

Burma Today

Burma today is a pale shadow of what it should be. It is ruled by repressive, military leaders, who seem determined to hold onto power but have no idea how to use this power for anything but repression let alone to develop their country. As a result of their repression, mismanagement and growing corruption, this naturally resource-rich economy continues to decline. Once the wealthiest country in Southeast Asia, it is now one of the poorest. This is not only because the others have moved forward to embrace globalization, but because the Burmese military have moved backwards and tried to close themselves off from the rest of the world and stymie the democratic aspirations of the people. The victims of this decline are the Burmese people, who have seen their respected educational system destroyed, face rising rates of infection from treatable diseases, malnutrition, and maternal and infant mortality, and find it increasingly difficult to feed their families.

Political Situation

Burma has been ruled by repressive military leaders since 1962. After General Ne Win seized power, he proceeded to close off his country from the rest of the world. A series of economic disasters led to a general uprising in 1988. The military brutally crushed that uprising, but have failed to destroy the desire of the Burmese people for freedom and democracy.

The successor military regime held elections in 1990 assuming that it would win handily. Instead the people, including the military, voted overwhelmingly for Aung San Suu Kyi's National League for Democracy and other pro-democracy parties. The military refused to honor those elections and subsequently launched in 1993 a "Seven Step Roadmap to Disciplined Democracy." The military has announced that it expects to conclude its first step, the National Convention, shortly.

The National Convention has been carefully scripted and does not allow its hand-picked participants to freely debate or publicly discuss the principles of the future constitution supposedly under discussion. Key concerns of the ethnic minorities have not been addressed. We view it as a sham process designed to ensure the military and its mass-member organization, the Union Solidarity and Development Association (or USDA), maintain a lock on power after a transfer to a "civilian" government. A constitutional process that does not incorporate free debate or political compromise, favoring one political group over others, will not guarantee the future stability of Burma. Only a genuine dialogue among the regime, pro-democracy leaders, and ethnic minority representatives will lay the groundwork for building a peaceful and stable Burma.

In the meantime, the regime has systematically worked to destroy the NLD and the pro-democracy movement by imprisoning its most charismatic and creative thinkers, including Aung San Suu Kyi, U Tin Oo, and Shan leader Hkun Htoo Oo. Since the brutal attack on Aung San Suu Kyi's convoy at Depayin 4 years ago yesterday, the regime has

held her under strict house arrest. She is unable to receive visitors except for occasional visits from her doctor and cannot communicate with her followers nor direct the activities of her followers. The regime also ordered every NLD office in the country closed, except for the party's Rangoon headquarters. Almost every day the regime's mouthpiece daily paper, the New Light of Myanmar, publicizes forced and fictitious resignations of NLD party members in an effort to render the party mute and ineffective.

As the regime continues its relentless efforts to put the NLD out of business, other pro-democracy and human rights organizations have begun emerging in Burma. These groups tap into popular frustration with Burma's skyrocketing inflation, increasing electrical blackouts, and poor economic conditions by urging the regime to address the needs of the Burmese people and begin a genuine dialogue with the opposition. The most prominent of these emerging movements is the 88 Generation Students, led by the leaders of the August 1988 uprising. Rather than positioning itself as a competitor to the NLD, the 88 Generation work in concert with the NLD and grass roots organizations for peaceful change in Burma.

But there are new troubling developments also. The regime's mass-member organization, the USDA, touted as a humanitarian "non-governmental organization," has begun to appear more like thugs, carrying out a series of violent attacks against human rights activists, most recently in Rangoon and Irrawaddy division. It claims a membership of 23 million, but many of these memberships are coerced. Under the guise of providing humanitarian assistance, it requires members to contribute funds as a sort of legalized extortion. Most observers believe the regime intends to convert the USDA into a political party before future Parliamentary elections and will manipulate a USDA victory. USDA's violence and vigilantism are a sinister but not unfamiliar turn in the regime's tactics. It carries echoes of a similar strategy the regime used in 1990 when it tried and failed to manipulate a victory in the Parliamentary elections using the regime-sponsored National Unity Party.

The outcome of the regime's roadmap is far from certain. Rising popular frustration, the continued activism of pro-democracy and human rights supporters, and the increasingly violent tactics of the USDA are a recipe for an unpredictable political future and an indication of future instability. Especially now with the senior generals paralyzed by illness, they seem incapable of giving direction. Increasingly rudderless and ineffective, the regime is not addressing Burma's social and economic problems nor offering its people hope for the future.

