

**MYANMAR: SANCTIONS, ENGAGEMENT**

**OR ANOTHER WAY FORWARD?**

**26 April 2004**



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## MYANMAR: SANCTIONS, ENGAGEMENT OR ANOTHER WAY FORWARD?

### EXECUTIVE SUMMARY AND RECOMMENDATIONS

Myanmar's National Convention, dormant since the mid 1990s, is due to reconvene on 17 May 2004. If Daw Aung San Suu Kyi and National League for Democracy (NLD) Deputy Chairman Tin Oo are released before then (as it is now widely assumed they will be) and if the NLD is able to effectively participate in its work (which is much less certain), the Convention process provides an opportunity to move beyond the desolate political stalemate which has prevailed in one form or another since the suppression of the pro-democracy movement in 1988.

That said, it is difficult to be confident that Myanmar's military government is any more willing to give content to a genuine constitutional reform process than it has been in the past. Despite the government restructuring and seven-step "roadmap" for constitutional and political reform that were announced last August in response to international outrage at the events of 30 May 2003 (when Suu Kyi's motorcade was attacked and a major new crackdown on the NLD began), the realities of the situation are that the military government retains all the levers of power, is as firmly in control as ever, and is showing no more signs of enthusiasm for a rapid transition to a full and genuine democratic system than it has ever done. While last August's shake-up saw Senior General Than Shwe relinquish his post as prime minister to the head of military intelligence, Lt. Gen. Khin Nyunt, the latter is not a democrat by any definition and remains constrained by hard-line elements in the army command structure.

So there is a real risk that, instead of the long-awaited political breakthrough, the clock has simply been turned back a decade and the stage set for a replay with the same actors, the same script and, quite possibly, the same ending. About the only basis for any optimism is that Khin Nyunt is sensitive to demands that Aung San Suu Kyi be released and

given a role in the transition, appears to be seeking some form of accommodation with other political forces in the country, and also appears to be conscious of the need to make significant progress before Myanmar assumes the ASEAN presidency in 2006. His rise at least opens space for officers and officials who understand the limitations of the current approach to nation-building and economic development in a country facing an ever more serious humanitarian crisis. While far from ideal, the new roadmap provides at least a chance to begin a process of longer-term political and economic change. Considering the political orientation of the military and its all-dominant position within the country, it may be the best opportunity for some time to come.

If the country is to move forward, the main antagonists must overcome the more than 50 years of continuous conflict that underlie the current crisis of governance, including the increasingly serious humanitarian situation. Myanmar urgently needs a new constitution that deals not only with the distribution of power at the centre but equally importantly with local autonomy and ethnic rights. Strong institutions must be built outside the armed forces, which have dominated all aspects of public life for so long. It is vitally important to promote the conditions for broad-based economic growth and alleviate the struggle over scarce resources that is creating conflict at all levels of society.

The question, as always, for the international community is how it can best help make all this happen: how can the relevant players assist in creating an environment in which positive change is possible? It has to be frankly acknowledged that the present long-standing approaches have been largely ineffectual. Neither Western countries, who insist on both early and comprehensive democratic reform, nor Myanmar's neighbours, who prioritise

regional stability and economic progress, have come up with solutions to the political deadlock and policy paralysis that obstruct progress toward either objective. The military is firmly in charge, while the economy remains unreformed and perilously unstable. Ethnic conflict continues, as do drug trafficking, illegal migration, and a burgeoning HIV/AIDS epidemic, each in its own way a threat to regional security.

At least in and of themselves, sanctions freeze a situation that does not appear to contain the seeds of its own resolution. The military, despite its many policy failures, has stayed in power since 1962, and there are no indications that external pressure has changed its will or capacity to do so for the foreseeable future. On the contrary, sanctions -- so long as they are not universally applied (and there is no ground for believing they ever will be, given attitudes in the region and the politics of the UN Security Council) -- confirm the suspicion of strongly nationalist leaders that the West aims to dominate and exploit Myanmar, and strengthen their resolve to resist.

The pro-democracy movement, symbolised bravely by Aung San Suu Kyi, remains alive in the hearts and minds of millions, but under the existing depressed political, social and economic conditions, it does not have the strength to produce political change. Sanctions may provide moral support for the embattled opposition, but they also contribute to the overall stagnation that keeps most people trapped in a daily battle for survival.

The widely expressed belief in the West that just a little more pressure might break the regime has little objective basis. It is certainly not shared by Myanmar's neighbours and most important trading partners, who strongly oppose coercive methods. If sanctions are to be anything more than a symbolic slap on the wrist, there is a need for more flexible diplomacy that involves the country's neighbours and allies and embraces other more forward-looking initiatives to help overcome the structural obstacles to political and economic development. But that diplomacy clearly needs to be much more purposeful than the limp 'engagement' strategies with which, most of the time, Myanmar's Asian neighbours have been content, and which have conspicuously failed to produce positive change inside the country.

The way forward proposed by ICG in this report has three elements, designed to bridge the gap between

Western and regional positions and interests in a way that maintains pressure for reform, but at the same time increases the capacity -- and will -- to implement reform within Myanmar itself.

First, the whole international community -- including both its more confrontational and more accommodating members -- needs to rethink its basic objectives for Myanmar, balancing what is desirable against what is realistically achievable. Among other things that means recognising, however much one might wish otherwise, that the 1990 election result is not itself going to be implemented, with the installation of an NLD-led government, in any foreseeable future, and that constitutional reform is necessarily going to be a gradual process.

Secondly, benchmarks for change need to be identified, as they have been in the past, and used in a constructive way. There should be some flexibility on sanctions and agreement on their gradual withdrawal as the government makes visible progress on political and constitutional reform; and there should be benchmark-based incentives for the resumption of international lending and other economic development support measures.

