people as well as the geo-economic importance of the country as a link between South Asia and Southeast Asia. Myanmar is expected to play a pivotal role in frameworks for regional cooperation, including in ASEAN, the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, and the Greater Mekong Subregion. More important is economic cooperation if political democracy can be promoted through economic development.

Quite recently, the relationship between Myanmar and North Korea has alerted the international community to the possible and dangerous proliferation of weapons of mass destruction. Although there is no hard evidence for a particular connection that could entail serious danger for regional or global security, it is necessary for Asian countries and for the international community as a whole to keep a watchful eye on the relationship between these two countries.

The Myanmar problem is not purely an internal matter. It has regional and global implications from various angles, and Japan, as a country in the Asian community and also as a global power, has a special responsibility to address the situation in Myanmar.

### **Concrete Policies**

On the basis of the aforementioned principle, the Japanese government has been pursuing a number of concrete policies, and it has held constructive dialogues with Myanmar's military government to encourage change. At the same time, it has put peer pressure on the intransigent regime by means of restrictive economic cooperation with support from the international community. It has been refraining from providing large-scale official development assistance in the form of yen-denominated loans since 1988, while extending comparatively generous humanitarian assistance. Safely stated, Japan's policy toward Myanmar is one of "constructive engagement."

#### *Dialogue with Myanmar's Military Government*

Regular contact between the Japanese and Myanmar governments has been made at the summit level, as well as at the level of foreign ministers and other high-ranking government officials. Bilateral summit talks have been carried out on the occasion of multilateral international conferences. In November 2003, a meeting between Prime Minister Junichiro Koizumi and Senior General Than Shwe was held in Vientiane on the occasion of the ASEAN + 3 Conference. In April 2005, both leaders met in Jakarta on the periphery of the Asia-Africa Conference. The most recent summit talks in November 2007 were held in Singapore between Prime Minister Yasuo Fukuda and Prime Minister Thein Sein on the occasion of the East Asia Summit meeting.

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In 2009, Japanese foreign minister Hirofumi Nakasone and his counterpart Nyan Win met twice for bilateral talks in Hanoi (June) and Phuket (July) on the occasion of the Asia-Europe Conference and the ASEAN Post-Ministerial Conference, respectively. At the former meeting, Nakasone expressed concern over the indictment against Aung San Suu Kyi and asked his counterpart to respect the international community's calls to take appropriate measures. In Phuket, the North Korean nuclear issue and the internal situation in Myanmar were taken up.

In August, Myanmar's agriculture and irrigation minister, Htay Oo, visited Japan at the invitation of the minister of foreign affairs. As this minister also holds the position of general-secretary of the USDA, the internal politics connected with the scheduled elections in 2010 were the main topic of his exchange of views with Nakasone and other high-ranking officials.

The Japanese government has also maintained contacts with internal opposition political parties, including the NLD. When Suu Kyi was not under house arrest, Japanese ambassadors met her from time to time for exchanges of views. Certain representatives of ethnic groups inside and outside the country have also been important counterparts in dialogues with the Japanese Foreign Ministry and embassy.

### *Economic Cooperation*

In the context of economic cooperation, Japan has provided grant and technical assistance, although yen-denominated loans have been suspended since 1988. The purpose of this assistance has been mainly to improve humanitarian conditions through medical and health care, school construction, and education. The allocation of financial resources has been decided on a case-by-case basis, taking into account improvements in the human rights situation and the progress of political democratization.

The violent assault against Suu Kyi and her supporters in Depaing in May 2003, however, forced the Japanese government to limit grants of assistance to the following three cases:

- Genuine humanitarian cases for which assistance is needed urgently
- Projects for human resources development to promote political democratization and to reform the economic structure
- Projects involving Cambodia, Laos, Malaysia, and Vietnam, as well as other ASEAN countries

In the aftermath of the crackdown on peaceful demonstrations in September 2007, the Japanese government promptly tightened these restrictions and began to provide assistance even more selectively. In fiscal year 2007, a total of 2.818 billion yen was allocated for Myanmar. For assistance in connection with Cyclone Nargis, US\$46 million was allocated in fiscal years 2008 and 2009, in addition to ordinary humanitarian assistance. The total amount of official development assistance provided by Japan to Myanmar in fiscal years 2001–2008 is detailed in the Table 1.

**Table 1. Japanese Official Development Assistance to Myanmar, 2001–2008 (100 million yen)<sup>7</sup>**

Year	Grant Assistance	Technical Assistance
2001	59.93	40.80
2002	21.62	36.39
2003	9.92	22.96
2004	9.09	14.46
2005	17.17	16.41
2006	13.53	17.25
2007	11.81	16.37
2008	32.80	N/A

Of particular importance is the initiative taken by the Japanese government to assist the Myanmar government in carrying out structural reform of its economy. From 2000 to 2002, about 20 experts from both Japan and Myanmar cooperated to devise a road map for the rehabilitation and reconstruction of Myanmar's economy. The report of this group was submitted to Myanmar Prime Minister Khin Nyunt in 2003, but it has not been put to effective use by the Myanmar military government.

### **Policy Recommendations on the Basis of Japan's Special Responsibility**

Whether these policies have been appropriate should be judged by two criteria: the promotion of democracy and the improvement of human rights conditions, on the one hand, and the enhancing of the people's welfare and economic development, on the other.

**Concerning democracy and human rights, it is imperative for the international community and for Japan to continue to urge the Myanmar government to accept these universal values through dialogue and peer pressure. In this context, the Japanese policy has been basically correct.** If Japan had extended significant economic assistance, it would have sent the wrong signal politically to Myanmar's military government. Furthermore, without necessary economic structural reform and proper economic management, the money provided would not have been put to its best use, as happened with the substantial official development assistance provided by Japan in the Ne Win period. In the basic guidelines for Japanese official development assistance, which were revised in 2003, human rights and democracy are stipulated as the basic criteria for providing assistance.

<sup>7</sup> Japan Ministry of Foreign Affairs, Seifu haihatsu enjo hakusho (Official Development Assistance White Paper), 2008; and the rapporteur's interview with a ministry official.

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**In view of the poor humanitarian conditions prevailing in Myanmar, however, the Japanese government should relax its policy of humanitarian assistance, including that for human resources development, by attaching greater importance to human security.** The policy after the May 2003 incident in Depaing and the September 2007 crackdown by authorities on peaceful demonstrators has been too tight and too selective. In order to cover many more people who live under miserable conditions and to give a better chance to the younger generation not only inside Myanmar but also abroad for future career building, a wider range of assistance should be provided, including certain assistance for humanitarian-related infrastructure by means of yen loans.

In this respect, the anticipated national elections in 2010 could offer an adequate opportunity for the Japanese government to change its past stringent policy with regard to humanitarian assistance. Given the urgency of addressing Myanmar's problems, the focus should be on reducing income poverty as well as nonincome poverty, as the World Bank defines it, in providing assistance.

**Regarding larger-scale economic assistance, the first step would be for Japan to encourage Myanmar's government to reform its stiff, inflexible economic structure and inefficient economic management in order to make best use of internal and external financial resources.** In this context, the past initiative of the Japanese government for a joint study to reform Myanmar's economy was an important step toward productive cooperation between the two countries. The Japanese government should remind the military government of this valuable common asset and urge it to implement the contents of the report for the efficient development of the national economy. As for the political conditionality, the extent to which the scheduled national elections in 2010 can advance political democratization will be critical. What matters is having a political system that guarantees a fair distribution of the fruits of economic development among the people.

**The Japanese government should redouble its effort to address the Myanmar issue in multilateral frameworks as well as bilaterally.** Cooperation in ASEAN + 3 and the East Asia Summit is particularly important because peer pressure can be more easily and perhaps more effectively applied, or friendly advice given, to the Myanmar government within these groups. It might be difficult, however, to establish and carry out a joint policy toward Myanmar, in view of the different approaches among member countries (e.g., between Japan and China), yet each member country might be aware of a common destination and consequently the necessity to coordinate its policies for the sake of solidarity among the East Asian countries. Japan should not lose sight of the common values that will prevail in this century in Asia. Myanmar is not a place where power politics can be pursued at the expense of the people of this promising country.

### **International and Regional Responses<sup>8</sup>**

The international community has long been divided into two factions on the issue of Myanmar: the "sanctionists" versus the pro-engagement group. The former includes the United States, the European Union, and other advanced Western nations. The latter includes Asian neighbors such as China, Thailand, and India. Japan is probably situated in between, having tried in vain to bridge the gap.

This section evaluates the international (described here as *Western*) and regional (described here as *Asian*) responses and policies toward the military regime in Myanmar. Stating the conclusion first, neither sanctions nor engagement has successfully influenced Myanmar's military government over the past two decades. This section will draw lessons from the failure of each approach. Finally, some policy recommendations based on the lessons from the past are presented.

### **Advanced Western Nations: Sanctionist Approach**

For the past two decades, many advanced Western nations have imposed a series of sanctions on Burma's military regime. The United States has long taken a particularly harsh policy and attitude toward the SLORC/SPDC. Immediately after Myanmar's military crushed its own people's democratic movement in 1988, the United States suspended its foreign aid. In 1997, U.S. sanctions were extended to travel visas for high-ranking army and government officers, military exchange and assistance, high-level official meetings, and private investment.

U.S. sanctions were further strengthened in response to the events of "Black Friday" on May 30, 2003, when the motorcade of Aung San Suu Kyi was attacked by thugs in central Myanmar. In July of that year, U.S. president George W. Bush signed the Burmese Freedom and Democracy Act of 2003 into law and issued an executive order. These sanctions banned all imports of Myanmar products into the United States and prohibited financial services to any Myanmar-related businesses.

In effect, the U.S. embargo targeted the garment industry. More than 80% of total imports from Myanmar at that time were garments. According to one study, the sanctions seriously damaged the garment industry in Myanmar, but inflicted a disproportionate hardship on small and medium-sized domestic private firms and their workers, leaving the state-owned and military-related firms almost intact.<sup>9</sup> About 80,000 workers—more than half of the industry's pre-sanction workforce—was made redundant, and most of them were young females. The average wage of a worker in 2004 was about \$18 to \$20 per month. This extremely low wage constituted nearly 60% of workers' household income. These young females were the primary earners in their families, despite the widely held perception that their incomes were only supplementary. Therefore, a family that had members laid off from a garment factory lost its main source of income. The study concluded that it was workers who suffered most from the U.S. sanctions.

Despite the considerable side effects of sanctions, there are no signs of change in the political behavior and attitude of Myanmar's military government on human rights and democracy. It is clear that Myanmar's military government invited Western sanctions through the brutal suppression of its own people, and Western sanctions are motivated by moral and value diplomacy that puts an emphasis on human rights and democracy.

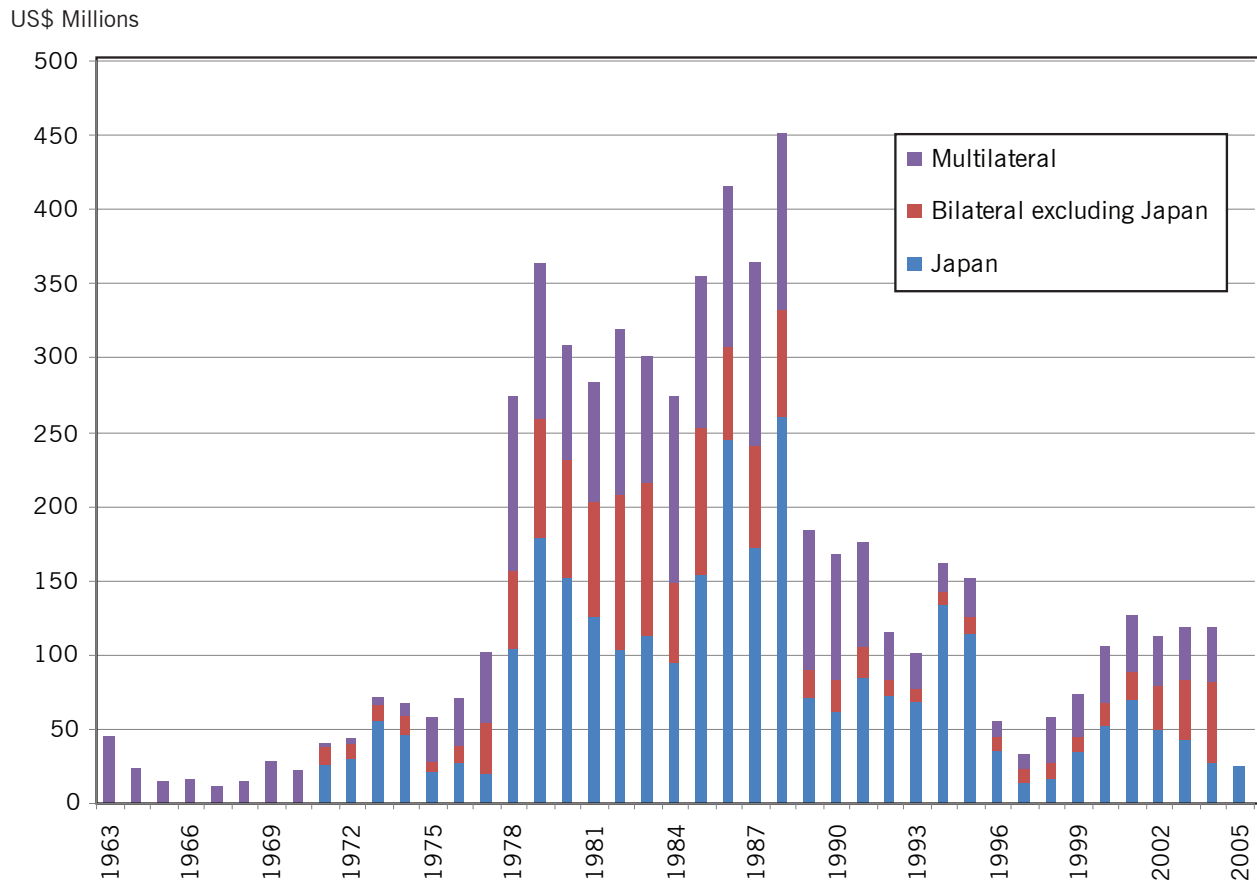
At the same time, however, Western governments are rather comfortable in extending their sanctions on the brutal military regime in Myanmar. These sanctions were justified to domestic

<sup>8</sup> The rapporteur for this section was Toshihiro Kudo, director of the Southeast Asian Studies Group II, Area Studies Center, Institute of Developing Economies at the Japan External Trade Organization.

<sup>9</sup> For details, see Toshihiro Kudo, "The Impact of United States Sanctions on the Garment Industry in Myanmar," *Asian Survey* 48, no. 6 (November/December 2008): 997–1017.

audiences through a high moral foreign policy, while the West had little, if any, strategic or economic interests in Myanmar. It should be recalled that Western countries—including Japan, West Germany, the United Kingdom, and the United States, as well as international financial institutions such as the World Bank and the Asian Development Bank—provided a significant amount of official development assistance to the dictatorial Ne Win regime (1962–1988) during the Cold War period, when the Western bloc had a strategic interest in Myanmar (see Table 2).

**Table 2. Official Development Assistance to Myanmar<sup>10</sup>**



Indeed, as far as human rights conditions in Myanmar are concerned, the actual situation had long been serious throughout the Ne Win period, although it is perhaps arguable whether it has further deteriorated since the military coup of 1988. The military’s atrocities against the minority insurgencies were even more dreadful before the SLORC initiated its ethnic cease-fire policy in 1989. In a sense, what had changed was not so much the actual human rights conditions in Myanmar as the international criteria measuring them. Of course, there still exist many political

<sup>10</sup> For the years 1963-1970 only total figures are provided. For the year 2005, only Japan’s official development assistance is provided. See Japan Ministry of Foreign Affairs, *Japan’s ODA*, various numbers.