Economic Situation

Burma is a resource-rich country with a once strong agricultural base. It has vast timber, gas, mining and fishery reserves, and has the potential to be a major tourist destination. Unfortunately, poor policymaking, absence of rule of law, outdated equipment and technology, crumbling infrastructure, widespread use of forced labor and a weak education system combine to hinder economic growth in Burma. The economy remains

vulnerable to shocks such as harvest failures or political turmoil. Political intervention and central state control obstruct all sectors of Burma's markets. The xenophobic and paranoid government tightly controls all official trade in goods, extractive industries, sources of capital, educational institutions, movement of labor, and access to information. As a result, investment has dried up, but considerable income continues to flow to the generals from oil, gas and mining concessions as well as the timber trade.

The current SPDC government after seizing power pledged to move towards a market-based economy, and many investors came in the 1990s. But greed quickly overtook the economic opening as contracts and concessions were increasingly rewarded to crony businessmen. Burma completely lacks regulatory and legal transparency. Any regulation is subject to change -- with no advance notice -- on a whim or an omen. Businessmen are not consulted regarding new regulations. Often they are not even put in writing. The complex and capricious regulatory environment combined with extremely low government salaries has fueled rent-seeking. The government has announced anti-corruption campaigns, but the net effect seems to be to replace one set of corrupt officials with others who are soon bought. None of the anti-corruption efforts have touched the senior leaders, unless the other leaders decide to eliminate a rival as Khin Nyunt discovered.

The regime's mismanagement of the economy has created a downward economic spiral for over 40 years, in sad contrast to the dynamic neighbors around it. The vast majority of Burmese citizens now subsist on an average annual income that equates to less than \$200 per capita. Electrical shortfalls have increased with urban Burmese going days without electricity and no electricity at all in rural areas. Inflation is on the rise caused primarily by deficit spending to support money-losing state enterprises and more recently to build a new capital city. Rising inflation has in turn eroded the value of the local currency (the kyat), which has further reduced living standards.

Burma has vast agricultural potential. It was once the world's leading rice exporter. Now the regime regularly restricts rice exports to dampen inflation and ensure supplies for its own people. The tight government controls have reduced farmers' incentives to produce and resulted in lower than possible production. Rather than letting farmers determine the crops they should plant, the military directs what should be planted. The Burmese army also compelled farmers to contribute rice and other provisions for the soldiers' use.

The manufacturing and service sectors remain undeveloped. Most consumer goods are smuggled in from neighboring countries. The informal economy is very large (probably larger than the formal economy), and includes activities from currency trading to education to commodity trade. State-controlled enterprises predominate in energy, heavy industry, and the rice trade; most operate at a loss, constituting a major drain on the budget.

Burma's sizeable potential gas reserves have continued to attract interest from the Thai, Chinese, Koreans, Indians, Malaysians and Russians. This is the major sector that continues to attract investor interest, not surprisingly considering the growing energy needs of its immediate neighbors: China, India and Thailand.

Unrecorded and under-recorded border trade is very common along all of Burma's borders. The most commonly smuggled exports are: illicit narcotics, gems and jade, timber, live animals, and rice. The most common smuggled imports are: consumer goods, medicines, vehicles and vehicle parts, electronics, fertilizer and diesel fuel. The government has tried to control the informal border trade in part to increase tariff revenues, but as a result of rampant corruption among border officials, they have only managed to slow the smuggling.

The government rarely publishes economic and trade statistics and its data are considered extremely unreliable. Poor data hinders the ability to monitor economic developments. According to official figures, GDP growth has been over 10% annually since FY 1999-2000, including 13.2% in 2005. However, the rate is likely much lower given the reported declines in imports of capital inputs, fuel and fertilizer as well as the observable decline in the standards of living for the general population. Published estimates of Burma's foreign trade are greatly understated because of the volume of off-book, black-market, illicit, and unrecorded border trade. The highly overvalued official exchange rate also understates the value of external trade. In addition, import statistics exclude military imports.

Burma's largest export by value is natural gas (from two offshore foreign-operated production sites), followed by teak and hardwood, pulses and beans, marine products, garments, metals and ores, and various other agricultural products, including fish products. Natural gas exports will likely increase as promising new offshore production comes on line.