Thirdly, a positive environment for change should be created by the international community supporting -- without benchmark preconditions -- conflict prevention and resolution, institution-building, planning for economic development and, above all, humanitarian aid for vulnerable groups.

But before any of this strategy can be implemented there are two preconditions that have to be met, as a matter both of principle and Western political reality: Daw Aung San Suu Kyi must be completely released from any kind of custody, and serious political and constitutional dialogue must be recommenced both within and beyond the National Convention framework.

Myanmar's partners in ASEAN have a particular role and responsibility to encourage the necessary change, made more urgent by the public relations disaster they will undoubtedly suffer if no significant movement occurs before Myanmar takes the ASEAN Chair in 2006. And the UN's mediation and facilitation role continues to be crucial, whatever mix of policies the international community pursues. It would be immediately helpful for the Secretary-General to develop and propose to the Security Council a credible plan for international engagement

in the roadmap process, taking into account the objectives and benchmarks proposed in this report.

Myanmar's problems cannot be solved from afar, and there is no strategy, new or old, that can solve them quickly and dramatically. However, a longer-term, comprehensive international strategy that works pro-actively with government and society not only on the immediate political issues, but also to expose the weaknesses of the current system, promote alternative policies, and strengthen domestic forces of change might just begin to make some difference while providing immediate practical help to the suffering population. Putting it into practice will require more attention, more resources, and closer cooperation and coordination among Western and Asian countries within the framework of multilateral institutions.

## RECOMMENDATIONS

1. All members of the international community should press for, as preconditions for any other policy change:
  - (a) Daw Aung San Suu Kyi's complete release from any kind of custody; and
  - (b) the commencement of serious political and constitutional dialogue both within and beyond the National Convention framework.
2. If those preconditions are satisfied, all members of the international community, under the guidance of the UN Secretary-General, should adopt a policy approach which involves:
  - (a) rethinking basic objectives for Myanmar, balancing what is desirable against what is realistically achievable;
  - (b) setting benchmarks for political and constitutional change, and using them as both bases for lifting sanctions and incentives for economic development support; and
  - (c) creating a positive environment for change by support, without further conditions, for conflict prevention and resolution, institution-building, planning for economic development, and humanitarian aid for vulnerable groups.
3. Realistic objectives for Myanmar should include, in the first instance:
  - (a) immediate improvements in political conditions, including release of all political prisoners, and freedom of movement and association for all participants in the political process;
  - (b) progress toward a democratic constitution, opening the way for a broader inclusion of all political groups in government; and
  - (c) progress on economic and social change.
4. Benchmarks of the following kind should be developed by countries applying sanctions, in particular the U.S. and EU members, in consultation with and under the guidance of the UN Secretary-General, the achievement of which would guide the progressive lifting of such sanctions:
  - (a) release of all political prisoners;
  - (b) freedom of movement and association for all participants in the political and constitutional-reform process;
  - (c) full inclusion of the NLD and ethnic nationality groups in the constitutional reform process;
  - (d) commitment to a reasonable timetable for the conduct of, and achievement of outcomes in, that process;
  - (e) provision and implementation of legal guarantees of human rights;
  - (f) establishment of a transitional government;
  - (g) holding of properly conducted elections.
5. Such benchmarks should also be used as incentives, as political and constitutional progress is made, for benefits including:
  - (a) funding from the World Bank, the IMF and Asian Development Bank as the government implements economic policies that will create the environment for growth;
  - (b) assistance in particular for infrastructure and other development projects, including rehabilitation of power plants and other vital services; and
  - (c) access to European and U.S. markets for textiles and other manufactured goods.
6. Without further conditions, more international support should be given for conflict prevention and resolution within Myanmar, in particular by:

- (a) Myanmar's neighbours continuing and increasing efforts to create an environment conducive to further ceasefire agreements and peace talks between the military government and the remaining insurgent groups;
  - (b) international donors expanding humanitarian assistance to ethnic minority areas and developing a long-term plan for post-conflict reconstruction in those areas; and
  - (c) international donors also providing further training and assistance to aid the participation of ethnic minorities in future constitutional negotiations.
7. Without further conditions, more international support should be given to institution-building within Myanmar, including by:
- (a) Japan and the ASEAN countries renewing and increasing support for civil service reform and capacity-building at all levels of the state, including programs for local administrations in the special regions;
  - (b) the UN system commissioning a detailed report on the state of the independent sectors, which would examine the structure, capacity and activities of political parties, civil society organisations and private companies and develop baselines against which to measure their future growth and openness;
  - (c) the donor community developing on the basis of that report an in-country aid program specifically to train and support individuals working in key independent sectors, contingent on the degree of freedom from governmental control of each sector; and
  - (d) generally expanding the availability of overseas scholarships, study trips, and longer-term placements in international institutions for Myanmar nationals, targeting government officials as well as members of political parties, civil society organisations, and the next generation of leaders and administrators.
8. Without further conditions, more international support should be given for planning for economic development, in particular by:
- (a) international donors establishing a Myanmar Aid Group and appointing a prominent economic envoy or interlocutor to play a role similar to that of Razali Ismail and Paulo Sergio Pinheiro in the political and human rights realms respectively;
  - (b) encouraging the international financial institutions (IFIs) to establish local offices in Yangon to facilitate policy dialogue and broader consultation with relevant groups and expand their knowledge base; and
  - (c) modifying the UNDP's special mandate to allow the UN Country Team as a whole to engage in policy dialogue with the government, as well as selective capacity-building in the social and other poverty-related sectors, and allow the UN to provide assistance to a larger share of the population.
9. Without further conditions, more international humanitarian aid should be made available to vulnerable groups, in particular by aid agencies and international organisations:
- (a) using increased humanitarian aid as an entry point for dialogue with the military government on the causes of systemic vulnerabilities;
  - (b) working, as far as possible, to draw different sides in the political, economic, social and religious conflicts into joint planning and execution of assistance projects;
  - (c) establishing two joint task forces to address food security and basic education, as well as an overarching project on reconstruction of war-torn communities and economies in the border areas;
  - (d) expanding International Committee of the Red Cross (ICRC) efforts to protect civilian populations in heavily militarised and conflict-affected areas;
  - (e) implementing the International Labour Organization (ILO) May 2003 agreement with the Myanmar government on an action plan to eliminate forced labour, emphasising the new mechanism for facilitating action by victims of forced labour; and