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prisoners, including Aung San Suu Kyi, in Myanmar. This is a salient violation of human rights. However, during the Ne Win regime, no opposition forces and figures could possibly have existed publicly.

In sum, the “sanctionist” approach of the Western nations in the post–Cold War period has been motivated by moral-based diplomacy that puts a high priority on human rights and democracy, while few strategic and economic interests in Myanmar exist. However, Myanmar’s military government has never yielded to any pressure from Western sanctions, while enjoying support from its Asian neighbors.

### **Asian Neighbors: Strengthened Economic Ties**

In contrast to the Western countries, Myanmar’s Asian neighbors have distinct economic and strategic interests in the country. Such interests have been strengthened over the last 20 years. Myanmar shares long borders with five neighbors: China, Thailand, India, Bangladesh, and Laos. The nation is strategically located between East Asia (China), Southeast Asia (ASEAN), and South Asia (India and Bangladesh). Differences in natural resource endowments and industrial development between these countries exist, and these differences have contributed to enhanced trade and investment between Myanmar and its neighbors. It is perhaps natural that, given the distances involved, Myanmar prefers trade with its neighbors rather than with far-off Western countries.

However, during the Ne Win period, Myanmar’s borders were closed for any practical purposes, except perhaps illegal and informal cross-border trade, and economic relations between Myanmar and its neighbors were weak. A drastic change emerged following the establishment of the military government in Myanmar in 1988. The new military government adopted an open-door policy that eventually changed Myanmar’s external economy. Myanmar’s foreign trade increased rapidly during the 1990s and up to the present, and foreign direct investment flowed into the country, albeit with some fluctuations.<sup>11</sup> Myanmar’s exports grew 14.4 times during the period between 1985 and 2006, and its imports grew 13.8 times for the same period. The SLORC enacted the Foreign Investment Law just two months after its seizure of power, and Myanmar received foreign investments totaling US\$15.7 billion as of March 2009.

As trade volume grew, Myanmar strengthened its trade relations with neighboring countries. During Myanmar’s socialist period, Western donors such as Japan and West Germany constituted its major trading partners, mainly because of trading activities related to the provision of official development assistance. However, Western donors terminated their assistance after 1988, and many imposed economic sanctions on the military government. A hostile international economic and commercial environment encouraged Myanmar to develop trading activities with its neighbors (see Table 3).

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<sup>11</sup> For details, see Toshihiro Kudo and Fumiharu Mieno, “Trade, Foreign Investment and Myanmar’s Economic Development in the Transition to an Open Economy,” in *The Economic Transition in Myanmar after 1988: Market Economy versus State Control*, ed. Koichi Fujita, Fumiharu Mieno, and Ikuko Okamoto (Singapore: NUS Press, 2009), 103–127.

**Table 3. Myanmar's Major Trading Partners<sup>12</sup>**

Myanmar's Major Export Partners (percent)												
	1980		1988		1990		1995		2000		2006	
1	Singapore	14.3	Africa	19.7	Africa	14.3	Singapore	16.0	U.S.	22.4	Thailand	49.0
2	Africa	10.6	Singapore	9.7	Thailand	12.0	India	12.2	Thailand	11.8	India	12.1
3	Japan	9.9	Hong Kong	9.1	Singapore	11.3	China	11.3	Africa	8.6	Africa	5.8
4	Indonesia	9.5	Japan	8.4	India	10.8	Africa	9.3	India	8.2	China	5.3
5	Hong Kong	7.6	Indonesia	7.0	China	8.1	Indonesia	8.0	China	5.7	Japan	5.1

Myanmar's Major Import Partners (percent)												
	1980		1988		1990		1995		2000		2006	
1	Japan	43.7	Japan	39.0	China	20.6	Singapore	29.9	Thailand	18.3	China	34.0
2	U.K.	8.8	U.K.	9.1	Singapore	17.9	China	29.0	China	18.0	Thailand	21.4
3	Germany	7.4	Germany	6.7	Japan	16.6	Malaysia	10.8	Singapore	15.8	Singapore	15.8
4	Singapore	6.1	U.S.	6.0	Germany	4.8	Japan	7.4	S. Korea	10.5	Malaysia	4.6
5	U.S.	5.0	Singapore	5.8	Malaysia	4.7	S. Korea	4.1	Malaysia	8.4	S. Korea	4.0

Among its Asian neighbors, China and Thailand substantially strengthened their economic ties with Myanmar. Since 1988, when border trade between Myanmar and China was legitimized and formalized—hitherto deemed illegal—China has enjoyed an important position in external trade with Myanmar and has constantly occupied a high ranking among the country's trading partners. China provided about one-third of Myanmar's imports in 2006 and is now a major supply source of all kinds of goods and commodities to the Myanmar economy.

On the other hand, Thailand offered the biggest market for Myanmar's exports. About half of Myanmar's exports went to Thailand in 2006, and natural gas constituted more than 90% of Myanmar's exports to Thailand in recent years. Two large gas fields—the Yadana and Yetagun in the Gulf of Martaban—have been developed by two consortia led by Total/Unocal and Texaco, respectively, since the early 1990s, and from 1998 onward, gas from these fields was exported to Thailand by pipeline. Gas exports greatly improved Myanmar's foreign currency situation, and a large portion of the revenue from the gas exports goes to the national treasury. Moreover, China plans to procure natural gas from Myanmar's newly developed Shwe field by pipeline beginning in 2013. This will bring about another huge influx of money to the military government.

<sup>12</sup> International Monetary Fund, Direction of Trade Statistics, available at <http://www.imfstatistics.org/DOT/> (accessed October 2009).



Much has been written about the so-called resource curse in the economics literature. As Paul Collier writes, “A much more paradoxical trap has been the discovery of valuable natural resources in the context of poverty.”<sup>13</sup> In the absence of sound monetary and fiscal institutions in Myanmar, a windfall of foreign exchange from gas exports leads to overvaluation of the kyat (the local currency). This harms traditional exports such as agricultural produce and labor-intensive garments that generate income for farmers and workers, and opens up opportunities for rampant corruption. Without the gas revenues, it is unlikely that Myanmar’s military government would be able to construct a new capital at Naypyidaw and launch a massive arms buildup. The very low public expenditures on health and education, in comparison to the military budget, clearly shows that the military government in Myanmar does not effectively use gas revenues for its people.

In addition to the gas revenues coming from Thailand, China provides a large amount of economic cooperation and commercial-based loans in the area of infrastructure development, in particular in hydropower development (e.g., Paunglaung, Shweli, Yeywa) and state-owned economic enterprises in the industrial sector.<sup>14</sup> China’s economic cooperation is said to be motivated by two factors: to secure natural resources—energy in particular—and to secure a favorable trade environment with its neighbors. Myanmar meets both criteria and has thus become one of the top 10 recipients of Chinese economic cooperation in recent years (see Table 4).

**Table 4. China’s Economic Cooperation, 2000 and 2005<sup>15</sup>**

		2000		2005		
	Country	Turnover (US\$ million)	Resources	Country	Turnover (US\$ million)	Resources
1	Pakistan	329.4	coal, gas	Sudan	1342.8	oil, gas
2	Bangladesh	231.2	coal, gas	Nigeria	799.9	oil, gas
3	Myanmar	186.7	oil, gas	Pakistan	751.4	coal, gas
4	Sudan	118.8	oil, gas	Bangladesh	614.0	coal, gas
5	Mali	105.1	gold	Indonesia	534.6	oil, gas
6	Yemen	97.9	oil, gas	India	412.9	coal, iron ore
7	Laos	93.7	potassium	Angola	305.7	oil, diamond
8	Zimbabwe	87.6	N/A	Vietnam	200.2	bauxite, coal
9	Vietnam	87.5	bauxite, coal	Myanmar	289.8	oil, gas
10	Sri Lanka	63.6	N/A	Egypt	276.5	oil, gas

<sup>14</sup> China, however, does not disclose the details of its economic cooperation. It is difficult to distinguish genuine economic cooperation or foreign aid projects from commercial ones.

<sup>15</sup> Takaaki Kobayashi, “Evolution of China’s Aid Policy,” *Journal of JBIC Institute*, no. 27 (April 2008), 33.

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Without long-term, low-interest loans from China, Myanmar's government could not have carried out the construction of massive new textile and sugar mills and other state-owned factories. Although China's official foreign investment is rather small, it is not insignificant in that it has recently been directed into oil and gas exploration. Chinese enterprises may soon be major players in the booming oil and gas sector in Myanmar.

China's economic cooperation and commercial loans have apparently supported the military government, but their effects on the Myanmar economy as a whole have been limited under an unfavorable macroeconomic environment and a distorted incentives structure. In particular, the newly built state-owned factories may become a burden on Myanmar's government budget and eventually represent bad loans for Chinese stakeholders. Myanmar's debt arrears had reached US\$100 million by 2003, and in 2005, the China Export and Credit Insurance Corporation rated Myanmar eight on a scale of nine on its country risk scale (one indicating safe countries and nine the most risky countries). In the end, it is Chinese taxpayers and other stakeholders who will have to pay the debts.

In sum, the "engagement approach" has been motivated by the national interests of Myanmar's Asian neighbors rather than by a belief that engagement promotes mutual understanding and eventually brings about mid- and long-term benefits for Myanmar's economic development and national reconciliation.

### Lessons and Policy Recommendations

Neither economic sanctions nor economic cooperation without considering the governance of the recipient has promoted economic development or national reconciliation in Myanmar. Based on the lessons learned from the past, this report provides the following recommendations for international and regional stakeholders.

**Despite different strategic and economic interests, countries both from the West and from Asia should share a common interest in a peaceful and prosperous Myanmar.** The universal values of democracy and human rights—taking into account the varying historical and cultural contexts of each country—are the common interests regarding Myanmar. It is also important to share a sense of urgency, as the next few years will be of critical importance for national reconciliation and economic development in Myanmar. All stakeholders in the international arena should try to influence Myanmar in a more coordinated manner. On this point, the permanent members of the United Nations Security Council share responsibility. The permanent members should coordinate their policies toward Myanmar not only at the UN Security Council, but also in bilateral dialogues such as the U.S.–China Strategic and Economic Dialogue.

**Given its strategic location, Myanmar's integration into the region is of critical significance for the realization of a prosperous East Asian community.** Strategically located between China, Thailand, Laos, India, and Bangladesh, Myanmar is a member of ASEAN and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. The country has also played a pivotal role in the Greater Mekong Subregion economic cooperation. Myanmar has been, and will

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continue to be, an important member of the East Asian Community. Narrowing the developmental and economic gaps between Myanmar and other member countries should be a far-reaching aim. All East Asian Community members, Japan in particular, should promote Myanmar's economic development and regional integration through both official economic cooperation and private trade and investment.

**Asian neighbors—China in particular—should be attentive to the governance and capacity of Myanmar's military regime when they purchase natural resources and provide economic cooperation.** It could even be harmful to Myanmar's economic growth to provide significant economic cooperation without the proper conditions and procedures. Recently, the international community has intensified its criticism of China, whose economic cooperation has allowed the Myanmar military government to forgo any meaningful political and economic reforms. Accepting that China and other Asian neighbors have diverse and vital strategic and economic interests in Myanmar, these countries should make efforts to align themselves more with international guidelines on the management of economic cooperation and resources procurement.

**Western nations—the United States in particular—should consider how and when to relax or lift trade and investment sanctions on Myanmar.** The sanctions imposed on the Myanmar economy by the United States and other Western nations inevitably inflict a bigger blow on the majority of the population than on military and government officials. Therefore, economic and financial sanctions targeting the Myanmar economy should not be imposed without measures to mitigate their negative impact on the people. Instead, Western sanctions should shift to targeted ones, such as restrictions on travel visas and financial services. This will make the lives of the top military leaders and their key supporters less comfortable in the international arena.

In practice, the United States will carefully evaluate the Myanmar military government's attitude toward the elections in 2010 and the subsequent political transition with key economic sanctions still in place. This is strategically correct. However, the United States can indicate, either explicitly or implicitly, specific conditions and actions necessary for its possible relaxation of sanctions so that Myanmar's military government may also respond correctly.

The United States' four-step road map toward normalization of relations with Vietnam, announced in 1991, can be used as a model for Myanmar. This road map was unilaterally announced by the U.S. government and never officially accepted by the Vietnamese government. Nevertheless, normalization, including the lifting of sanctions, proceeded in accordance with the road map. This kind of approach can be an effective option for not only the United States and other Western nations, but also Japan and other Asian nations.

**The international community should increase humanitarian assistance targeting the vulnerable segments of Myanmar's population if progress is made in improving the human rights conditions in Myanmar and if the regime begins to transition to a democracy before and after the 2010 elections.** It is the responsibility of the international community to secure the Myanmar people's human security through poverty reduction, human resource development, and development of humanitarian-related infrastructure.

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**The international community should negotiate with the Myanmar government to ease access restrictions into the country for aid organizations, as well as to increase cross-border assistance to reach the most vulnerable segments of Myanmar's population.** One of the most vulnerable segments of society in Myanmar are the internally displaced persons along the Thailand border. There are an estimated 500,000 displaced persons in eastern Myanmar today, but foreign aid agencies and international nongovernmental organizations located in Yangon do not have access to eastern Myanmar without the government's permission. Many donors are reluctant to provide cross-border assistance to the displaced persons through assistance organizations located on the Thai side and are concerned about possible repercussions on Yangon-based assistance activities from the Myanmar authorities. However, the Nargis case shows that the military regime in Myanmar allows international aid organizations some leeway to work, even in areas in which the government does not necessarily like foreigners' presence.

Economic growth has been a key element in poverty reduction. The economic history of East Asia—particularly that of the initial ASEAN members—shows that participation in East Asia's dense production and distribution networks through foreign investment and external trade has been a key to economic and industrial development. Myanmar should follow the same track.

In order for Myanmar's economy to effectively and efficiently integrate with East Asia's production and distribution networks, the Myanmar military government first has to undertake full-fledged economic reforms in line with an open and free market economy so that it can make the most of internal and external resources. **In this regard, the findings and policy recommendations of the Myanmar–Japan joint study on economic structural adjustments in Myanmar mentioned earlier can provide a starting point for envisaging and designing a comprehensive plan for economic reform.**

Second, the Myanmar government must direct all of its efforts toward constructing and upgrading Myanmar's industrial infrastructure. Poor industrial infrastructure, including power, transport, and communication, has long prevented the Myanmar economy from plugging into the production networks of East Asia. Accordingly, the Myanmar government should use a large portion of the revenues from gas exports for this purpose, so that its economy can effectively integrate into the East Asian economy, which, in turn, will lead to the realization of a prosperous region.

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# Pragmatic Diplomacy: Reviewing International and Malaysian Policy toward Myanmar

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A report prepared by the Institute of Strategic and International Studies,  
Malaysia for the Asia Society's Burma/Myanmar Initiative

March 2010

## Executive Summary

**A roundtable discussion on Myanmar** was held at the Institute of Strategic and International Studies (ISIS) Malaysia on September 9, 2009. The discussion was organized to provide input for a review of international policy toward Myanmar as part of the Asia Society's Burma/Myanmar Initiative. This report contributes to that initiative by providing an overview of Malaysian policy toward Myanmar. The proceedings opened with introductory remarks on recent events in Myanmar by Tan Sri Razali Ismail, former president of the United Nations General Assembly and special envoy of the secretary-general to Myanmar. An overview of Malaysia's policy toward Myanmar was provided by Ambassador Nazirah Hussin, director-general of the Department of Policy Planning and Strategy in Malaysia's Ministry of Foreign Affairs.