The government runs a sizeable fiscal deficit, which it tries to reduce by increasing revenue collections, particularly tariffs; most Burmese pay no taxes. They finance the deficit by printing money. As a result, inflation now exceeds 50 percent this year while the kyat depreciates further. Corruption undermines efforts at increasing tax revenues. A balanced budget and reduced military spending would free resources for increased spending on health and education, which have declined dramatically during the military's 40 plus years in power, as well as developing the infrastructure needed for economic growth.

Social Situation

Seventy-five percent of the Burmese people live in rural areas. Rangoon and Mandalay are the two largest cities, with those next in size closer to towns. In comparison to its neighbors it is relatively underpopulated (55 million people v. Bangladesh's 147 million in an area five times the size of Bangladesh). The declining economy hits hardest on the rural poor: 23% live below subsistence levels; over half of children do not complete primary school; half the population lack access to basic health services; infant and maternal mortality are among the highest in the region; one-third of children are malnourished; inadequate food security has caused many to seek other employment

opportunities, making them vulnerable to traffickers in women and children; and HIV/AIDS infection is growing at the second fastest rate in the region.

The regime invests negligibly in health and education (less than 1% of GDP combined or just over \$1 per person) and directs most of the budget to the military and money-losing state owned enterprises. Due to lack of transparency and ability to monitor use of funds, official development assistance to Burma is among the lowest in the world at \$2 per capita, in comparison to the \$10 in Bangladesh, \$16 in Nepal, \$35 in Cambodia, and \$47 in Laos (numbers for UNDP's 2006 Human Development Report). So it should not be surprising that the social indicators above show declines. It is all the more tragic realizing that at independence, Burma had the highest literacy rate in Asia, its universities were regarded as world-class, and people from elsewhere in the region traveled here for medical treatment. While the regime has welcomed international assistance in the health area, it has rejected most international assistance in the education sector.

The situation of the ethnic minorities shows how the political, economic and social problems combine to keep them in the worst position. Burma is made up of over 100 ethnic groups and has sizeable populations of all the world's major religions. Ethnic Burmans make up around 60% of the population, are predominantly Buddhist, and are concentrated in the center of the country. The numerous ethnic minorities are located in the border areas arching around Central Burma. The richest natural resources tend to be in the ethnic minority areas, and a much larger portion of the ethnic minorities tend to be non-Buddhists. Various insurrections broke out soon after independence as the ethnic minorities sought greater autonomy from the center. Ne Win used these insurgencies to justify taking power in 1962 and proceeded to brutally suppress them. The ethnic insurgencies are considerably weaker today, but not yet eliminated, and so the military continues to commit egregious human rights abuses against civilians including widespread sexual violence, forced military portering, torture and execution, all under the guise of suppressing insurgency. Many flee to neighboring countries; others are forcibly relocated from their homes and must forage in the jungle to survive. The already negligible health and education services become non-existent in these areas. International agencies and organizations trying to reach these most desperate people are denied safe access and struggle to overcome the military's suspicion that they foment separation rather than addressing genuine humanitarian needs.

US Policy Towards Burma

The United States has taken an active, public role in building international support to urge the Burmese regime to release all political prisoners, including Nobel Laureate Aung San Suu Kyi, Shan leader Hkun Htoo Oo, and the respected 77 year-old journalist Win Tin; permit political parties to freely operate; and to commence inclusive talks involving pro-democracy activists, ethnic minorities, and the military to build national reconciliation. Working with other, like-minded nations, we succeeded in placing Burma on the agenda of the UN Security Council last September. We intend to try to keep the Security Council and other relevant UN bodies engaged on this issue. We continue to

reach out at every level to key stakeholders in the region, including China, India, the EU, and ASEAN members, to encourage broad support for democratic reform in Burma. We have also imposed increasing sanctions over the past two decades against the regime to reinforce our calls for democratic reform and the protection of human rights. More and more countries around the world and in the region have begun to call for change; even Burma's ASEAN partners have become increasingly critical of its political footdragging. The EU recently renewed its Common Position on Burma, which includes sanctions. We strongly support renewal of our sanctions now under consideration by the Congress.

Prospects for Change

The Burmese people yearn for change, and the leaders fear change. The leaders have skillfully used divide and rule tactics to keep the vast majority who want change from uniting. They use fear and intimidation to prevent people from coming together, building trust, and pursuing a common agenda. But they do not offer anything to give people hope for a better future, say by permitting more debate, investing in education, or improving the business climate. This dictatorship has the income to support itself, but not a country of 55 million feeling increasingly desperate. Change will come and we will continue to work with our friends and allies toward the day when all Burmese people are free to rebuild their once prosperous society.