- (f) resuming human rights training programs with a new emphasis on army personnel and the institutions where they are working.
10. The UN Secretary-General should:
- (a) upgrade the present UN envoy role by appointing a Special Representative with a broader, more pro-active mandate;
  - (b) develop, with the advice and assistance of the Special Representative, a credible plan for international engagement in the roadmap process, taking into account the objectives and benchmarks proposed in this report; and
  - (c) visit Myanmar to impress personally upon the military leadership the importance the UN attaches to the national reconciliation process.
11. ASEAN and its member states should:
- (a) press the Myanmar government for a commitment to finalise the constitution and hold free and fair elections before its ASEAN presidency in 2006;
  - (b) offer appropriate assistance to ensure effective and timely implementation of specific commitments; and
  - (c) make clear that consideration would have to be given to altering the presidency arrangements for 2006 in the absence of major progress toward the achievement of the agreed benchmarks.
12. China, India and other neighbours of Myanmar should state clearly their support for UN efforts to promote national reconciliation and use their influence to persuade the military government to recognise the urgent need for substantial political and economic reform.

**Yangon/Brussels, 26 April 2004**





## MYANMAR: SANCTIONS, ENGAGEMENT OR ANOTHER WAY FORWARD?

### I. INTRODUCTION

When Myanmar's military rulers released Daw Aung San Suu Kyi from house arrest in May 2002, they promised dialogue and that "the country has turned a new page". Yet, only a year later, government supporters attacked the opposition leader and members and supporters of her National League for Democracy (NLD) during a party organisational tour of Upper Myanmar, killing several persons. Aung San Suu Kyi is back under house arrest; the NLD has been emasculated; and the government has announced that any future dialogue will take place within the 1993 National Convention, which is to be reconvened on 17 May 2004 to finalise deliberations on a new constitution.

The international community has quite properly condemned the crackdown and renewed pressure on the regime for political reform. However, here too there is a sense of *deja vu*. The new U.S. import ban has been under consideration for thirteen years, and the EU visa ban and asset freeze merely expands existing measures. The demands are also familiar: release Aung San Suu Kyi, resume dialogue and transfer power to a democratic government. The ASEAN countries have stepped up their diplomatic efforts but the organisation has backed away from an unprecedented proposal to send an official troika to Yangon to discuss how it might help resolve the deadlock and seems unable or unwilling to act more pro-actively.

Instead of the long-awaited political breakthrough, the clock has been turned back ten years and the stage set for a replay with the same actors, the same script and, quite possibly, the same ending. For the 50 million citizens of Myanmar, who have suffered greatly in the intervening period, any hope of improvement -- or for many, indeed, survival -- depends on whether all sides, including the international community, have the courage and energy to move away from entrenched

positions and try something different. The recycling of policies that have so demonstrably failed is not a viable option.

This report seeks to elucidate the many obstacles to but also some opportunities for reform revealed by recent political events and place them in their broader political, social and economic context. It reviews existing international policies and recommends a revised framework, with specific steps, to address more directly and pro-actively the structural obstacles to building a peaceful, democratic and prosperous country.

## II. RECENT EVENTS

The past year has been one of the most significant since the 1990 election, as the stalled dialogue between military leaders and Aung San Suu Kyi finally collapsed, and the government redoubled its efforts to break out of an increasingly tenuous political, economic and international situation.

### A. CRACKDOWN ON THE NLD

The attack on Aung San Suu Kyi's motorcade on 30 May 2003 and subsequent crackdown on the NLD followed months of escalating tensions between the authorities and the main opposition party. Local chapters of the pro-government Union Solidarity and Development Association (USDA)<sup>1</sup> had stepped up attempts to disrupt NLD activities, resulting in several clashes with party security officers and youth members.<sup>2</sup> Frustrated with the lack of progress in talks, the NLD had become increasingly outspoken in criticism of the government and defiant of calls to limit its rallies during organisational trips around the country.<sup>3</sup> The government-controlled media, in turn,

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<sup>1</sup> The USDA is the government's primary and most politically oriented mass organisation. It claims a membership of sixteen million and has local chapters in most towns and villages. Established in 1993, officially to support the nation-building program, its members have regularly been used to counter NLD activities and intimidate the party's supporters.

<sup>2</sup> The harassment began during Aung San Suu Kyi's organisational trip to Rakhine State and Ayeyarwaddy Division in December 2002, where local USDA chapters on several occasions sought to interrupt NLD activities, harassed supporters and onlookers, and distributed critical pamphlets.

<sup>3</sup> Aung San Suu Kyi complained publicly for the first time at a press conference on 2 January 2003 that the reconciliation process was in limbo, and there had been no genuine dialogue since her release from house arrest seven months earlier. Agence France-Presse, 2 January 2002. A few days later, on Myanmar's Independence Day, the NLD issued a policy statement, which reiterated long-standing positions and seemed to mark the end of its more pragmatic search for compromise and common ground: "The NLD will not accept the holding of another election without first honouring the results of the 1990 election; the NLD will not accept any provisions in a constitution written by the [current] National Convention..." Two months later, at another press conference, Aung San Suu Kyi directly accused the government of not wanting change: "We have been forced to question the integrity of the SPDC and their sincerity in achieving national reconciliation....They do not want change....If the SPDC is truly interested in the welfare of the country, they should be prepared at least to cooperate with the NLD in matters of

had resumed a vilification campaign accusing the NLD of causing "fear and unrest".