A general discussion of the various points and issues related to Myanmar was held. The participants agreed that sanctions imposed on Myanmar's military regime by the West have not achieved their intended results. The West and the international community—including Malaysia—must come to an accommodation with the military regime, which will likely remain in power even after the planned 2010 elections. Western countries, in particular the United States and the European Union, must be more pragmatic as they pursue democracy in Myanmar. Radical political change imposed from the outside is too difficult to achieve. The consensus was that the Association of Southeast Asian Nations (ASEAN) should take a leading role in addressing the situation in Myanmar. Malaysia was instrumental in bringing Myanmar into ASEAN, believing that the chances of inducing change in Myanmar would be greater if the country was a member of ASEAN.

A "dual approach" to dealing with Myanmar was proposed. Western and international actors such as the United States, the European Union, and the United Nations should continue to pressure Myanmar on the issues of human rights and democracy. At the same time, Asian and regional players such as China, India, and ASEAN—including civil society organizations from

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these countries—should focus on soft diplomacy, technical aid, and capacity building, while continuing to press Myanmar firmly on democratic change.

The meeting was chaired by Tan Sri Mohamed Jawhar Hassan, chairman and chief executive officer of ISIS Malaysia. Participants in the roundtable included Malaysian diplomats and policy makers—both past and present—members of academe, and journalists. Participants included:

- Tan Sri Mohamed Jawhar Hassan, Chairman and Chief Executive Officer, ISIS Malaysia
- Tan Sri Razali Ismail, Former Special Envoy of the United Nations Secretary General to Myanmar
- Tan Sri Hasmy Agam, Executive Chairman, Institute of Diplomacy and Foreign Relations, Ministry of Foreign Affairs
- Ambassador Nazirah Hussin, Director General, Department of Policy Planning and Strategy, Ministry of Foreign Affairs
- Datuk Dr. Rebecca Fatima Sta Maria, Deputy Secretary-General (Trade), Ministry of International Trade and Industry
- Dato' Ahmad Zamzamin Hashim, Director General 1, Research Division, Prime Minister's Department
- Dato' Mohd Ridzam Deva Abdullah, Former Ambassador, Distinguished ISIS Fellow
- Dr. Chandran Jeshurun, Director, Academic Research and Publication Division, Institute of Diplomacy and Foreign Relations, Ministry of Foreign Affairs
- Associate Professor Jatswan Singh Siddhu, Department of International and Strategic Studies, Faculty of Arts and Social Sciences, University of Malaya
- Assoc. Professor Ruhanas Harun, Strategic Studies and International Relations Program, Faculty of Social Sciences and Humanities, Universiti Kebangsaan Malaysia
- Dr. Stephen Leong Mun Yoon, Visiting Fellow, ISIS Malaysia
- Mr. Bunn Sri Na Nagara, Associate Editor, STAR Publications (M) Bhd.
- Dr. Tang Siew Mun, Head of Department of Strategic Studies, National Defence University

**In attendance:**

- Mr. Keith Leong, Researcher, ISIS Malaysia
- Mr. Woo Hon Weng, Researcher, ISIS Malaysia

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## Myanmar's Relationship with the International Community and Malaysia

The military regime in Myanmar has become entrenched, and therefore the chances that it will be dramatically removed from power in the short term are slim. While some improvements were made under Khin Nyunt's term in power, these advances were drastically rolled back after his purge. In the past, the State Peace and Development Council (SPDC) has simply ignored external pressure, and today remains largely immune to it. Therefore, there is no way forward but to seek some form of engagement with the generals for a more productive approach toward Myanmar.

Several participants expressed the idea that the people of Myanmar have become accustomed to military rule and that their Buddhist ethos has somehow made them impervious to the sufferings that have been inflicted on their country in the past. Aung San Suu Kyi's ability to take power was limited, not least because of the fact that the youth of Myanmar are increasingly disconnected from the pro-democracy uprisings of 1988–1990, from which she derives most of her mystique.

On the other hand, many participants conceded that Suu Kyi remains a powerful symbol and that any postmilitary dispensation in Myanmar would require some form of acquiescence from her, even if she were not allowed or able to participate in it. Even military regimes are wary about remaining in power for too long. Indeed, the SPDC is aware that it cannot hold onto power indefinitely.

Participants were divided on whether Myanmar constitutes a problem for the international community. Some participants felt that the country does not, claiming that the risk of the country "failing" is not as great as other countries, such as Afghanistan or Somalia. Additionally, Myanmar does not pose a threat to regional peace and security, and neither Myanmar nor any armed group inside the country threatens neighboring countries or international commerce. The country's domestic problems are more a question of how to bring about a peaceful transition to civilian rule, not an issue of human rights and democracy.

Other participants, however, pointed to Myanmar's alleged nuclear ambitions and the outflow of Rohingya refugees to neighboring countries—which has become a social as well as a humanitarian issue of some prominence in Malaysia. The possibility that the Myanmar issue could disturb Southeast Asia's geopolitical dynamics cannot be discounted.

The capacity of outside powers to effect dramatic internal political change is usually limited if the state concerned is a strong state, like Myanmar. Only weak, failing, or defeated states—such as Japan and Cambodia in the past and Afghanistan and Iraq more recently—are amenable to radical political change imposed from outside. Political change toward greater democracy generally comes from within, and it is often accompanied by violence, as in the case of France and the United Kingdom. Therefore, the policy discourse on Myanmar must be more pragmatic, unlike Western policies, which so far have been too ideologically driven, unbending, and heavily reliant on isolation as well as ineffective and punitive sanctions.

Several participants were critical of the role and influence of pro-democracy groups in the West, claiming that their doctrinaire views on Myanmar have actually limited the ability for reform or

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for pro-democracy elements within the country to maneuver. For instance, Suu Kyi was unable to rescind the tourism boycott championed by these groups even though she had changed her mind on the issue. A few participants believed that Suu Kyi and nongovernmental organizations (NGOs) in Myanmar have adopted a more flexible and accommodating stance on engaging with the military. This scenario opens the door for the possibility of some sort of deal among the competing factions, and international action should be geared toward facilitating this.

Some participants were skeptical that the United States would attempt to intervene directly because it would not want to upset the balance with China. It is also possible that the United States would prefer to coordinate policy on Myanmar in tandem with China and India wherever possible. Some attention was also given to China's possible role in the Myanmar issue. Again, it was thought that the initiative should first come from ASEAN, as certain participants felt that China would not move until and unless ASEAN did.

Indeed, the consensus was that ASEAN should take a role in addressing the situation in Myanmar, not least because Myanmar is a member of that association. A resolution to the Myanmar issue is also important for ASEAN because this has made the negotiation of free trade agreements with the United States and the European Union difficult. The participants differed on how this might be done. Many believed that a certain degree of cooperation with the United States is necessary, whereas others felt that ASEAN member states (particularly Malaysia) should be more proactive in this matter.

Despite strong criticism from Western nations and some opposition within ASEAN, Malaysia was instrumental in bringing Myanmar into the ASEAN fold. Malaysia felt that Myanmar would be better positioned to change as a member of ASEAN than outside the organization. However, doubts remain about how effectively ASEAN can induce reform in Myanmar. After all, the military regime had all but "given up" on the regional grouping after it was not allowed to assume the chair of ASEAN in 2006. On the other hand, direct efforts by Singapore, Thailand, Cambodia, Laos, and Vietnam have borne fruit in the past.

Many participants were critical of Myanmar's military leaders, particularly in regard to their reliance on astrologers to make important policy decisions and their erratic policy making and irrational goals. Myanmar's leaders, for instance, have claimed that the country would enjoy economic growth of up to 13%. Several participants also expressed impatience with the SPDC, especially given the damage that its actions have caused to the reputation of both Malaysia and ASEAN.

Participants admitted that Malaysia feels "disappointed" by Myanmar, and thus it is seeking to reformulate its policy toward the isolated country. They agreed that Malaysia should play a more activist role, albeit one that is respectful of the SPDC. There was a feeling that Malaysia, having brought Myanmar into ASEAN, is therefore "responsible" for it and has a greater responsibility to do more to bring the country into the international mainstream.



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## The 2010 Elections and a “Dual Approach” to Myanmar

The elections slated for 2010 will mark a critical point in Myanmar’s evolution toward democracy. However, the elections are unlikely to be genuinely democratic, and they will be far from free and fair. The new constitution is flawed, as it is imposed on the people from above. It is also unclear who the participants in the elections will be and how the military will manifest itself as a political party (under the aegis of the old National Unity Party, or a new entity?). Nevertheless, the elections could open the door to important reforms in the future, with the military playing a progressively diminishing direct role.

On the other hand, the very fact that elections are to be held is an important step forward and possibly a sign that international pressure has indeed worked, although still within the limitations set by the junta. Malaysia and the international community should welcome the 2010 elections as a step forward, as well as provide any assistance necessary to ensure their success. If the elections are successful, Myanmar will progress further along the road to democracy than some other countries in ASEAN. Additionally, the leadership of the SPDC and the military elite have been sending their children to be educated or trained abroad. In doing so, they are acquiring professional skills instead of being brought up in the military. This could be an indication that the junta is realizing that political transformation toward civilian democratic rule eventually must come.

The focus for the 2010 elections should be on incrementalism. If the 2010 elections are indeed a step toward democracy, the international community should respond positively and facilitate the desired incremental change toward greater civilian democratic rule. As one roundtable participant noted, “Myanmar has to be prepared for change.” The country’s civil service and society, as well as the institutional cultures of both, need to evolve to be able to function according to democratic norms and practices.

The international community also must anticipate leadership changes and succession within the SPDC to better engage with the military leadership. In Malaysia’s case, much of its relations with Myanmar in the last two decades were done through Khin Nyunt’s military intelligence establishment. His fall from power in 2004 ended this access and robbed Malaysia of previously intimate and fruitful linkages to the Myanmar leadership.

Therefore, the international community should continue to monitor the transitions within the SPDC, particularly now that Senior General Than Shwe is out of the picture. In this regard, Generals Aung Kyi and Chuey Man could be particularly influential in the future. In engaging the military, it is vital to assure the regime that such engagement is not aimed at subverting its political power and that its members will not be subjected to any widespread persecution in a postmilitary Myanmar.

Trust building is the most important change that needs to occur in Myanmar’s political circumstances. Previously, the lack of trust and outright hostility between the SPDC, the opposition National League for Democracy, and the international community made any change or positive reform difficult. Consequently, any new initiative should focus on reducing tensions between the various factions, creating working relationships, and strengthening democratic practices.

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While Malaysia and most ASEAN members have provided extensive humanitarian and technical assistance to Myanmar, this was channeled exclusively through governmental outlets, essentially limiting their effectiveness. Thus, greater emphasis on people-to-people linkages and aid is needed. For example, in addition to training Myanmar diplomats and civil servants, contacts should also be expanded to NGOs, students, and youth. Participants felt that the SPDC would not object to these sorts of linkages as long as they are conducted within established frameworks. The importance of developing and strengthening such nonofficial bodies cannot be understated, because of the huge role they will inevitably play in a more democratic Myanmar.

In light of the upcoming elections, voter education and assistance in disseminating best practices among electoral authorities is seen as timely as well as appropriate. Political parties and internationals can also play a role in assisting the various factions in Myanmar participating in the elections through training and other capacity-building initiatives.

The media of the Asia-Pacific region, particularly that of Southeast Asia, should pay more attention to developments in the country, as there has been a dearth of in-depth reporting on the issue in local newspapers. It was also suggested that Malaysian think tanks such as ISIS and its ASEAN partners could organize more seminars to circulate information on Myanmar and to discuss policy responses toward it.

A “dual approach” to Myanmar must be taken by the various actors in the region and within the international community. Western and international actors such as the United States, the European Union, and the United Nations should continue to pressure Myanmar on the issues of human rights and democracy. On the other hand, Asian and regional players such as China, India, and ASEAN should focus on soft diplomacy, technical aid, and capacity building, while simultaneously urging Myanmar to fulfill its pledge to implement democratic change. Of course, this requires a highly nuanced diplomatic strategy. Additionally, the role of Track 2 and 3 institutions—such as think tanks and NGOs—will be vital in applying pressure on Myanmar and in assisting Track 1 players in coordinating strategies.

### **Myanmar's Economy**

Myanmar's economy is in need of reform. Malaysian companies in Myanmar suffer from red tape and other economic distortions and leakages imposed by the regime. One imagines that the same is true for most foreign companies operating there. Whatever reforms the military will concede to, it must take this economic reality into account.

The SPDC's military-industrial complex (i.e., its extensive business holdings) needs to evolve from instruments of patronage, personal aggrandizement, and enrichment into responsible and efficient government-linked companies. Currency stabilization is a vital issue. A Japanese study of this issue in Myanmar was conducted in the past, but its recommendations were never adopted.

International financial institutions should continue to promote free market practices in Myanmar to facilitate economic reforms there, but not in an extremely dogmatic manner. The

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International Monetary Fund conducted an in-depth study of the economy of Myanmar, but its recommendations also were ignored by the military leadership. Malaysian corporations with interests in Myanmar, particularly Petronas (Malaysia's national oil and gas company), could play a positive role in development and promoting free market practices through corporate social responsibility initiatives.

Malaysia has advanced extensive aid to Myanmar. The government of Malaysia, for example, has at various times provided technical assistance in education, health care, and agriculture to the country. More people-to-people, nonpolitical programs would be better suited to improving conditions on the ground in Myanmar.

### **Sanctions**

Any punitive action toward Myanmar, including sanctions of any kind, should be assessed from the viewpoint of effectiveness. If sanctions are not likely to be effective, there is no point in persisting, except perhaps to make a political point. In the case of Myanmar, economic sanctions are largely not working. While economic sanctions do not appear to have modified the political behavior of the junta in any substantial way, they are still serving a purpose by demonstrating the gravity with which the international community or the relevant countries view the situation. If the junta is indeed seeking the assistance of Suu Kyi to reduce the sanctions on Myanmar—as reported by the media in recent weeks—then it appears that the sanctions are indeed having some impact.

Any decision to end sanctions should be tied to some movement or change on the part of Myanmar. Any positive movement or change will provide an opportunity to seamlessly reduce or end sanctions that we know are not really working. However, ending sanctions in the absence of any movement would send the wrong signal.

The Malaysian government believes that there should be a range of responses to dealing with Myanmar. Many in Malaysia view the United States and the European Union—largely through their political influence in the United Nations—as predisposed to use sanctions. Less reliance on sanctions and a greater openness to pragmatic diplomacy would yield more tangible progress.

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# Developing an International Policy toward Burma/Myanmar: Philippine Perspectives

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Prepared by the Institute for Strategic and Development Studies, Philippines, for the Asia Society's Burma/Myanmar Initiative

March 2010

## Executive Summary

**Developing a coordinated international policy** toward Burma/Myanmar is a difficult, if not impossible, goal. The general lack of accurate information on developments inside the country, the absence of a credible and effective contact group, and the lack of any convergence on what the goals of such a policy should be pose significant challenges not only for the international community, but also for the Philippine government in addressing the situation in Burma/Myanmar. Political repression in Burma/Myanmar and the ongoing detention of Daw Aung San Suu Kyi have captivated the attention of policy makers in the Philippines. However, other important issues that are relevant to future development, such as human rights abuses and economic development in the country, have not been examined carefully and have been largely neglected.

To address this void, the Institute for Strategic and Development Studies in the Philippines convened a roundtable discussion involving policy experts and government officials to examine Philippine and international policy toward Burma/Myanmar. The roundtable was organized to support an Asia Society initiative designed to examine national policy toward Burma/Myanmar among countries in the Asian region. The following report reveals a shared sense among participants that the Association of Southeast Asian Nations (ASEAN) has a special responsibility in leading diplomatic efforts to encourage political and economic reform in Burma/Myanmar. The Philippine government, as well as the international community, should work through ASEAN to coordinate its policies toward Burma/Myanmar. Moreover, Philippine and international policy toward the country should be guided by the principles enshrined in the ASEAN blueprints for a Political-Security Community, Economic Community, and Socio-Cultural Community in the region. In addition to ensuring a free and fair election in Burma/Myanmar in 2010, the Philippine government also should support economic reform and development in the country. Establishing

robust financial institutions in Burma/Myanmar is critical to promote the liberalization of the economy. Finally, the Philippine government and the international community should focus their resources on social development and development of the country's agricultural sector.

Participants in the roundtable and contributors to the report include:

- Carolina G. Hernandez, President and Chair, Board of Directors, Institute for Strategic and Development Studies, Inc. (ISDS)
- Herman Joseph Kraft, Executive Director, ISDS
- M. C. Abad, Jr., Head, Government Relations Unit, Asian Development Bank
- Enrique Pingol, ASEAN Affairs, Department of Foreign Affairs, Philippines
- Brian Jess Baguio, ASEAN Affairs, Department of Foreign Affairs, Philippines
- Minette Acuña, Director, National Security Council, Philippines
- Marla Barcenilla, Staff of Congressman Lorenzo Tanada III, Representative Quezon, 4th District
- Luningning Camoying, Foreign Service Institute, Department of Foreign Affairs, Philippines
- Joanna Bernic S. Coronacion, Alliance of Progressive Labor
- Jaimon Ascalon, Department of Foreign Affairs, Philippines
- Eduardo Maglaya, Director, ASEAN Affairs, Department of Foreign Affairs, Philippines

### **A Coordinated Policy: The Role of ASEAN in Burma/Myanmar**

Developing an international policy toward Burma/Myanmar is a difficult, if not impossible, undertaking. The principal reasons are the general lack of accurate information on developments inside the country, the absence of a credible and effective contact group, and the lack of any convergence on the goals for such a policy. There is a general consensus that Burma/Myanmar poses problems for the international community, especially for ASEAN. However, there is little common understanding of what those problems are. The principal concerns of the Philippine public range from a minimalist desire to free Daw Aung San Suu Kyi to a broader concern about regime change in the country. Consequently, varying appreciations of the situation have led to different ideas on how to approach the issue of Myanmar/Burma.

The dominant description of the situation in Burma/Myanmar is one of uncertainty. Even as civil society groups consider the current state of affairs to be “chaotic,” very little is known about what is going on inside the country. Its relative isolation has made it difficult to answer some basic questions: How does the government govern? Who are the people involved in making decisions? What is the junta doing? Yet answering these questions is important to understanding how to

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influence the military junta. Sources report on issues such as repression and forced labor in Burma/Myanmar. There have even been reports of the military junta making contacts with North Korea to develop a nuclear weapons program. However, there are questions about the veracity of these reports, and consequently about the nature and extent of the problem posed by Burma/Myanmar to ASEAN in general and to the Philippines in particular.

The principal concern for ASEAN is the extent to which the situation in Burma/Myanmar has become an embarrassment to the organization. ASEAN's credibility, already shaky as a result of a number of other issues, has suffered enormously because of perceptions that it shields the ruling military junta from international criticism. Moreover, ASEAN is seen as protecting Burma/Myanmar from aggressive actions that could be taken by members of the international community who are also dialogue partners of ASEAN. Some of ASEAN's key relations, particularly with Europe and the United States, have been stalled over this issue.

The ASEAN states are careful about their relationship with Burma/Myanmar because they are concerned with how easily the country could become a pawn in great power rivalries. This would make the region an arena of great power contention, a situation that ASEAN has been working against since the organization was established. Unease over this issue has been heightened by the growing involvement of both China and India in Burma/Myanmar. Underlying the whole situation, however, is concern over the possibility that Burma/Myanmar could implode politically, forcing ASEAN partners to absorb the consequences. ASEAN states fear massive numbers of refugees spilling into Thailand, and even Malaysia and Indonesia (via Sumatra). Therefore, they must coordinate assistance at the regional level to address the effects of these problems.

Outside of these concerns shared with other ASEAN states, the Philippine government has not defined what the country's interests are in relation to Burma/Myanmar. Consequently, Philippine policy toward Burma/Myanmar seems muddled. The secretary of foreign affairs has been vocal in criticizing the military junta over its treatment of Suu Kyi, but this is not connected to a broader policy. With the exception of the issue of Suu Kyi, bilateral relations between the Philippines and Burma/Myanmar have been described as "unproblematic." Philippine companies have even become active in investing in Burma/Myanmar without any concerns raised by the government. This position contrasts with that taken by civil society groups, which believe the situation in Burma/Myanmar is much more complicated. While the case of Suu Kyi tops their list of concerns, civil society groups are also alarmed by political repression, forced labor, child labor, and other forms of human rights violations taking place in the country.

Nevertheless, there is a shared sense within Philippine society that ASEAN has a special responsibility in addressing the issue of Burma/Myanmar. The main thrust of diplomatic efforts should be to secure the immediate release of Suu Kyi. Second, ASEAN must ensure that the projected election in 2010 is as fair and free of fraud as possible. Beyond these two immediate considerations, the goals are less clear. There is no definitive convergence on the importance of Suu Kyi's participation in the election. Philippine government representatives generally see this as important, but not a deal breaker. Civil society groups, on the other hand, cannot envision a

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fair and free election if she is not allowed to participate. However, there is a clear consensus that because the election is key to opening a road toward political reform in Burma/Myanmar, ensuring the credibility of the election results is important. In this context, an ASEAN observer group is an important instrument in guaranteeing that the election is free and fair. However, the question remains as to who should play the role of election observer: a delegation of officials or civil society groups.

Beyond the short-term course—and assuming that the election has a modicum of credibility—there is disagreement on what kind of diplomatic policy should be undertaken to achieve the best outcome in Burma/Myanmar. Civil society groups believe that strong pressure, including the use of sanctions, would best pressure the junta into ensuring that the 2010 election is free and fair, eventually allowing a peaceful transition toward a more democratic regime. In this context, civil society groups are willing to work with the governments of countries that have taken a more hard-line stance in their relations with Burma/Myanmar (such as the European states and the United States). These civil society groups also have been critical of the more careful approach taken by ASEAN and the continuing emphasis by China and India on a policy of noninterference.

Civil society groups are also looking at the long term. They believe that building an internal political force to act as an agent of change will be more effective than pursuing an external policy toward Burma/Myanmar. However, the problem is identifying which group could act as the core of this political force and the target of political assistance. Even though some civil society groups believe that the people of Burma/Myanmar are resigned to their condition, with one salient observation that they are “used to having nothing,” they nonetheless judge that the best course for Burma/Myanmar is to assist in the development of livelihood initiatives at the grassroots level (such as village cooperatives), independent of state agencies. This would give the people of the country some semblance of economic autonomy while helping to politically empower themselves in the long term.

Government officials in the Philippines, on the other hand, have tended to follow the ASEAN line on Burma/Myanmar. While recent statements by the Philippines’ secretary of foreign affairs on the situation in Burma/Myanmar have been very critical, there is a general acceptance that heavy-handed pressure is not going to change a regime that is willing to accept isolation and the suffering it might cause its people. One official in the Philippine government noted that the junta is notable for its “hardheadedness” and unwillingness to listen to what would normally constitute reason in diplomatic circles. Therefore, the best way to deal with the junta is through a less aggressive form of engagement. “Creativity” is the byword used to describe how to deal with the military junta, yet what constitutes a creative approach is still not clear. Within ASEAN, opinions on how to deal with Burma/Myanmar are split between the older member states and the newer member states (Cambodia, Laos, Malaysia, Vietnam, and Brunei), which are not happy with public criticism of the military junta. Nonetheless, sanctions and more aggressive approaches are generally seen by all ASEAN members as counterproductive. In this context, China and India are seen as critical players in influencing the military junta because of their perceived close relations with the government.

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Academics in the Philippines tend to take a middle ground between these positions but hew closer to the more pragmatic stance taken by the Philippine government. At the same time, academics have a less sanguine view about the role of ASEAN in promoting change in Burma/Myanmar because of the weak legal authority of the ASEAN Charter. Ultimately, the charter provides ASEAN with little ground to stand on in putting pressure on the military junta to initiate political reform.

The tactical convergence on Suu Kyi and her continued detention indicates a focal point for a possible short-term policy in the Philippines. One course is to work with the other ASEAN states to negotiate a solution to her case. The ASEAN road maps—which include all the blueprints for the ASEAN community—are potential mechanisms for pushing the military junta on this issue. The Philippines could insist on denying the ASEAN Standing Committee chair to Burma/Myanmar whenever it is that country's turn to hold this position until the government takes substantive steps to release Suu Kyi and more general actions to advance political reform. To soften the effects of this negative policy, the Philippines could send a delegation to Burma/Myanmar to explain the government's position. Someone with the international stature of Fidel Ramos could be influential in this context. Another option is to send a delegation of eminent persons from the ASEAN states (or even the ASEAN 5) to express to the military junta the rationale for continuing to deny Burma/Myanmar its turn as chair of ASEAN.<sup>1</sup> Additionally, it may be worthwhile to explore and discuss with the military junta the benefits of having an international observer group—even if made up only of ASEAN representatives—to monitor the 2010 election. The Philippines could even propose the possibility of having ASEAN election observers sent to the Philippines to monitor their own elections in 2010 so that the military junta will not feel singled out on this issue.

Other areas in which specific Philippine policies could be directed include:

- Providing assistance in education modernization programs, including provisions for liberal arts and humanities.
- Working within ASEAN to provide the basis for political reform in Burma/Myanmar by making use of provisions in the ASEAN Charter that promote respect for democracy and human rights and in the ASEAN Political and Security Community that urge the sharing of values and norms in the region.
- Initiating exchange visits by young people on a bilateral basis between Burma/Myanmar and the Philippines, including formal exchanges through training programs for young bureaucrats (e.g., the Foreign Service Officer cadet program in the Philippines).
- Initiating cultural exchanges between the two countries.

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<sup>1</sup>ASEAN 5 refers to the countries of Indonesia, Malaysia, the Philippines, Singapore, and Thailand.



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## Political Reform and the Election of 2010

From the perspective of the Philippines, the 2010 election is a major step toward political normalization in Burma/Myanmar. While the election risks legitimizing the military junta—most civil society groups in the Philippines believe that the election will be a “farce exercise”—it is nevertheless a necessary condition for any political transition process. Principally, it provides an opening in the political space for regime outsiders. More importantly, the opening of a political space for a broader set of political stakeholders will provide the foundation for a more unified and stable Burma/Myanmar.

The greatest significance of the 2010 election is that it will provide credibility to the government of Burma/Myanmar, allowing it reengage with the international community. This engagement would, in turn, create the impetus for economic reform that will allow the integration of the country’s economy into the global economy. In this context, the condition is that the conduct of the election must be largely fair and free of fraud, and that the election results must be credible to the international community. This is the principal reason why an international observer group is important. The international community must judge this observer group as credible and capable of rendering an objective assessment on the election.

If the election is conducted and overseen by an independent body, not by one overseen by the military junta, this will further strengthen its credibility. One way to accomplish this is by establishing a commission to oversee the election. The Philippines can play a role in assisting and training the people involved in such a commission. If the objective is to increase the credibility of the election, then transparent coverage by independent media outlets (international organizations in particular) is imperative. Along these lines, journalists should receive accreditation from the different ASEAN states.

In the months leading up to the election, ASEAN should initiate and conduct public forums and mechanisms for election education. The ASEAN Inter-Parliamentary Assembly could present examples of how electoral laws are implemented in the other ASEAN countries. Following the election, the same exercise could compare legislative norms across the ASEAN states. This would help to ensure the rule of good laws and helps ensure a step toward good governance.

In the end, however, the emergence of a strong civil society is an investment in the future. As noted earlier, the election will help open a political space that can accommodate different stakeholders. It also will provide the opportunity for organizing people and linking existing groups, which by themselves are politically weak.

The election, however, constitutes only the first step in what is expected to be a process of reform. There are no guarantees that the process will lead to democratization. But sustained engagement over the course of the election could lead to the emergence of an enlightened leadership that will promote development in Burma/Myanmar and move away from the current policy of isolation, which seems to be the central element of the military junta’s mind-set. To help transform thinking among the country’s leaders, assistance programs can promote capacity development at the local level, both in terms of political reform (local governance of humanitarian projects) and economic

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reform (entrepreneurship). To ensure that the assistance funds provided are not siphoned off by members of the junta, the funds should be funneled through international channels, such as ASEAN or international nongovernmental organizations. ASEAN should outline possible areas in which assistance programs perform at maximal utility. The ASEAN blueprints for the Political-Security Community, the Economic Community, and the Socio-Cultural Community provide details on areas in which capacity building is needed and Burma/Myanmar could benefit the most. Funding agencies and international financial institutions, however, must operate within their agreed-upon mandates to avoid the possibility of being thrown out of the country by the junta.

The international community needs to coordinate its efforts to help Burma/Myanmar. Coordinating international policy involves not only ASEAN, but also Japan and China. Japan has already set up a Consultative Group on Myanmar that involves both civil society groups and governments. With such a diverse group, it is necessary to initiate the process with a meeting to set objectives and make a commitment to a common set of actions. Again, the ASEAN blueprints provide possible areas for focusing coordination. While engagement is still the best way to deal with the military junta, the countries represented in the Consultative Group must agree to undertake common action, even if it involves sanctions.

### **The Economy and State-Building**

As implied earlier, sanctions should be a last option. From the Philippine perspective, sanctions have had a minimal impact on those they are supposed to influence: Burma/Myanmar's leaders. The primary effect of sanctions has been rising levels of attention on Burma/Myanmar internationally, an effect that civil society groups in particular are intent on maintaining. Sanctions also send signals to the military junta that the situation inside the country is unacceptable to the international community. But overall, the material effect of sanctions, unfortunately, has been heavier on the people than on the leaders.

Clearly, whatever policy is undertaken by the international community, it must concentrate on increasing the capacity of the people to deal with their everyday conditions over the immediate term, while empowering them over the long term. One way of doing this—while at the same time reducing the probability that investments and assistance will benefit the members of the junta and their cronies—is to invest in the development of the country's agricultural sector. Investing in agriculture would directly address the pressing concerns created by high levels of poverty in the country. Even though industries may be largely controlled by the junta, the agricultural sector remains in the hands of small farmers. Investing in agriculture, however, will probably also mean pushing for the establishment of farm cooperatives in order to increase self-sufficiency and productivity.

Over the long term, the international community must negotiate with the government in Burma/Myanmar on enacting economic reform policies. One policy that the international community would support and that would have immediate effects is establishing financial institutions. First, basic financial institutions in Burma/Myanmar are needed to service a market economy.

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Second, their establishment with the assistance of the international community will lead to the development of regulatory mechanisms that are consistent with international standards. Taken together, these institutions and mechanisms will help build a foundation for good governance. Beyond the immediate term, while engaging with the government, the international community should prioritize economic reform directed at liberalizing the economy in Burma/Myanmar, with a particular emphasis on opening the country's agricultural sector.

Finally, the international community should focus on the basic considerations of Burma/Myanmar's society. The citizens of the country would benefit greatly from aid programs that are directly geared toward food distribution, health care, sanitation, environmental protection, physical and infrastructure development, and, most important, education. Students in Burma/Myanmar are eager to learn, but their curriculum has little in the way of political education. Developing a future generation of leaders—especially at the university level—would serve the best interests of the country's people. Both the international community and the Philippine government should focus their shared resources on all of these areas of social development.