The actual events of 30 May are contested. According to the government, there was "a clash between local supporters and opponents of the NLD", which left four dead and 48 injured. Military spokesmen have denied all responsibility for the incident, which ostensibly resulted when Aung San Suu Kyi and her entourage tried to drive through a crowd of anti-NLD protesters.<sup>4</sup> Members of the NLD say their motorcade was ambushed by hundreds of men, who also attacked local villagers with wooden clubs, pointed bamboo sticks and other weapons, killing scores.<sup>5</sup> Several dissident and activist groups abroad have accused high-ranking officers of planning the attack, which they allege was carried out by members of the USDA and prisoners from local jails who had been prepped in training sessions at local schools during the previous week.<sup>6</sup> Some reports claimed that more than 100 people were killed and secretly cremated at an army base, and both Aung San Suu Kyi and NLD Deputy Chairman U Tin Oo, were seriously injured.<sup>7</sup>

Given the politicisation of reporting on all sides, it is unlikely that the exact course of events will ever be known. Yet, while some opposition sources appear to have overestimated the violence,<sup>8</sup> the attempted

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humanitarian aid". Agence France-Presse, 24 April 2003. At this time, Aung San Suu Kyi in private meetings with foreign missions had also begun asking directly for more international pressure. ICG interviews, March-April 2003.

<sup>4</sup> This version was presented at a government press conference on 31 May 2003, but also -- and more surprisingly -- published on the front page of the *Myanmar Times*, Myanmar version, 6-12 June 2003. This may have been the first time Aung San Suu Kyi and the NLD were mentioned so prominently in a censored Myanmar language publication.

<sup>5</sup> See *The Irrawaddy Online*, "Eyewitnesses Tell of Bloody Friday", 6 June 2003; *The Irrawaddy Online*, "Interview with Black Friday Witness", 13 June 2003; "Affidavits by Eyewitnesses of the Depayin Massacre", Senate Standing Committee on Foreign Affairs of Thailand, 4 July 2003.

<sup>6</sup> See, for example, ALTSEAN, "Black Friday and the Crackdown on the NLD", Briefing N°03/004, 24 June 2003; Ad Hoc Commission on Depayin Massacre (Burma), "Preliminary Report", 4 July 2003. This version was generally corroborated by officials from the U.S. Embassy in Yangon, who inspected the area four days after the clash. ICG interview, June 2003.

<sup>7</sup> See, for example, National Coalition Government of Myanmar (NCGUB) Statement, 1 June 2003; Radio Free Asia, 3 June 2003, "Witness Account Contradicts Junta's Reports".

<sup>8</sup> UN Envoy Razali Ismail and the International Committee of the Red Cross (ICRC) have subsequently established that

government whitewash clearly has no credibility. Given the degree of security and government concern surrounding Aung San Suu Kyi's trips, it seems impossible that the events of 30 May could have transpired without high-level involvement. The subsequent detainment of Aung San Suu Kyi and other senior party leaders, arrest of scores of NLD members and closure of party offices all around the country also indicate that the attack was part of a broader, premeditated crackdown on the opposition.

## B. INTERNATIONAL PRESSURE

International condemnation was strong, immediate and unequivocal but action has varied greatly, and initial pressures have weakened somewhat over time.

The strongest response came from the U.S. where Congress moved quickly to punish the military government by approving the Burmese Freedom and Democracy Act of 2003 (hereafter, the Democracy Act)<sup>9</sup> with overwhelming majorities.<sup>10</sup> Signed into law by President Bush on 28 July 2003, it forbids U.S. imports from Myanmar, extends the existing visa ban, freezes assets owned by the regime in the U.S., and legislates Washington's opposition to loans or other assistance for Myanmar from the international financial institutions. The administration also banned export of financial services to Myanmar,<sup>11</sup> stepped up pressure on regional countries to censure the military regime and informally raised the issue in the UN Security Council. U.S. officials have rejected the government's subsequent announcement of a roadmap to democracy as irrelevant, although President Bush in October 2003 reportedly agreed to a request from

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neither Aung San Suu Kyi nor Tin Oo was seriously injured. A later list from the Assistance Association for Political Prisoners Burma identified eight dead and 94 missing, including detainees and people gone into hiding. Reuters, 24 June 2003. Most independent organisations, including Amnesty International, have avoided estimating the number of fatalities.

<sup>9</sup> The name linked the law to Senator McConnell's failed attempt to introduce a similar measure in 1995 that was opposed by the Clinton administration and withdrawn in favour of a softer version but eventually led to the 1997 ban on new investments.

<sup>10</sup> The votes were 97-1 in the Senate and 218-2 in the House of Representatives.

<sup>11</sup> Executive Order Blocking Property of the Government of Myanmar and Prohibiting Certain Transactions, signed by President George W. Bush on 28 July 2003. See also the editorial by U.S. Secretary of State Colin Powell, *The Asian Wall Street Journal*, 12 June 2003.

Thai Prime Minister Thaksin Shinawatra to avoid further pressure until regional countries had had a chance to negotiate with Yangon.<sup>12</sup>

The European Union (EU) has only imposed the limited measures already threatened in its Common Position of April 2003 -- i.e. an expansion of the list of regime members and supporters subject to the existing visa ban and asset freeze, and a tightening of the arms embargo -- but the situation remains under review. Some member states favour stronger economic sanctions, but others are concerned about the legality of trade embargoes against a fellow member of the World Trade Organisation, as well as the inevitable social costs of such measures for the Myanmar people. Australia has taken a similar position, suspending some of its activities in Myanmar, including its human rights training program, but rejecting economic sanctions, which Foreign Minister Alexander Downer said would have little impact.<sup>13</sup> Japan initially froze what had been an expanding aid program, but has gradually resumed funding of ongoing projects.

Most regional governments have been more cautious. The changed attitude of ASEAN and even Chinese officials after 30 May, however, has been marked. At the ministerial in Phnom Penh on 16-17 June 2003, the ten ASEAN foreign ministers issued a joint communiqué calling for the early release of Aung San Suu Kyi and a peaceful transition to democracy, and agreed to send a minister-level troika to Yangon to explore what the Association might do to help Myanmar draft a new constitution. The Philippines has been particularly critical, but senior Indonesian and Malaysian officials have also been outspoken about the need to resolve the political deadlock. Then Malaysian Prime Minister Mahathir Mohamad at one point even suggested Myanmar could be expelled from ASEAN "as a last resort".<sup>14</sup>

Thailand has taken a less forceful, but more direct approach, offering a "concept paper" for political transition in Myanmar, which led to the convening

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<sup>12</sup> This informal agreement reportedly was reached during talks at the APEC summit in Bangkok in October 2003. ICG interview, November 2003.

<sup>13</sup> BBC Myanmar Language Broadcast, 11 June 2003.

<sup>14</sup> Then Malaysian Prime Minister Mahathir Mohamad at one point suggested Myanmar could be expelled from ASEAN "as a last resort," although he has since appeared to back away from that comment. Associated Press, Kuala Lumpur, 21 July 2003.

of an international forum in Bangkok on 15 December 2003 to discuss the situation across the border, involving high-level officials from Thailand, Myanmar and the UN, as well as nine regional and European countries.<sup>15</sup> In the event, this meeting was short, attended by relatively low level officials and made no very significant progress, and a further 'Bangkok Process' meeting scheduled for 29-30 April 2004 has now been postponed.

Nevertheless, ASEAN has backed away from an open confrontation. The proposed troika was cancelled when Yangon objected and replaced by a visit from former Indonesian foreign minister Ali Alatas as President Megawati Sukarnoputri's personal envoy. A further planned visit by Alatas on 18 April 2004 was cancelled at short notice by Yangon: the most positive spin being put on this (as for the postponement of the Bangkok Process meeting) is that release of Suu Kyi and Tin Oo is imminent, in the context of the 17 May National Convention reconvening, and the SPDC did not wish to be seen to be succumbing to any external pressure.<sup>16</sup> At its Bali summit, ASEAN expressed support for new Prime Minister Khin Nyunt and the government's roadmap: key member states appear to want to give Yangon time to show what there is in its proposed transition plan.

Still, there is a widespread feeling in ASEAN capitals that they cannot continue to shield a fellow member that has made little progress in catching up with the region, either politically or economically. Some high-level officials appear to believe that they personally have lost face over the reactionary behaviour of the Myanmar leaders, and they will be much less inclined to speak up for them in the future unless there is demonstrable improvement.

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<sup>15</sup> The original Thai paper envisioned a two-track "phase by phase" democratisation process, involving dialogue among domestic parties, as well as active international support. It mentioned five phases: return to the situation prior to 30 May 2003, restoration of mutual trust and confidence, preparations for drafting a new constitution, drafting, and elections followed by the formation of a democratic government. It contained details for each phase, including a proposed "Mini-Marshall Plan" following inauguration of a democratically elected government. The internal dimension, however, was dropped after Yangon announced its own roadmap and Thai efforts have since focused on establishing a forum for international dialogue. Ministry of Foreign Affairs, Thailand, "Roadmap Towards National Reconciliation and Democracy in Myanmar", date unknown.

<sup>16</sup> ICG interview, 22 April 2004.

Myanmar's presidency of ASEAN in 2006 is looming and could prove a major embarrassment to the group if U.S. and European governments decide they cannot attend meetings in Yangon or work directly with SPDC officials.<sup>17</sup> China has reiterated its commitment to non-interference in Myanmar's internal affairs but its officials are concerned and have expressed support both for UN mediation and the Bangkok Process, although they do not want to take the lead in pushing for reform.<sup>18</sup>

### C. GOVERNMENT DAMAGE LIMITATION: RESTRUCTURING AND ROADMAP

Some government spokesmen initially insisted that the crackdown on the NLD was temporary and would not derail the reconciliation process,<sup>19</sup> but others took a much harder line. In a personal letter to leaders of regional states in early July 2003, Senior General Than Shwe openly accused Aung San Suu Kyi and the NLD of scheming with armed ethnic groups to foment social unrest and overthrow the government. He studiously ignored 30 May, focusing instead on the need to constrain subversive activities, and asked that the military government be given time to stabilise the situation.<sup>20</sup>

Throughout June, July and August, there were almost daily high-level government meetings to

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<sup>17</sup> One very senior ASEAN figure told ICG that it would be 'a disaster' if Myanmar assumed the 2006 presidency without major constitutional and political change having been achieved: interview 7 April 2004.

<sup>18</sup> ICG interviews, November 2003. See also Larry Jagan, "China Supports Burma, But Urges Changes", The Irrawaddy Online, 27 August 2003; Kyaw Zwa Moe, "China to join Talks on Burma", The Irrawaddy Online, 22 October 2003.

<sup>19</sup> Deputy Foreign Minister Khin Maung Win, for example, assured the world that the government had "no ill-will" towards Aung San Suu Kyi, that she was in "protective custody" only and would be released as soon as the situation returned to normal. Government press conference, 10 June 2003. This line reportedly was echoed by Commander-in-Chief of the Army, Vice-Senior General Maung Aye to UN Envoy Razali Ismail on 9 June, ICG interview, June 2003, and by Foreign Minister Win Aung at the ASEAN Ministerial Meetings in Pnom Phen on 16-17 June.