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# From Proxy to Principle: A Review of Singapore's Myanmar Policy

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A report prepared by the Singapore Institute of International Affairs  
for the Asia Society's Burma/Myanmar Initiative

March 2010

## Executive Summary

**The relationship between Singapore and Myanmar** is controversial, complex, and evolving. Singapore is closer to Myanmar than other developed nations; it engages Myanmar through dialogue, investment, aid, and technical assistance. But it is not a defender of the regime, and increasingly it has offered critical comments. Singapore's official stance is that it wants only to engage Myanmar and offer "input"; it does not seek to pressure the regime. It has acknowledged Myanmar Senior General Than Shwe's statement that he would like to bring the country toward democracy in a step-by-step, cautious, but practical approach. Concurrently, however, the Singaporean government has strengthened its criticism of the Myanmar government's misdeeds and spearheaded Association of Southeast Asian Nations (ASEAN) efforts to demand reform. Moreover, it has provided much technical assistance and humanitarian aid, especially in the aftermath of the destruction caused by Cyclone Nargis in 2008. Singaporean businesses are not deepening their economic engagement and investments in Myanmar. A wave of early investors went into the country when it first opened up economically and joined ASEAN, but this has tapered off in response to economic conditions and uncertainties in the policy environment for business.

The complexity of the Singapore–Myanmar relationship was reflected in the breadth of opinion of participants who attended a roundtable discussion hosted by the Singapore Institute of International Affairs on September 30, 2009. Leaders from the Singapore academic, business, and nongovernmental organization (NGO) communities attended the meeting. Their contributions are graciously acknowledged and provide a strong foundation for this report. Although the group did not reach an overarching consensus on how Singapore should engage Myanmar, the participants did reach conclusions on several points. The discussion reflected inherent differences over Myanmar among the different sectors of society represented in the dialogue, as well as shifting public opinion

of Singapore's own image and responsibilities. The group highlighted several concerns about the Myanmar situation and Singapore–Myanmar relations, some gleaned from the group's uniquely Singaporean perspective. The group was able to propose a spectrum of options along which policy recommendations could be considered.

This report was drafted by Simon Tay, chairman of the Singapore Institute for International Affairs (SIIA) and the 2009 Bernard Schwartz Fellow at the Asia Society, with reporting and assistance provided by William Hatch, a researcher at the SIIA. The SIIA review forms part of a larger survey of U.S. and international policy toward Myanmar organized by the Asia Society. Participants in Singapore's roundtable included:

- Geraldine Ang, Assistant Director, New Businesses Unit, International Organisations Programme Office, Economic Development Board
- Augustine Anthuvan, Editor, International Desk, Channel News Asia
- Choo Chiau Beng, Chairman, Keppel Offshore & Marine
- Azhar Ghani, Institute of Policy Studies
- George Hwang, Maruah
- Vijay Iyengar, Chairman, Singapore Indian Chamber of Commerce and Industry
- Koh Kim Seng, Managing Director, Mandalay Swan Hotel, Marplan Pte. Ltd.
- Kwa Chong Guan, Head of External Programmes, S. Rajaratnam School of International Studies
- Lee Yoong Yoong, Institute of Policy Studies
- Alan Tan, Director, ASEAN and South Asia, Singapore Business Federation
- Loong Lai Yong, Senior Executive, ASEAN, Singapore Business Federation
- Aaron Ng, Director, International Volunteerism and Community Partnerships, Singapore International Foundation
- Simon Tay, Chairman, SIIA
- Margaret Thevarakom, Deputy Director, International Volunteerism, Singapore International Foundation
- Moe Thuzar, Fellow, Institute of Southeast Asian Studies
- Tin Maung Maung Than, Senior Fellow, Institute of Southeast Asian Studies
- Yeo Lay Hwee, Director, European Union Centre in Singapore
- Huang Hong Peng, Fraser and Neave Ltd.

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Observers included:

- Tanya Laohathai, First Secretary, Thai Embassy in Singapore
- Lim May-Ann, Senior Executive, SIIA
- Bill Hatch, Researcher, SIIA
- Moses Lemuel, Intern, SIIA

This report summarizes the dialogue in four sections. First, the overall outlook on Myanmar will be presented. Second, Singapore's involvement with Myanmar in four sectors will be described: government and diplomacy, business and trade, humanitarian aid and technical assistance, and military ties. Third, Singapore's policy options are discussed and sketched on a spectrum from "proxy" to "pragmatic" to "principled" approaches. Finally, the report suggests how Singapore's strategy fits into regional and global contexts.

### **The Overall Situation in Myanmar**

Several factors suggest that Myanmar is at a critical juncture in its development, and thus it is imperative for countries and organizations, including Singapore, to review their policies toward that country. First, the global economic crisis has seriously harmed the Myanmar economy. Official statistics indicate growth in excess of 10% since 2000, but this is not consistent with other variables that are closely correlated with gross domestic product, such as energy use. The economic outlook in Myanmar is dim, for both domestic and foreign enterprises. Some participants suggested that the regime's desire to jump-start the Myanmar economy has been partly responsible for its recent diplomatic outreach.

Second, the new U.S. strategy of engaging Myanmar through dialogue has implications for Myanmar, as well as for the strategies of Singapore and other countries. Though the United States plans to maintain its economic sanctions, it has shifted more toward endorsing a pragmatic strategy similar to that of Singapore. Myanmar is making overtures to the United States, signaling that it is not content with falling more and more under China's sphere of influence.

Third, the Myanmar government has announced its intention to hold elections in December 2010. While questions remain about their integrity and fairness, the elections should catalyze political activity in Myanmar society. In the aftermath of the elections, engagement with Myanmar will have to be reshaped.

### **The Situation in Myanmar Is a Problem for the International Community**

The situation in Myanmar not only has immediate implications for the Southeast Asia region, but also is of worldwide importance. A number of regional security questions persist. Concerns include the Myanmar government's nuclear ambitions and its potential alliance with North Korea; the inability to stem the rampant illegal drug trade; the flow of refugees into neighboring states; and the

potential for instability and civil war in the north of the country. The international community is also concerned with ongoing human rights abuses in Myanmar. Outside these immediate problems, the international community should also consider the missed opportunity cost of development in Myanmar. The country is well situated and contains a wealth of natural resources, including large oil and gas deposits. If the government could better manage their development and stability, Myanmar could be a positive contributor to the regional and global economies.

Therefore, both the regional powers and the international community have a responsibility and a strategic interest in addressing the situation in Myanmar. Concurrently, they also have a responsibility to Myanmar's citizens to determine what kind of engagement is best for creating that change. The ASEAN member countries, including Singapore, must address the situation in Myanmar as neighbors. Nevertheless, their approach should be considered in light of their smaller capacity and what they can realistically accomplish. One advantage of the ASEAN engagement is that it constantly brings Myanmar delegates together with their ASEAN counterparts for diplomatic meetings at multiple levels. In an average year, this consists of 250–300 meetings. Though this has not precipitated change on its own, it still should not be scrapped. This engagement should be maintained going forward, as Myanmar opens up. ASEAN can then leverage its increased access.

### **Relationship between the Singapore and Myanmar Governments**

Singapore's official diplomatic stance is that it wants to engage Myanmar and offer "input," not to pressure the regime. It has acknowledged Senior General Than Shwe's statement that he would like to bring the country toward democracy in a step-by-step, cautious, but practical approach. Goh Chok Tong, Singapore's senior minister and former prime minister, has said that Myanmar's planned elections in 2010 must be inclusive, and that Aung San Suu Kyi's National League for Democracy (NLD) must be part of the process of national reconciliation. He has said that the elections must be "free and fair," and that Suu Kyi must be allowed to campaign for her party. More recently, Singapore has welcomed the shift in position by the United States and Europe, with Goh arguing that "our engagement with Myanmar must take a longer term view beyond 2010. Singapore sees the army as being part of the problem but also a necessary part of the solution . . . [the solution] will take time."

The Singaporean position is inclusive: it sees the military, Suu Kyi, the National League for Democracy, and the various ethnic groups as part of a long-term evolution of Myanmar society. Another comment by Goh in 2009 helps illuminate Singapore's position toward the military government, one not necessarily of unmitigated support, but of clear sympathy. "Senior General Than Shwe is in a very difficult position. He has inherited this military regime. Myanmar has come to a cul-de-sac, how does it make a U-turn? I think that's not easy." Compared to other countries, the Singapore government has a good relationship with Myanmar. It permits Singaporean businesses to trade with Myanmar and has been active with humanitarian aid projects. Nevertheless, the Singapore government has openly criticized the Myanmar government's human rights violations, and it is working to strengthen ASEAN's position on the situation.

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This recent shift in policy toward increased public censure may have changed the Singapore–Myanmar relationship already. One discussant pointed out that “right now we may be in the doghouse with the junta. They may still accept us, but reluctantly now.” Another discussant disagreed, arguing that Myanmar “still regards Singapore as a good friend.” One potential indicator of Singapore’s reputation is the frequency and timing of diplomatic visits. Goh, who served as Singapore’s prime minister from 1990 to 2004, visited Myanmar on a goodwill trip in June 2009. In doing so, he became the first foreign leader to make an official trip to Myanmar and meet with the country’s leadership since the jailing of pro-democracy leader Aung San Suu Kyi a month earlier. During his visit, he inaugurated a hospital in a township whose construction was funded by Singaporean aid. The aid was part of a recovery plan after Cyclone Nargis struck Myanmar in 2008. Goh also met with Myanmar junta chief Than Shwe at the country’s administrative capital. Prior to Goh’s visit, the previous diplomatic visit by a Singaporean minister occurred when Minister for Foreign Affairs George Yeo made an official visit on April 2–4, 2007. He met Acting Prime Minister Lieutenant General Thein Sein and discussed enhancing bilateral cooperation through cultural exchange, trade, and investment.

The purpose of such diplomatic visits has not been to congratulate or endorse the Myanmar regime. Rather, the purpose has been to confer with the government, to discuss alternative policy approaches, and even to advise. One criticism of the Myanmar government during the dialogue was that “they have no idea how to run a modern economy.” Singaporean politicians have also brought up the Suu Kyi situation with members of the regime. On his June 2009 visit, Goh told junta leader Than Shwe and Prime Minister Thein Sein “not to ignore the global interest in the Aung San Suu Kyi trial”. Earlier, Singapore had announced it was “dismayed” by the charges against her and urged the junta to release her. When Suu Kyi was sentenced on August 11, 2009, Singapore’s Ministry of Foreign Affairs expressed its disappointment, although it was “happy” that the Myanmar government had exercised its “sovereign prerogative” to grant her amnesty by halving her sentence and commuting it to house arrest (instead of imprisonment). The Ministry of Foreign Affairs also listed out all the specific conditions of her house arrest, including the possibility that she would be granted amnesty for the remainder of her sentence thereby allowing her to participate in the political process.

### **Trade and Business**

The Singaporean government has never prevented Singaporean businesses from investing in Myanmar. This significantly differentiates Singapore from many other developed countries, which have placed sanctions or other limits on investment. Instead, Singapore’s position is consistent with the ASEAN policy of “constructive engagement.”

There is a significant amount of Singaporean investment in Myanmar, as well as trade between Singapore and Myanmar. According to Myanmar official statistics, Singapore and Myanmar’s bilateral trade amounted to more than US\$2.009 billion, ranking Singapore as Myanmar’s third-largest trading partner. Of that trade, Myanmar’s exports to Singapore accounted for US\$896.86



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million, while its imports from Singapore represented US\$1.112 billion. Singapore's total historical foreign direct investment in Myanmar since its opening in late 1988 has reached more than US\$1.5 billion. This makes it the third-largest foreign investor after Thailand and the United Kingdom. In terms of foreign direct investment, Singapore was the third-largest investor in Myanmar after China and Thailand in 2008. Much of the investment is in the area of infrastructure, such as the construction of hotels, shipping, and services.

Misconceptions about the nature of trade between Singapore and Myanmar should be addressed. First, there are hardly throngs of Singaporean businesses profiting at the expense of the Myanmar people. Likewise, there are few businessmen lining up to invest there. The climate for investment in Myanmar is not good. As George Yeo, Singaporean minister for foreign affairs, put it in 2007, "Generally speaking, our businessmen are not doing well in Myanmar and many regret having invested there." Additionally, Singapore's trade with Myanmar represents only a tiny percentage of its own total trade figures—less than a quarter of 1%. Singaporeans do operate hotels, breweries, and other businesses in Myanmar, but these are limited in scale and involve investments that were made earlier, when the country was first opening up.

Despite Singapore's trade ranking, the climate for trade with and investment in Myanmar is poor. Companies report "mixed" results at best and "disappointing" outcomes at worst. There are no businesses making huge profits in Myanmar. Most companies have downgraded or even written off the future potential of those enterprises. And there are few companies, if any, lining up to start investing or to invest more. Those businesses that still operate in Myanmar are there because they made long term investments 5–10 years ago, hoping that the climate for business would improve. It has not. It may still be possible for a Singaporean company to run a profitable business in Myanmar, but unless there is significant reform, the outlook is grim. Companies may continue to operate there, but they admit that the long-term value of their operations is a fraction of its value compared to 5–10 years ago.

The final misconception is that the Singapore government does business with the Myanmar government. In fact, trade with Myanmar has occurred principally through Singaporean businesses, and it is unrelated to the government. The Monetary Authority of Singapore, Singapore's de facto central bank, does not put sanctions on business with Myanmar. Otherwise, there is no government involvement. Those with business experience in Myanmar pointed to the prevalence of double taxing, unreasonable licensing, and other rent-seeking behaviors. Dealing with Myanmar officials also presents inherent difficulties. Some officials, though cordial, have sought personal gain, to the detriment of an overall business deal. Seeking to maximize local profits, some have demanded that Singapore businesses decrease their stake in their Myanmar operations.

Clearly, there are changing conditions for investment that have affected the attitudes of investors to the country, even without considering political factors and the ongoing controversy of doing business with Myanmar.

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## Humanitarian Aid

Discussants underscored the importance of humanitarian efforts, and they agreed that they have been somewhat successful thus far and should continue. Singapore's technical assistance program and the humanitarian aid for Cyclone Nargis were cited as successful examples.

Technical assistance represents a significant part of Singapore's engagement in Myanmar. In 2007, Singapore announced that it would give S\$30 million more for technical assistance programs to the Initiative for ASEAN Integration. This initiative aims to narrow the development gap in ASEAN with newer members Cambodia, Laos, Myanmar and Vietnam. The goal of the program is to train civil servants in Myanmar and elsewhere. The extent of assistance to Myanmar is unclear, but the program has been widely heralded as a success.

Singaporean NGOs have been working with Myanmar since 1996, focused on health, education, and social welfare. In the words of one of their administrators, the work "has been pretty successful." The Singaporean NGOs at the dialogue work closely with the military government, as well as the Singaporean government. One of the goals of the NGOs is to build goodwill. Apparently, the Myanmar government views them as an extension of the Singaporean government. Opportunities for Singaporean NGOs are increasing, as they will now be allowed to engage directly with Myanmar NGOs, albeit only with ones sanctioned by the government. Previously, Singaporean NGOs were not allowed to work with Myanmar NGOs. There was a concern that they would "spread values."

But several challenges still remain. Securing private funding has been difficult as a result of private corporations' reluctance to be seen as involved with the Myanmar government. One solution has been for companies to provide services indirectly, such as sending doctors to build up the skills of their Myanmar counterparts. Moreover, even where there is an opening for engagement, it is difficult for NGOs to push the envelope. Singaporean NGOs are aware that one misstep at any time could result in a total loss of access. One suggested solution is for NGOs to ensure that they remain nonpolitical; in the case of one Singaporean NGO, the Myanmar government has recognized this and allowed them to operate relatively freely.

Finally, it remains to be seen whether aid opportunities create a foothold for political change. The optimism seen in the aftermath of the aid response to Cyclone Nargis has dissipated. Political benefits from humanitarian development may only be realized in the long term.