<sup>20</sup> The letter, a copy of which is in ICG's possession, was hand-delivered to Bangkok, Tokyo and Jakarta by Deputy Foreign Minister Khin Maung. The government made a similar, and largely successful, attempt earlier in 2003 to keep the region on its side with a formal demarche imploring all ASEAN members not to participate in the UN-sponsored Informal Consultative Meeting on Myanmar in Tokyo in February. ICG interview, February 2003.

discuss the situation and top officials, in private, expressed concern over the deterioration in regional relations. Many reportedly felt that they had to do something to normalise the situation but were afraid of opening a Pandora's box by releasing Aung San Suu Kyi and thus exposing themselves to further criticism.<sup>21</sup>

On 25 August 2003, the government announced a major restructuring in which Senior General Than Shwe turned over the prime ministership to the head of military intelligence, Lt. General Khin Nyunt. A dozen older ministers and deputy ministers were retired and several new positions created. There was also a shake-up in the ruling State, Peace and Development Council (SPDC), where Lt. General Soe Win replaced Khin Nyunt as Secretary-1 and Lt. General Thein Sein was appointed new Secretary-2.

Two days after his appointment, Khin Nyunt gave a State of the Union address in which he touted the military's accomplishments over the past decade and lambasted the NLD for failing to support its nation-building program. He restated the government's commitment to "principled democracy" and laid out a seven-step<sup>22</sup> transition plan -- or 'roadmap' -- to this vague goal, involving three main elements:

- ❑ the government will reconvene the National Convention that was established in 1993 to deliberate on a new constitution but adjourned in March 1996 after the NLD withdrew in protest over the undemocratic proceedings;

- ❑ once the Convention has finished its task, a new constitution will be drafted<sup>23</sup> and put to a national referendum; and, finally,
- ❑ free and fair elections will be held for a new parliament.

The new prime minister revealed little about the parameters of the National Convention, nor did he say whether the NLD would have a role in it. He did, however, set the tone by reiterating that:

The most important factor in building a peaceful, modern, developed and democratic nation is the emergence of a disciplined democratic system that does not affect the historical traditions of the Union... the national prestige and integrity of our nation... or the national characteristics of our people.<sup>24</sup>

Officials have later explained that the National Convention will pick up where it left off in March 1996, except the individual delegates will be new.<sup>25</sup> The participants, like before, will be selected from eight functional groups, including political parties, ethnic nationalities, elected members of parliament, peasants, workers, intelligentsia, state service personnel and other invitees, of which the first two will chose their own delegates. The six Guiding Principles put down by the military in 1992<sup>26</sup> and the 104 Basic Principles "agreed" by the convention the following year<sup>27</sup> remain in force and will form the basis for the deliberations.

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<sup>21</sup> ICG interviews, June-July 2003.

<sup>22</sup> "(1) - Reconvening of the National Convention that has been adjourned since 1996.(2) - After the successful holding of the National Convention, step by step implementation of the process necessary for the emergence of a genuine and disciplined democratic system.(3) - Drafting of a new constitution in accordance with basic principles and detailed basic principles laid down by the National Convention.(4) - Adoption of the constitution through national referendum.(5) - Holding of free and fair elections for Pyithu Hluttaws (Legislative bodies) according to the new constitution.(6) - Convening of Hluttaws attended by Hluttaw members in accordance with the new constitution. (7) - Building a modern, developed and democratic nation by the state leaders elected by the Hluttaw; and the government and other central organs formed by the Hluttaw": see <http://www.ibiblio.org/obl/docs/how9.html>.

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<sup>23</sup> This supposedly will be done by "experts". Deputy Foreign Minister Khin Maung Win, answer to question at the Conference on Understanding Myanmar, held by Myanmar Institute of Strategic and International Studies in Yangon on 26-27 January, 2004.

<sup>24</sup> Speech by General Khin Nyunt, Prime Minister of the Union of Myanmar, on the Development and Progressive Changes in Myanmar Naing-ngan. Published by the Myanmar Information Committee, Information Sheet N° C-2746, 30 August 2003.

<sup>25</sup> This was confirmed by Deputy Foreign Minister Khin Maung Win at the Conference on Understanding Myanmar, *op.cit.*

<sup>26</sup> The six Guiding Principles are: non-disintegration of the union, non-disintegration of national solidarity, consolidation of sovereignty, multi-party democracy, justice-liberty-equality, and a leading role for the military in politics.

<sup>27</sup> The 104 Basic Principles include stipulations that: the president will be chosen by an electoral college with strong military representation and must have extensive experience in political, administrative, economic and military affairs; the ministers of defence, home affairs, and border areas will be

Since the announcement of the roadmap, the government has reconstituted the National Convention Convening Commission and appointed a Working Committee and a Management Committee, each with a new line-up of senior officers and officials.<sup>28</sup> It has also issued the first invitations for participation in the Convention to sixteen former ethnic insurgent groups, which since the late 1980s have entered into ceasefires with the government, as well as some smaller groups and individuals representing ethnic minority communities. Prime Minister Khin Nyunt has been holding bilateral negotiations with each of the ceasefire groups to secure their participation, and similar contacts with the political parties are likely to follow.

#### D. RESPONSES TO THE GOVERNMENT ROADMAP

The government roadmap has elicited responses from a number of political groups and individuals in the country, some of which have put forward their own versions. Many support the idea of a National Convention, followed by a referendum on a new constitution and fresh elections, but most have expressed serious concerns about the likely nature of a convention convened and controlled by the military, particularly the procedures for selecting delegates and conducting discussions.

The United Nationalities League for Democracy (UNLD), an alliance of ethnic political parties which participated in the 1990 election, rejected the government roadmap and called for a resumption of bilateral dialogue between the government and the NLD, restoration of democratic rights, and

convening of a new National Convention primarily including the elected members of parliament.<sup>29</sup>

The Ethnic Nationalities Solidarity and Cooperation Committee (ENSCC)<sup>30</sup> proposed a six-year transition process beginning with a Congress for National Unity involving representatives of the military government, the elected political parties and ethnic minority groups to draft a National Accord under which a transitional National Unity Government would be formed. The congress would also constitute independent national and state constitution drafting commissions. The plan calls for a nationwide ceasefire and general amnesty to facilitate the participation of all parties in the conflict and UN and ASEAN mediation, as well as a gradual relaxation of sanctions and increase in foreign assistance.<sup>31</sup>

Three ceasefire groups in Eastern Shan State -- the United Wa State Army (UWSA), the Shan State Army North (SSA-North) and the National Democratic Alliance Army (NDAA), which govern Special Regions No. 2, 3 and 4 respectively -- agreed to send delegations to the National Convention, provided that it would be all-inclusive, that the delegates would be chosen freely by the ethnic nationalities concerned and that there would be freedom of discussion.<sup>32</sup> They have since confirmed their attendance, as have all other ceasefire groups, except the Karen National Union which agreed to cease hostilities in December 2003 but is still discussing the details of a ceasefire with the government.

The political parties are loath to endorse a process that would effectively erase their mandate from the 1990 election, while the armed groups have been more open, seeing a chance to at least get into the

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appointed by the commander-in-chief, as will one quarter of the parliament, at both national and state level; the commander-in-chief will have a statutory right to assume state power in a national emergency (defined as danger to national unity, solidarity or sovereignty); and the armed forces will have complete autonomy.

<sup>28</sup> The chairman of the Convening Commission is the newly appointed Secretary-2 of the SPDC, Lt. General Thein Sein. Other members include a mix of officials from the judicial and public relations arms of the government, as well as the ministry of defence, most notably the deputy head of military intelligence, Major General Kyaw Win and Brigadier General Than Tun, who for several years has been the main liaison officer to Aung San Suu Kyi.

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<sup>29</sup> UNLD, "Roadmap of United Nationalities League for Democracy and Current Political Situation", summarised and distributed by the Euro-Burma Office, October 2003.

<sup>30</sup> The ENSCC is a border-based group that includes the three main ethnic nationalist armies still fighting the government: the Karen National Union (KNU), the Shan State Army (SSA) and the Karenni National Programme Party (KNPP). Its plan was developed by a group of individuals from the various member organisations, selected by the Euro-Burma Office, and may not necessarily reflect the position of each organisation.

<sup>31</sup> ENSCC, "Roadmap for Rebuilding the Pyi-Daung-Su Myanmar Naing-Ngan (Union of Burma)", 2 September 2003.

<sup>32</sup> UWSA/SSA-North/NDAA, "Conditions for Participating in the SPDC's National Convention", Meeting at Panghsang, 13-15 October 2003, published by the Shan Herald Agency of News, 19 October 2003.

political process after decades in the wilderness. The NLD's position is not known. It seems clear that Aung San Suu Kyi is prepared to work with Khin Nyunt and accept a continued role for the military in politics.<sup>33</sup> However, it remains to be seen whether she will agree to the government's conditions for the National Convention, which she rejected eight years ago.

## E. IMPLICATIONS

Since 1988, Myanmar politics (and international relations) have settled into a predictable cyclic pattern with short spurts of apparent progress followed by stagnation, renewed confrontation and collapse. The June 2003 crackdown on the NLD ended one cycle but another is already underway, presenting new opportunities, old obstacles and lots of uncertainties.

### 1. Domestic obstacles and opportunities

The violent attack on Aung San Suu Kyi's motorcade and subsequent crackdown on the NLD seems to have been associated with the ascendancy of a core of hard-line army commanders within the regime, who reject any form of dialogue or compromise with the opposition. Over the past few years, Senior General Than Shwe, who is known for his conservative views, has consolidated his power at the apex of the military pyramid. He has promoted several of his most loyal officers to top positions, including the new Secretary-1 of the SPDC, Lt. General Soe Win, who first attracted attention in January 2003 when he publicly stated that the military would never talk to Aung San Suu Kyi or share power with the NLD.<sup>34</sup> This, in turn, has

significantly limited the ability of other, possibly more pragmatic officers to manoeuvre.

In hindsight, it seems evident that Than Shwe only agreed to release Aung San Suu Kyi in May 2002 in the expectation that she would accept the SPDC's long-term program of nation-building under military leadership and never intended to make any substantial concessions. The eventual crackdown apparently was prompted by fears among the military that the growing number of people turning out to see the opposition leader on her tours around the country could lead to widespread social unrest: the return to overt military unilateralism was, unhappily, almost a foregone conclusion once she declined to go along with the government's program and renewed her calls for popular and international pressure.<sup>35</sup>

The attack on the NLD motorcade was not the result of a collective decision,<sup>36</sup> and caused some consternation within the military hierarchy.<sup>37</sup> However, the subsequent restructuring of the government and announcement of the new roadmap appear to have restored the regime's unity and sense of purpose, and removed any prospect of a showdown between "hard-liners" and "soft-liners". The roadmap is the only game in town now. The generals have made it clear that the bilateral dialogue with Aung San Suu Kyi is over, and no alternative transition plans are needed or wanted. Indeed, they seem very confident that they are in full control of the situation.

The role of Khin Nyunt is likely to be critical. The veteran head of military intelligence and Secretary-1 of the SPDC was instrumental in negotiating the ceasefire agreements with seventeen insurgent groups in the early 1990s, as well as the talks that led to Aung San Suu Kyi's releases from house arrest in

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<sup>33</sup> ICG interview, March 2004. See also Aung Naing Oo, "The Lady -- Problem or Solution for the Burmese Generals?", *Mizzima News*, 17 September 2003, which quotes a NLD member of parliament from Yangon saying that "Aung San Suu Kyi has realised that some of the key NLD demands are no longer appropriate", and another unnamed source that "she might even accept the SPDC's demand for 25 per cent of the parliamentary seats [to] be reserved for army personnel".