## Public Opinion

Government-to-government relations and business conditions, however, must be contextualized within the broader context of civil society. Public opinion on the Myanmar issue is becoming increasingly diffuse, and this has implications for public policy. In Singapore, as in many other places, there are two sides to this debate. Businesses want to carry on and invest, whereas others want to effect change through sanctions and censure. There is little concrete data on Singaporeans' public opinion on the Myanmar situation. One discussant at the roundtable suggested that Singaporean youth were becoming more and more incensed about the Myanmar situation and the human

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rights abuses reported there. In response to the regime's suppression of the "Saffron Revolution" of 2007, there were public protests in Singapore. A Singapore opposition party leader and several of his supporters were arrested on October 8, 2007, for gathering outside the presidential palace to protest the city-state's trade ties with Myanmar. But because Singapore has tough laws against outdoor gatherings of four or more people without a permit, such gatherings are rare.

### **International Pressure**

Discussants from all sectors recognized that Singapore's engagement with Myanmar does not occur in a vacuum. Engaging Myanmar comes at a cost to Singapore's international image. The relationship has been a target of international criticisms, especially among nongovernmental organizations and pro-democracy groups focused on the country. Issues that are subject to these pressures include questions of whether the junta relies on the Singaporean banking system for monies that some consider "illicit"; whether junta officials utilize Singapore for other services, including medical treatment; and whether Singaporean entities have ties to Myanmar's defense industry.

The dialogue recognized that there is indeed evidence for some of these links. For example, in 2007, Than Shwe received treatment for intestinal cancer in a government hospital in Singapore. However, most felt that this should not be condemned, as this was an essential medical treatment. On financing, Singaporean officials, including Prime Minister Lee Hsien Loong, have strongly denied allegations that the city-state allows its banks to keep illicit funds on behalf of Myanmar's military rulers. A number of discussants emphasized that Singapore serves as a hub for the entire region, and that existing ties with Myanmar leaders were consistent with that hub role and within the applicable international rules. It was not, therefore, a case of preferring the junta officials but of refusing to discriminate against them in the absence of binding sanctions.

### **Effect of Singapore's Engagement on Myanmar Thus Far**

Evaluating the success or failure of Singapore's engagement strategy is difficult. As in most international relations dilemmas, it is difficult to establish causation between one country's policies and outcomes in another. The regime still holds power, and it is difficult to label any country's strategy a "success" if regime change is the objective. However, if a less ambitious goal is to engage and influence the regime, several discussants held to the belief that Singapore's engagement may have been more productive than that of other countries.

Singapore's involvement has been one of continued dialogue, investment, aid, and technical assistance in training civil servants. One alternative is what may be called the "principled" approach, which focuses on democracy, human rights, and good governance and even resorts to economic sanctions and travel prohibitions and refuses to engage in dialogue and other policy measures to limit or condition interaction with the junta. Another alternative—on the opposite end of the spectrum—would be to serve as a "proxy" for the junta. This would entail supporting it, defending and justifying its actions, continuing with large-scale investments and increasing trade, and providing military aid.

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The most contentious issue is whether Singapore’s business engagement has indirectly benefited Myanmar society by facilitating economic growth, or whether it has merely served to increase the cash flow of the military government. It is likely that both have occurred. To which degree each has occurred is unclear. But one advantage of Singapore’s approach is that it gives the country some leverage and influence over the regime.

### **Policy Options: How Should Singapore Engage Myanmar?**

Discussants did not reach a consensus on how to best engage Myanmar; rather, a spectrum of options was agreed upon. This reflects the breadth of public opinion in Singapore. Some advocated the “principled” approach of sanctions and nonengagement where there are violations of human rights and democracy and a disregard for good governance. Some discussants pointed to a growing concern among Singapore’s youth, as well as in Singapore’s Burmese community. Others disagreed with this, advocating a “pragmatic” approach of increased dialogue, trade, and investment. This could provide the most benefits to both sides. A small minority, however, believed that Singapore should play a role as “proxy” for deeper and unconditional engagement.

#### **The Proxy Approach**

The proxy approach, in its most extreme form, maintains that engagement with Myanmar should continue normally, on the grounds that the military junta is the least of all potential evils. One premise of this argument is that although Suu Kyi is a captivating public figure, Myanmar would be worse off under her National League for Democracy party. The argument is that as heinous as some of the junta’s offenses may be, under the National League for Democracy, the country would devolve into chaos and civil war. The assumption is that the “iron fist” of the military junta has stabilized Myanmar. As this point of view recognizes the junta as the best form of government, it also implies an acceptance of its actions and permitting all business activity. This view was not espoused by any of those present at the Singapore roundtable. However, elements of this view were incorporated into arguments against the principled approach of sanctions and censure.

#### **The Principled Approach**

Under the principled approach, Singapore would seek to emulate the posture that the United States and the European countries assumed during the 1990s and 2000s. Namely, strategies would include disengagement, economic sanctions, and refusing to listen to the junta. The rationale for this strategy is that continuing to invest in Myanmar funds the junta’s human rights offenses and sustains it, while continuing a dialogue with Myanmar legitimizes the regime.

#### **The Pragmatic Approach**

The pragmatic approach occupies a middle ground between the proxy and principled approaches. It is also most consistent with Singapore’s current policy of engagement with Myanmar. According to this view, Singapore would continue to work for change, but in a quieter way. Aid, investment, and

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technical assistance would continue, but quietly. Singapore could come up with an independent voice to advise Myanmar, possibly through a backdoor policy. As one discussion participant put it, “This is an opportunity to go in, but not flying the ‘I am so principled’ flag. We can’t dictate, either.” Likewise, a number of participants advocated engaging more deeply in humanitarian and development assistance on a people-to-people level.

For some, the pragmatic approach must evolve in light of the fact that ASEAN has given more prominence to good governance, human rights and democracy in the ASEAN Charter. Therefore, where there are clear violations by the junta, even the pragmatists would not object to declarations of concern by Singapore.

Singapore needs to look at this issue afresh and rethink its approach. The situation in Myanmar has become more complex, and there are several changing trends. It might have to recognize that a more principled approach is necessary.

### **“Normal Government”**

One interesting perspective recognized that Singapore may have a unique moral perspective based on the principles of “normal government.” Because Singapore is not a perfect democracy, this approach would address the potential for conflicts if Singapore were to advocate such a system in Myanmar. The “normal government” would not take issue with the form of government presiding in Myanmar, but rather with Myanmar’s ability to create a “normal” state of affairs with respect for human rights, international business, and the rule of law. Support for such a model may not only underlie Singapore’s approach to Myanmar, but also contribute to the international community as countries shift their approaches in dealing with the Myanmar situation.

### **Other Considerations**

Singapore’s policy in Myanmar is not simply a question of what is best for both parties. There is also the matter of how Singapore’s actions fit into a larger context. As Singapore—which wants to “punch above its weight” in international affairs—reflects on its policy toward Myanmar, it needs to take into account expectations of the international community and see how best to balance these expectations with the domestic concerns of Myanmar’s key stakeholders.

### **Engaging through ASEAN**

Singapore also has the ability to influence Myanmar through its membership in ASEAN. Most recently, ASEAN exhibited signs that it would take a new approach with Myanmar. This initiative was partly spearheaded by Singapore when it was chair during the Saffron Revolution, and it has continued under Thailand’s chairmanship in 2008–2009.

The ASEAN response to the recent decision by Myanmar’s government to sentence Suu Kyi to a further 18 months of house arrest is an example. At first, most of ASEAN’s member governments responded mildly to the verdict, expressing their “disappointment”—a stance that reflects the group’s principle of noninterference in fellow members’ internal politics. But Thai foreign minister

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Kasit Piromya then consulted his counterparts in Cambodia, Indonesia, Singapore, and Vietnam. As current ASEAN chair, he floated the idea of concertedly requesting a pardon for Suu Kyi. ASEAN government officials then met to draft a text. The proposal was later shelved by the foreign ministers, as it failed to win support from Laos, Cambodia, and Vietnam. But the initiative is a new step forward for the group. For Singapore, it is notable that its officials and minister supported the Thai initiative.

ASEAN should continue to bring Myanmar to the table through dialogue. Its aid and technical assistance efforts should be sustained. There is a role for Singapore to play as a significant actor on the Myanmar issue within ASEAN. This role as part of ASEAN should continue to be emphasized as Myanmar prepares for elections in 2010 as part of its road to democracy. The dialogue considered whether ASEAN should help monitor the elections, if it is invited to do so. A number of discussants believed that the results of the elections could easily be predicted to be in favor of the junta. Nevertheless, a majority of the discussants were open to Singapore participating as part of an ASEAN election monitoring team.

Discussants recognized that ASEAN will not be able to solve this problem on its own. However, many felt that ASEAN will certainly be a part of any approach to a workable solution. Some also emphasized that with a renewed U.S. interest in ASEAN and openness to dialogue with Myanmar, the ASEAN (and Singapore) role in Myanmar must be recalibrated in light of the goal of growing U.S.–ASEAN engagement.

### **Conclusions and the Global Context**

Ultimately, Singapore's close relationship with Myanmar, its unique engagement, and its involvement with ASEAN will make it a key player in resolving the Myanmar situation. Even if the strategy that Singapore ultimately decides on is not identical to the strategies of the United States, the European Union, or even China, a moral but pragmatic community needs to be constructed. Even if, like an orchestra, different countries use different instruments and play different notes, the main theme must be consistent.

The involvement of the United States is key, as is the inclusion of China and India. Those nations must be pressed to see more than the opportunity for strategic access to energy and other natural resources. Japan, too—still the largest Asian economy and a traditional donor to the region—must play a role. If this can be done, the chances of progress during the run-up to the 2010 elections will be strengthened. Success may still prove elusive, but a new game with a greater possibility for success will have begun. In this, Singapore can and should play a role, given its relationship with the junta, within ASEAN, and with other relevant actors.

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# Thailand's Burma/Myanmar Dilemma: Domestic Determinants and Regional/International Constraints

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A report prepared by Chulalongkorn University's Institute of Security and International Studies for the Asia Society's Burma/Myanmar Initiative\*

March 2010

## Executive Summary

**Chulalongkorn University's Institute of Security and International Studies (ISIS)** organized a roundtable discussion on October 6, 2009, titled "Thailand's Position, Role and Policy toward Events in Burma/Myanmar." Convened as part of the Asia Society's Burma/Myanmar Initiative, the discussion benefited from the participation of academics, bureaucrats, policy makers, and a small number of Burma/Myanmar watchers from civil society and the media in Thailand. Several questions were posed at the outset: Does Thailand have a long-standing and forward-looking Burma/Myanmar policy? If so, what are the determinants of this policy? In the absence of a clear stance on Burma/Myanmar, how should Thailand formulate its position, role, and policy with regard to its most important neighbor?

The discussion revealed that Thailand's policy toward Burma/Myanmar has been inconsistent and at times chaotic. Until 2001, when Prime Minister Thaksin Shinawatra took office, Thai policy alternated between being driven by the principles of democracy and human rights, on the one hand, and border trade and commercial realities, on the other. Under Thaksin's government, Thai policy focused on engagement on all fronts. Following the coup that deposed Thaksin in 2006, concerns about democracy and human rights reappeared on the agendas of successive governments, including that of the current Prime Minister Abhisit Vejjajiva. This policy, however, was offset by domestic political instability and by trade and investment imperatives, especially in light of Thailand's growing dependence on natural gas imports from Burma/Myanmar. Concerns within Thailand's foreign and security establishments regarding ethnic insurgency, drug and human trafficking, and alleged nuclear ambitions in Burma/Myanmar also factor into Thailand's approach to its

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\* This policy review presents a summary of a discussion hosted by the Institute of Security and International Studies (ISIS). The views presented in this policy review are not necessarily those of ISIS.

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neighbor. Looking ahead, Thailand's policy will continue to be driven by a calibrated mix of domestic realities and imperatives, regional constraints and concerns, and international considerations.

The participants in the roundtable included:

- Charas Suwanmala, Dean of Faculty of Political Science, Chulalongkorn University
- Sunait Chutintaranond, Director of the Institute of Asian Studies
- Thitinan Pongsudhirak, Director of ISIS
- Puangthong Pakawapan, Faculty of Political Science, Chulalongkorn University
- Bhornchart Bunnag, Director of Border Security Affairs Bureau, National Security Council
- Kraisaak Choonhavan, Deputy Leader of Democrat Party and Chairman of the House Committee on Foreign Affairs
- Somkiat Onwimon, Documentary Journalist on ASEAN and former Senator
- General Vaipot Srinual, Deputy Permanent Secretary, Ministry of Defense
- Kittiphong Na Ranong, Director-General, Department of East Asia, Ministry of Foreign Affairs
- Major General Kitti Pathummas, Permanent Secretary's Office, Ministry of Defense
- Colonel Ruearob Muangman, Analyst, Directorate of Information, Royal Thai Armed Forces
- Jirayu Pookbunmee, Thai News Agency, Mass Communications Organization of Thailand

Additional comments conveyed during separate talks and interviews were provided by Suchit Bunbongkarn and Chaiwat Khamchoo of Chulalongkorn University; M. R. Sukhumbhand Paribatra, former professor of international relations and current governor of Bangkok; and two senior officials from Thailand's Ministry of Foreign Affairs who asked to remain anonymous.

### **The Context**

The roundtable discussion began by reviewing the recent history of international, regional, and bilateral relations with Burma/Myanmar. The United States had just announced the results of a comprehensive review of Burma/Myanmar policy, which was followed by visits to the country by U.S. Senator James Webb, Assistant Secretary of State for East Asia and the Pacific Kurt Campbell, and U.S. Ambassador to the Association of Southeast Asian Nations (ASEAN) and Deputy Assistant Secretary of State Scot Marciel. It had become clear that the United States' entrenched



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and singular policy of sanctions had run its course, and the new administration of President Barack Obama was reconsidering the U.S. stance toward Burma/Myanmar. United Nations Secretary-General Ban Ki-moon and his special envoy, had recently engaged top leaders in the State Peace and Development Council (SPDC) and the ruling military regime in Burma/Myanmar. Talks with opposition icon Aung San Suu Kyi of the National League for Democracy were also held, although Secretary General Ban was denied a meeting with representatives of the National League for Democracy during his July 2009 visit to Burma/Myanmar.

In 2008, the United Nations was instrumental in providing humanitarian assistance and disaster relief following Cyclone Nargis. After uncharacteristically criticizing the SPDC for its suppression of an antigovernment protest led by Buddhist monks in August 2007, ASEAN also made significant contributions to relief efforts following Nargis.

China, meanwhile, has become Burma/Myanmar's top trade and investment partner, and India has made strategic inroads with the SPDC through natural resource contracts and top diplomats as part of New Delhi's decade-old "Look East" posture. Burma/Myanmar appears on course to hold national elections in 2010, as outlined in the SPDC's seven-step road map toward democracy. After two decades of relative impasse between the SPDC and the opposition National League for Democracy, and between the SPDC and the Burmese/Myanmar diaspora and the West, it became clear that much was in store for Burma/Myanmar in 2010. Western sanctions remain in place, but more room for maneuvering among Burma/Myanmar's regional and international partners was being explored in view of domestic conditions inside the country.

Therefore, Thailand had much to answer for as the most important of Burma/Myanmar's neighbors. Yet Bangkok has been the odd man out in the Burma/Myanmar imbroglio. From 1962 to 1988, when Rangoon was immersed in its "Burmese way to socialism," Thailand's Burma/Myanmar policy was based on the familiar "buffer zone" premise, which provided tacit support to some ethnic groups, particularly the Shan and the Karen, to balance threats from both the Burmese military and Thai communists in the north. During this formative period in bilateral relations, military and senior bureaucrats in the Thai Ministry of Foreign Affairs were in charge, and a vibrant trade and business sector along the Thai-Burma border took root, which would later play a significant role in Thailand's policy outlook.

Thailand's buffer zone policy ended under the government of Chatichai Choonhavan (1988–1991). Cognizant of the end of the Cold War, Chatichai sought to turn over a new leaf by opening up to both Indochina and Burma. This broad policy offensive was known as "turning battlefields into marketplaces," and Bangkok pursued rapprochement with its immediate neighbors. On the Burma front, the policy culminated in the high-profile visit to Rangoon of Army Chief General Chavalit Yongchaiyuth, who returned with a clutch of timber and mining contracts and widened border business opportunities in return for the deportation of Burmese student activists who had taken refuge in Thailand after the "8-8-88" uprising. In alliance with the military, elected politicians, rather than bureaucrats in Thailand's Ministry of Foreign Affairs, were in charge.

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Politically inclined, General Chavalit resigned from the army to establish the New Aspiration Party, which held electoral power from 1996 to 1997.

Following the 1991 coup that deposed the Chatichai government, Thailand's Burma/Myanmar policy ebbed and flowed along alternating lines. When Democrat Party–led governments were in power in 1992–1995 and 1997–2001, human rights and democracy concerns were given greater (albeit far from decisive) weight in Thailand's Burma/Myanmar policy. During the 1991–1992 coup period and the governments of Banharn Silapa-archa (1995–1996) and Chavalit (1996–1997), a softer stance was pursued, as these governments were domestically weak.

The elected governments of Thaksin Shinawatra (2001–2006) were markedly different. Thaksin saw immense opportunities to transform Thailand into a regional player and a “middle power” in mainland Southeast Asia. His government's Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) became the springboard for an economic development plan for mainland Southeast Asia. This plan was developed in 2003 after Thaksin met with his counterparts from Burma/Myanmar, Laos, and Cambodia. At that time, Thaksin's popularity and power reached a crescendo. He was touted as a potential regional leader in the footsteps of Malaysia's retiring Mahathir Mohamad.

ACMECS envisioned that Thailand's provision of financial assistance would reduce the development disparity between Thailand and Burma/Myanmar, Laos, and Cambodia (Vietnam joined in 2004). A Thai fund of 10 billion baht was pledged, a mix of soft loans and outright aid transfers. However, two strings were attached to the ACMECS funding: baht denomination of loans and aid, and Thai exclusivity of procurement contracts. Ultimately, Thaksin was deposed, partly because of his ACMECS scheme. The SPDC used the loan to purchase services from Thaksin's family-owned Shinawatra Satellite company, and Thaksin went into business with the son of an SPDC member. These conflicts of interest hounded Thaksin well after his overthrow in 2006.

Accordingly, the clearest and closest bilateral relationship between Thailand and Burma/Myanmar emerged in the late 1980s and early 2000s. During the 1990s, the two Democrat Party–led administrations were more topsy-turvy, as natural resource procurement and economic interests competed with human rights and democracy priorities. The Thaksin years were underpinned by profit rather than principle. For example, when the army tried to ride roughshod over Thaksin against the SPDC-supported, amphetamine-producing United Wa State Army in Burma, the army high command in Thailand was reshuffled, and cozy relations with the SPDC quickly were restored. This remained the case even after the internal SPDC coup that sidelined Burma's intelligence chief, Lieutenant General Khin Nyunt, in October 2004. Thaksin publicly announced an end to Thailand's buffer zone approach, but as his power had waned and the military now reigned supreme, this policy quietly returned once again.

The post-Thaksin period has been marked by volatility in relations between Thailand and Burma/Myanmar. The coup-appointed government of General Surayud Chulanont cooled

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relations with the SPDC, more as a result of an anti-Thaksin backlash than of democracy and human rights concerns. In 2008, the elected governments of Samak Sundaravej and Somchai Wongsawat attempted to warm relations with the SPDC, but they made little headway because of their preoccupation with antigovernment protests and domestic turmoil in Bangkok. The coalition government of Abhisit Vejjajiva, established in December 2008, harkened back to the Democrat Party's line in the early and late 1990s, with its greater emphasis on human rights and democracy, but it, too, was consumed by the domestic upheaval resulting from antigovernment protests led by forces loyal to Thaksin, Samak, and Somchai. In contrast to the 1990s, the Democrat Party that currently is in power is seen as being associated with the 2006 coup and does not hold the same democratic legitimacy, mandate, or moral high ground that its predecessor enjoyed.

Abhisit's rule coincided with the resurgence of the military's role in Thai politics, and consequently, the top brass in Thailand's military made key decisions about the country's relations with its neighbors. For instance, the military turned away hundreds of asylum-seeking Rohingya minorities from Burma/Myanmar in early 2009, and it continued to hold sway over Thai policy regarding the suppression of the Malay Muslim southern insurgency. In late 2009, the Thai military deported more than 4,000 Hmong who had fled to Thailand from Laos since the end of the Vietnam War. On the Cambodian front, the Abhisit government became embroiled in political controversy with Prime Minister Hun Sen over the latter's appointment of Thaksin as economic advisor to the Cambodian government. All of these machinations are evidence of the Abhisit government's lack of energy and resources to refashion Thailand's seemingly rudderless Burma/Myanmar policy, thus leaving it to the military and bureaucrats to steer.

In summary, Thailand's Burma/Myanmar policy over the past two decades has been inconsistent. Until Thaksin, it alternated between the principles of democracy and human rights and border trade and commercial realities. The policy mix was in constant flux. Under Thaksin, it was geared toward engagement on all fronts. After Thaksin, democracy and human rights concerns reappeared, but were offset by domestic preoccupation with antigovernment protests and with trade and investment imperatives, especially in light of Thailand's growing dependence on natural gas imports from Burma/Myanmar.

Given the various security and economic interests in Thailand, Burma/Myanmar sees the country as an indispensable partner in the region. Thailand, however, toes a passive line in its relations with Burma/Myanmar, as dictated by international and regional constraints, including international public opinion and ASEAN's sacrosanct rule of "noninterference" in the internal affairs of member states, despite the launch of the ASEAN Charter and its stipulations for the protection and promotion of human rights. Consistent with its trademark flexibility in diplomacy, Bangkok's passivity also stems from Thailand's reliance on Burma/Myanmar's energy supplies, bilateral trade and investment along the border, and an assortment of security concerns that require Bangkok's sensitivity and deft management at the expense of overt calls for participatory democracy

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and human rights in Burma/Myanmar. This traditional wait-and-see posture, complemented by a needs-based fix-it mind-set, is likely to carry through Burma/Myanmar's elections in 2010 and beyond.

### **An Upshot**

In view of the context provided here, Thailand does not have a Burma/Myanmar policy. However, Thailand's foreign and security establishments hold a broad consensus that is anchored around the cold but sensible notion of "not making enemies out of next-door neighbors." Such a position is not uncommon in the international community. Yet this pragmatic position does not preclude nuances and degrees of policy maneuverability. These, in turn, are determined by domestic imperatives and international and regional constraints.

### **Domestic Determinants and Concerns**

When the Thai military plays a predominant role in politics and human rights and democracy, preferences invariably are subsumed by security and economic concerns. The 2006 coup put Thailand in this mode unless and until democratization and democratic rule make a comeback, which depends on Thailand's internal transformation from a monarchy-centered socioeconomic hierarchy to a more people-centered democratic system. For all of its rhetoric about the rule of law, good governance, and human rights and democracy, the Abhisit government is beholden to the Thai army and its preferences. If and when the army returns to the barracks, democratic rule would privilege human rights and democracy concerns in accordance with the different parties that take power.

On the other hand, there are valid security and economic concerns that are shared by the foreign and security policy establishments and the Thai public. Thailand is host to more than 2 million Burmese migrant workers—mostly Karen and Shan minorities, but also encompassing virtually all of Burma's major ethnic groups. Only a fraction of these workers are legally registered, and the majority work in Thailand as unskilled laborers and in the construction industry. Burmese laborers have become an indispensable component of the Thai economy. Local officials are concerned that although these workers benefit the labor pool and keep wages competitive, they also may be associated with the criminal underground.

Apart from voluntary (and furtive) cross-border migration for jobs in Thailand, human and drug trafficking are also security concerns. Thailand is already seen as a popular route for transnational crime. The drug trade, for example, has used Thailand as a transit point for heroine destined for Western markets in the past. More recently, amphetamines originating in the Wa State in Burma have ended up in Thailand, becoming the target of Thaksin's highly controversial "war on drugs." Burmese laborers also have been traded on Thai soil, destined for nearby economies. Such trafficking feeds the criminal elements who thrive in Thailand's underground economy.

Most alarming to the Thai military is the SPDC's reported interest in acquiring nuclear weapons.

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The SPDC has denied reports of its nuclear weapons ambition, although Burma/Myanmar is seeking to build a nuclear research reactor. Nevertheless, even if nuclear weapons are possible with the assistance of North Korea, Naypyidaw would need several more years to realize this goal. This trend is being closely watched in Bangkok. Similar concerns pertain to the SPDC's interest in missiles, missile technology, and the continued strengthening of the Burmese military (also known as the Tatmadaw), which is already one of the largest in Asia. Unlike migration and drug and human trafficking, these traditional concerns form the basis of Thailand's security outlook with respect to Burma/Myanmar.

With these security concerns lurking beneath the surface of Thailand's policy toward Burma/Myanmar, the Thai foreign and security establishments are opposed to any actions that could lead to the breakup or "balkanization" of Burma/Myanmar. Large-scale, uncontrollable insurgent wars between ethnic groups and the Tatmadaw represent Thailand's nightmare scenario. This would lead to a greater influx of refugees and migrants, and possibly more drug production by ethnic groups (such as the Wa) to finance war aims and arms acquisitions. As such, the "union" of Burma/Myanmar is paramount in Thai security considerations.

Another reality facing Bangkok is Thailand's economic dependence on natural gas imports from the Yadana and Yetagun fields in Burma/Myanmar. More than 60% of the country's power generation derives from natural gas, with no less than 20% of the natural gas consumed in Thailand originating in Burma/Myanmar. Moreover, electricity generation capacity from the Salween River area adds to Thailand's energy dependence and insecurity with respect to Burma/Myanmar. Ethnic wars or official interventions in Burma/Myanmar that disrupt this supply would be debilitating to the Thai economy. At the same time, border trade industries have considerable interests in cordial relations between Bangkok and Naypyidaw.

### **Regional Constraints**

Thailand's foreign relations will always be conducted through ASEAN, of which Bangkok is a founding member. Accordingly, Thai governments, both today and in the future, will follow ASEAN's cardinal principle of noninterference. Violations of this iron rule may occur to varying degrees, as seen in ASEAN's rebuke of the SPDC's suppression of the monk-led protests in 2007. For Bangkok, when domestic consensus, a governing mandate, and international legitimacy are weak, policy tends to err on the side of caution and silence. As chair of ASEAN, for example, the Abhisit government was unable to project strong regional leadership on key issues, particularly the Burma/Myanmar conundrum and human rights and democracy concerns.

In addition, the major powers exert regional constraints. Bangkok has to balance its bilateral relationships with China, the United States, Japan, India, Russia, the European Union, and the major ASEAN members in a sophisticated manner. While it is fortuitous that Thailand has long-standing relationships with virtually all of the region's major powers, this also calls for a constant balancing of the interests of these powers, which are not unified or uniform in their

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stances on Burma/Myanmar. The broader development of mainland Southeast Asia through the Greater Mekong Subregion, with its east–west and north–south corridors of roads and highways, also compels a common future and an alignment of common interests between Bangkok and Naypyidaw as well as with other mainland countries.

### **Thailand’s Policy Viewpoints**

At its core, Thai policy toward Burma/Myanmar is guided by the belief that stability in Burma/Myanmar is preferred over change. Change should occur incrementally, and it should be acceptable to all domestic parties. The status quo is preferred if change leads to volatility, turmoil, and violence in Burma/Myanmar. Political dialogue and democratization, as manifested in the 2010 elections and beyond, must not lead to civil war between Naypyidaw and the ethnic minorities or to the breakup of the “union” of Burma/Myanmar.

In sum, Thailand has deep-seated interests in the workability of the Burmese political system. Looking ahead, the policy priorities and concerns will continue to be driven by a calibrated mix of domestic realities and imperatives, regional constraints and concerns, and international considerations.

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# Appendix 1

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## Current Realities and Future Possibilities in Burma/Myanmar: Options for U.S. Policy

Asia Society Task Force Report

— Executive Summary —

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**In September 2009**, the United States announced a new course in its policy toward Burma following a seven-month review undertaken by the Barack Obama administration.<sup>1</sup> Recognizing that decades of pursuing policies of isolation and sanctions had done little to influence change among Burma's military leaders, the United States introduced a policy of "pragmatic engagement." Under this new policy, the United States will maintain its sanctions on Burma while simultaneously undertaking direct dialogue with senior leaders of the Burmese regime. Dialogue, according to the United States, will "supplement, rather than replace," decades of U.S. sanctions policy. These talks have already begun, and the United States has indicated that any improvement in relations between the two countries is possible only when Burma's military regime enacts meaningful and concrete reforms in the country, particularly in the areas of democracy and human rights.<sup>2</sup>

In adjusting its policy toward Burma, the United States must face reality with clear vision. Among other things, this vision must recognize that the United States' ability to solve Burma's problems and to influence the course of the country's governance is extremely limited, as nearly 20 years experience with a harsh punitive policy of isolation and sanctions have demonstrated. U.S.

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<sup>1</sup> The Asia Society Task Force on U.S. Policy toward Burma/Myanmar uses the name Burma, instead of Myanmar, throughout this report, as this is consistent with the designation used by the U.S. government.

<sup>2</sup> The core issues on the U.S. agenda include "the unconditional release of all political prisoners, including Aung San Suu Kyi; an end to conflicts with minority groups; and a genuine dialogue between the government, the democratic opposition and minority groups on a shared vision for the future." See "Remarks by President Barack Obama at Suntory Hall," Tokyo, Japan, November 14, 2009, <http://www.whitehouse.gov/the-press-office/remarks-president-barack-obama-suntory-hall> (accessed February, 11, 2010).

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influence in Burma is unlikely to ever outweigh that of increasingly powerful Asian neighbors. Therefore, the United States' priority must be to clarify its fundamental objectives in Burma and the basic means at its disposal for promoting those objectives. Moreover, Burma is not likely to rank very high on the list of U.S. foreign policy priorities in the foreseeable future, so resources to address U.S. goals in Burma will be restricted, compared to priority countries and regions.

The Task Force believes that the United States must approach policy adjustments with careful consideration of how the instruments that are available—including both the engagement and sanctions sides of the equation—can be employed most effectively to encourage reform and democratic governance. Through its programs and support for the Burmese people, the United States can demonstrate that it is steady but flexible and quick to react to any potential overtures from the Burmese government. Specifically, during this period of transition, the United States should encourage the process of political development toward democratic norms; press the military regime to improve governance; and assist the country's non-Burman nationalities in pursuing an equitable voice in national governance. The basic means available to the United States to pursue these goals will be effective channels of communication; focused assistance programs; reform-oriented economic activity; coordination with Burma's neighbors and the broader international community; and tightening of targeted financial sanctions, if and when necessary.

Going forward, it will be useful to consider distinctions based on change in Burma for framing U.S. policy recommendations. The Task Force makes the following recommendations, which are organized into three distinct stages: (1) measures to be pursued now; (2) additional measures to be implemented if and when the United States begins to see indications of change on the part of the Burmese leadership; and (3) actions to be undertaken after real progress has been demonstrated on a sustained basis.

### **Stage 1: Measures to be pursued now**

At present, there is no concrete evidence to suggest that Burma's leaders will respond positively to the central U.S. message on engaging in tripartite dialogue, releasing political prisoners, and allowing fair and inclusive elections. In fact, it is quite possible that the leadership's primary objective in engaging with the United States is to demonstrate to its own population that the United States endorses the regime's seven-step process toward democracy. The United States must tread carefully through this minefield, avoiding the appearance of sanctioning or legitimizing a flawed election process, while pressing Burma's military leaders to carry out credible elections.

The Task Force recommends that the following measures be carried out now to help bring about and support potential change:

- **The United States should position itself to engage not only with Burma's military leaders, but also with a wide range of groups inside Burma.** The National League for Democracy should continue to be a focal point of U.S. policy support, and its leader, Aung San Suu Kyi, will remain an important figure for achieving the dialogue necessary to bring



about national reconciliation of the military, democracy groups, and minority nationalities. At the same time, U.S. policy also must place greater emphasis on reaching out to other democratic forces, including civil society groups, and ethnic minorities and ensuring that they benefit from U.S. assistance programs inside Burma. In this connection, the Task Force recommends that the United States should encourage the UN Security Council to implement the October 2007 Presidential Statement which calls for “a genuine dialogue with Daw Aung San Suu Kyi and all concerned parties and ethnic groups in order to achieve an inclusive national reconciliation.”<sup>3</sup> Additionally, to facilitate expanded engagement, the United States should appoint a Special Representative and Policy Coordinator for Burma as called for by the Tom Lantos Block Burmese Jade (Junta’s Anti-Democratic Efforts) Act of 2008 (JADE Act).<sup>4</sup>

- **U.S. policy toward Burma should emphasize coordination and collaboration with other concerned governments and international institutions, particularly Burma’s Asian neighbors.** ASEAN, in particular, could be a valuable channel in the coming decade for encouraging reforms in Burma. In this connection, the United States should work together with ASEAN countries to underscore the importance of conducting the 2010 elections in “a free, fair, inclusive and transparent manner,” as outlined in the joint statement from the first ASEAN-U.S. Leaders Summit held in Singapore in November 2009. The United States also should develop collaborative efforts with China, Japan, and India to press the Burmese government in positive directions.
- **U.S. sanctions on trade and investment with Burma should not be removed until the government releases political prisoners, including Aung San Suu Kyi, and allows full participation in the political process.** The Task Force supports the United States’ decision to maintain these sanctions in the absence of significant, meaningful change in the composition and policies of the Burmese government, particularly with regard to its tolerance of political opposition. In addition, sanctions on financial services related to corrupt practices, money laundering, and other measures used by the military leadership to exploit hard currency earnings from the sale of natural resources should not be fully removed until major economic reforms and anticorruption measures have been taken by a new government.
- **The removal by the United States of some noneconomic sanctions designed to restrict official interaction and contact between the two governments is welcomed, and an even greater relaxation in bilateral communications, through both official and unofficial**

<sup>3</sup> UN Security Council, 5757th Meeting, “Statement by the President of the Security Council [The Situation in Myanmar],” (S/PRST/2007/37), October 11, 2007.

<sup>4</sup> See Tom Lantos Block Burmese Jade (Junta’s Anti-Democratic Efforts) Act of 2008, Pub. L. no. 110-286, 122 Stat. 2642 (2008), <http://www.gpo.gov/fdsys/pkg/PLAW-110publ286/pdf/PLAW-110publ286.pdf> (accessed February 11, 2010). In November 2008, U.S. President George W. Bush nominated Michael J. Green, a former White House advisor on Asia, for this position. Green’s nomination never went before Congress for review and approval and no new nominees have been presented since President Obama took office.

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**channels, should be pursued.** The Task Force strongly believes that expanding bilateral channels of communication, especially during a period of potential political change, will strengthen the United States' leverage in achieving its goals in Burma. During the period before the planned elections, the United States should continue to pursue opportunities for direct talks with military leaders to press for genuine tripartite dialogue and the release of political prisoners.

- **In pursuing pragmatic engagement with Burma, the United States must continue to develop, and even ramp up, means of reaching the Burmese population directly through assistance programs.** This is especially necessary if the military or a military-controlled civilian regime maintains harsh authoritarian governance in Burma, even after the parliamentary elections. In the past few years, U.S. humanitarian assistance to Burma has expanded rapidly in response to dire humanitarian needs—particularly in the aftermath of Cyclone Nargis—and to support the growth of civil society and community development.<sup>5</sup> Assistance to NGOs that have no connections to the military and are not officially registered with authorities should be expanded. U.S. assistance also should be targeted toward small farmers and small and medium-sized businesses that help to create functioning communities.

**In approaching the question of increasing assistance, however, the United States must be vigilant in examining the dangers of expanding the flow of economic resources into Burma.** This is especially true if the government remains prejudiced against foreign assistance that is not channeled through government organizations, where it easily can be turned to purposes other than those intended. Unfortunately, the new constitution effectively excludes anyone receiving foreign assistance from running for election, so a hostile attitude toward foreign aid is already built into the new government.

- **Any future expansion of U.S. humanitarian aid programs inside Burma should not be accomplished at the expense of existing cross-border assistance programs, which remain essential.** Cross-border programs, particularly those originating in Thailand, are needed because the constitution provides no vehicle for the return of Burmese refugees and exiles, whose humanitarian needs remain acute. In fact, the constitution appears to set up barriers to their return. Additionally, the many impressive and well-established NGOs and other aid organizations in neighboring countries will continue to provide a vital means of supporting and supplementing assistance programs inside Burma, particularly those for minority nationalities, which are likely to continue to operate under severe restrictions even after the elections.

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<sup>5</sup> In October 2009, the United States announced that it would add another \$10 million to the \$75 million already pledged to assist NGOs in cyclone relief efforts.

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- **Educational exchange under the Fulbright and Humphrey Scholar programs and cultural outreach activities should be expanded. These programs produce powerful agents for community development in Burma and can significantly expand the prospects for improved governance.** Although the military government is highly averse to foreign cultural influence in the country, the U.S. Embassy's American Center has long served as a cultural focal point for many Burmese living in the Rangoon area. If the election produces a transfer of power to a less xenophobic leadership, the United States should support the extension of American Center programs through the Internet, the deployment of visiting speakers to other cities, and other forms of cultural outreach. If political transition produces real change, marked by full participation of opposition and non-Burman ethnic representatives in elected government, U.S. scholarship and visitor programs should be expanded to include Burmese government officials.
  - **As for the elections, the United States should avoid direct participation in election monitoring, as this could be seen as conferring legitimacy on a seriously flawed election process.** However, the United States should facilitate the provision of educational materials on election and parliamentary processes to groups in Burma and on the Thai border that are conducting voter workshops and seminars, with a particular emphasis on state/division-level elections, which may become important to ethnic minorities. Voice of America and Radio Free Asia also could help educate voters.

## **Stage 2: Additional measures to be implemented if and when the United States begins to see indications of change on the part of the Burmese leadership**

U.S. policy should shift to a second stage if Burmese leaders begin to relax political restrictions, institute economic reforms, and advance human rights. During this stage, the United States should pursue measures designed to assist the process of developing more democratic institutions, both inside and outside government, and to encourage government capacity building. If there is no movement on these fronts, there will be little room for improving U.S. relations with Burma, and, in fact, pressure in the United States for tightening sanctions and other punitive measures likely will follow. If the U.S. government has no recourse but to pursue stronger sanctions, the Departments of Treasury and State should coordinate with other countries and organizations, including the EU and ASEAN in particular, to enlist them to also evoke financial and banking sanctions to ensure that military leaders and their associates cannot evade the impact of what otherwise would be less-effective unilateral sanctions. The United States Special Policy Coordinator should coordinate sanctions implementation via an ongoing research team that maps and targets where and with whom these individuals engage in business. In such a scenario, U.S. policy essentially would be left in Stage 1, with limited engagement and assistance confined largely to humanitarian, community development, and limited capacity-building programs.

If a different scenario emerges that includes the release of political prisoners, including Aung

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San Suu Kyi, and a demonstrated tolerance for expanded political activity, it should open the way for a much more active role by the United States in assisting with capacity building, governance training, and international efforts to encourage economic reforms.

During this stage, the Task Force recommends the following:

- **The United States should explore the feasibility of forming a support group with Australia, Burma, China, the European Union, India, Indonesia, and Japan, perhaps under the auspices of the United Nations, to provide a mechanism for organizing international coordination and assistance for Burma's transition, both politically and economically.** Such a group also could marshal other governments and international institutions as appropriate to focus on specific tasks, but its main objective should be to coordinate and demonstrate collective encouragement of reform, good governance, and the protection of human rights. To the extent that the United States can develop collaborative efforts with key Asian stakeholders, particularly with regard to economic reform initiatives, it will increase the possibility of achieving progress, because advice and support from these countries, rather than Western governments, are likely to be more welcome by the Burmese leadership.
- **If the elections in Burma take place in 2010 as scheduled and succeed in replacing the current military government—the State Peace and Development Council (SPDC)—with a quasi-civilian government, the United States must be positioned to interact with the elected politicians and civil servants in the new ministries and other government structures.** In so doing, the United States will be able to assess the nature of the change taking place in Burma and decide where it can make positive contributions. This interaction also could include, for example, a relaxation of the U.S. visa ban on government officials to allow selected invitees to visit the United States.
- **The United States should prepare to implement measures that will ease the way toward improved economic relations and the eventual removal of trade and investment sanctions.** These measures should be implemented only if political transition produces a government that demonstrates a genuine commitment to economic development, particularly small and medium enterprises, and a willingness to embrace basic political and economic freedoms—including the end of gross human rights violations—that allow development to take place.

**A first measure is the provision of expert advice. Accordingly, the United States should gradually release current injunctions on and partner with institutions such as the International Monetary Fund, World Bank, and Asian Development Bank to provide Burma with advice on reform.** Expertise in Burma's economic policy-making bodies has been so degraded under military rule that it may not even provide sufficient capacity to engage in transformational economic reform. Such advice should begin with

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the reform of data collection in Burma to replace the current unreliable, inconsistent, and politically driven data collection process with one capable of providing critical feedback and accountability.

**A second measure is for the United States and other appropriate countries to provide Burma with assistance in economic institution building.** There are a great many needs on this front, but one of the most pressing is the need to create mechanisms through which to direct the revenues that Burma is accruing rapidly through its natural gas exports to development that benefits its people. Today, as a result of the deliberate policy choices of Burma's government, these revenues are creating a variant of the "resource curse" in which the country's tremendous gas wealth is hoarded and squandered by its leaders while its population remains desperately poor. Efforts in other resource-rich countries provide a body of experience, including measures that the United States has supported, to improve transparency and accountability over public funds in the face of entrenched corruption, mismanagement, and autocratic rule. This experience could be applied in Burma to help create mechanisms that can better direct resources toward public needs.

**A third measure is for the United States to provide assistance in the form of micro, small, and medium finance to Burmese entrepreneurs to support tackling its grave crisis in rural indebtedness, a lack of new and affordable credit for farmers, and an absence of viable enterprise in rural areas.** Rural Burma, once the location of some of the most productive and prosperous paddy farmers in the world, is currently in great economic distress. One of the causes of this distress is an extreme paucity of credit for farmers and rural enterprise, which lies at the heart of increasing food insecurity in many parts of Burma. Micro, small, and medium finance presents a readily available mechanism to reduce these problems in Burma's rural credit markets. It is a particularly useful device in conflict and politically sensitive areas, and in minimizing corruption and misappropriation. A private micro, small, and medium finance wholesale funding vehicle should be created, building on schemes in Burma that are already benefiting from U.S. funding and other support.

### **Stage 3: Actions to be undertaken after real progress has been demonstrated on a sustained basis**

Stage 3 would commence when there is clear evidence of change that can be further developed and supported—for example, when the civilian population believes that the new government is serving its interests, when it is safe to run for office and engage openly in political activity, and when a new generation of socially responsible political and military leaders has emerged. A second round of parliamentary elections, planned for 2015, would provide a more reliable measure of political progress in Burma than the first round in 2010, and could be a key indicator of such

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change. If there is definitive progress in these areas, engagement should expand, and sanctions should begin to diminish.

During this stage, the Task Force recommends the following:

- **The United States should create aid programs designed to improve civil service capacity and the effectiveness of government welfare and education.** The United States should begin selective development assistance, health and education assistance in cooperation with government ministries, significantly expanded outreach and public diplomacy programs, educational exchanges, and many other elements of normal relations with an underdeveloped country. USAID could conclude a bilateral assistance agreement with the Burmese government, paving the way for broader, more cooperative programs. Assistance from the United States—and from the international community more generally—is vitally important. U.S. assistance programs will be even more important if the country reinstates elected government, and should be expanded as circumstances warrant.
- **The United States should begin to focus on legal reform to address civil rights, economic law, and corruption.** Eventually, it might become possible to provide assistance and training to parliamentary and legislative organizations. All of these efforts should place special emphasis on minority nationalities to facilitate their full participation in the country's political and economic development.
- **The United States should encourage the creation of a flexible mechanism that will allow some sanctions to be lifted, while maintaining others and holding the capacity to impose new, tightly targeted financial sanctions should circumstances deteriorate.** This mechanism would be based on a measured and transparent formula for calibrating these sanctions to alleviate the negative impact on Burmese workers and small entrepreneurs, while continuing to target those engaging in harmful practices. The measurement criteria should include civil liberties, political rights, voice and accountability, the extent of the rule of law, and controls on corruption. Such criteria would discourage empty promises and backsliding as the United States increases its interaction with the Burmese government, while recognizing that human rights and other critical determinants of a decent life are essential to achieving good governance.<sup>6</sup>
- **The United States should position itself to promote security sector reform in Burma. In addition to advancing reforms in the judiciary and oversight of the country's military and police, the United States should prepare to expand bilateral relations with Burma's security forces and restore some form of security assistance, particularly police training assistance, if concrete developments in human rights and a clear intention to professionalize Burmese security forces take place.** Such efforts should be

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<sup>6</sup> See Appendix A, "A Mechanism for Assessing and Appropriately Adjusting Economic Sanctions on Burma," which was written by Sean Turnell, an advisor to the Task Force.

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aimed at building up a police force that can operate under civilian rule and establishing a judiciary to handle rule of law issues. Military-to-military work could be carried out jointly with Indonesian officers, who also could impart a regional appreciation of civilian rule over the military. In the area of police training assistance, the United States should turn to other nations that have national police experience, such as Australia, Canada, New Zealand, or the United Kingdom. The United States and the region more broadly also could benefit from expanded, but carefully monitored, counternarcotics cooperation and other programs related to international criminal activity into and out of Burma.

There are no easy solutions, and the path forward will not be smooth. In every respect, the conditions in Burma are among the most dire of any country in the world, and it will take decades, if not generations, to reverse current downward trends and create a foundation for a sustainable and viable democratic government. The United States must ensure that its policies do not inadvertently support or encourage authoritarian and/or corrupt elements in Burmese society. At the same time, if the United States sets the bar too high at the outset, it will deny itself an effective role in helping to move Burma away from authoritarian rule and into the world community.

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# Appendix 2



## [AsiaSociety.org/BurmaMyanmarReport](http://AsiaSociety.org/BurmaMyanmarReport)



### Preparing Asians and Americans for a Shared Future

Asia Society is the leading global and pan-Asian organization working to strengthen relationships and promote understanding among the people, leaders and institutions of Asia and the United States.

We seek to increase knowledge and enhance dialogue, encourage creative expression, and generate new ideas across the fields of policy, business, education, arts and culture. Founded in 1956, Asia Society is a nonpartisan, nonprofit educational institution with offices in Hong Kong, Houston, Los Angeles, Manila, Melbourne, Mumbai, New York, San Francisco, Seoul, Shanghai, and Washington D.C.