<sup>34</sup> Two other Than Shwe loyalists -- the joint chief of staff, Lt. General Thura Shwe Man, and the deputy head of military intelligence, Major General Kyaw Win -- have also made significant, though quieter, moves up the ranks and appear to be in line to replace the commander-in-chief of the army, Vice Senior General Maung Aye, and the head of military intelligence, Lt. General Khin Nyunt, respectively. Some reports suggest they have already taken over many of the

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responsibilities of their nominal bosses. ICG interviews, June-August 2003.

<sup>35</sup> The generals, of course, could have stopped Aung San Suu Kyi from travelling on any number of pretexts, or simply forced her to limit her public appearances. However, the 30 May 2003 attack was probably a knee-jerk military response to a perceived "enemy threat", rather than a carefully calculated political move, although it could have been intended as a warning both to the NLD and the people at large about the consequences of defying the authorities.

<sup>36</sup> Khin Nyunt, in fact, had offered to meet with Aung San Suu Kyi on her return from Upper Myanmar, which would have been the first high-level meeting in more than six months. ICG interview, June 2003.

<sup>37</sup> ICG interviews, July-August 2003. Many military officers were embarrassed and defensive about the attack.

1995 and 2002. He is not any kind of democrat but he is the most political savvy of the top leaders and has long favoured some form of accommodation with the opposition and Myanmar's further international integration. He also has the most experience in dealing with foreign affairs. His standing within the military hierarchy is, therefore, an important indication of the prospects for political progress.

There had been speculation for some time that Khin Nyunt was being sidelined by hard-line army commanders, but his appointment as prime minister confirms his continued influence within the regime. While he remains subject to the dictates of Senior General Than Shwe, who continues as Chairman of the SPDC, Commander-in-Chief of the Armed Forces and Minister of Defence, the handover of formal government leadership suggests the Senior General believes he needs his near contemporary and implicit rival.<sup>38</sup> As prime minister, Khin Nyunt is in charge of day-to-day government affairs and the natural focal point for implementation of the roadmap, as well as contacts with the outside world. This may help create space for a group of younger, well-educated and apparently relatively moderate generals and colonels, who have been working closely with him for a decade, and for some of the more able ministers.<sup>39</sup>

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<sup>38</sup> There are at least three reasons why Than Shwe needs Khin Nyunt. First, Khin Nyunt is not alone in favouring a different approach to governance; in fact, he may be quite conservative compared to a significant number of younger, better educated officers, particularly at the colonel level. This together with his power base in military intelligence makes him a key factor in maintaining military unity. Secondly, the Senior General needs him to run the government. Khin Nyunt may be in an uneasy position within an institution dominated by battle-hardened commanders who value combat experience above all and are wary of military intelligence. However, he enjoys general respect for his political savvy and according to military insiders remains the most likely candidate for leading a transitional or civilianised government under military control. Than Shwe, on the other hand, shies away from day-to-day government affairs and, in particular, the international limelight. Thirdly, Khin Nyunt has been in charge of relations with the ceasefire groups since the late 1980s, and they only trust him and his men.

<sup>39</sup> It may be significant that two high-ranking officials were assigned as new ministers to the office of the prime minister in the August 2003 reshuffle, while two retirees from the office of the chairman of the SPDC were not replaced.

## 2. International influence

The ascendancy of hardliners (or hard-line views) corresponds with a notable shift of influence away from the U.S. and other Western states. Several of the top generals reportedly are incensed by the new U.S. sanctions, which they perceive as proof that Washington has no concern for Myanmar's future. More pragmatic officers and officials also say they no longer see any chance of mending fences with the Bush administration and simply will have to rely on their own resources and friends in the region. The U.S. government thus appears to have given away whatever chance it had to influence current developments, and may have provoked a resurgence of the traditional 'go-it-alone' mentality within the officer corps.<sup>40</sup> The EU, Australia and Japan maintain somewhat more active relations, but each has broken key links since 30 May 2003 and Myanmar-Japan relations, in particular, have cooled considerably as a result.

The UN, too, has lost the initiative after the collapse of the bipartite dialogue between the military government and Aung San Suu Kyi, which UN Envoy Razali Ismail helped broker. Government officials in Yangon seem intent on maintaining an active relationship with the UN. However, the world organisation's attempts at mediation are bound to suffer from the generals' heightened suspicions of the U.S. unless the UN is able to secure active support from key Asian countries, including China, and mark out a line that is seen as independent from Washington's.

This leaves Myanmar's neighbours, which more by default than intent have assumed a pivotal position in Yangon's strategy for international engagement. The roadmap -- whatever the generals intend for it

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<sup>40</sup> How confident the military leaders feel about their ability to stand up to Western pressure is suggested by their push in November 2003, for the first time, to get a vote in the UN General Assembly on the annual Myanmar resolution. This followed a series of public accusations against the U.S. for obstructing progress in the country, and an unusually strong and direct rebuttal of the last report by the UN Special Rapporteur. See Myanmar Embassy London, Myanmar News Bulletin, N°5/2003, 4 September 2003; Ministry of Foreign Affairs, Yangon, Press Statement, 18 September 2003; and "Statement by His Excellency Dr. Kyaw Win, Ambassador, Representative of the Union of Myanmar in the Third Committee, on the Report of Professor Paulo Sergio Pinheiro, Special Rapporteur, on the Situation of Human Rights in Myanmar", Myanmar Information Committee, Information Sheet, 14 November 2003.



domestically -- seems partly to be a gesture to fellow members of ASEAN who want to see concrete progress on resolving the internal political deadlock before Myanmar is scheduled to assume the ASEAN presidency in 2006. How far their influence reaches is, however, uncertain. The generals have shrugged off both Western and regional demands for Aung San Suu Kyi's immediate release. Although many officers are committed to regional integration and understand its importance, others maintain strongly nationalistic attitudes, which could prompt a return to self-imposed isolation if ASEAN were to overplay its cards.<sup>41</sup>

### 3. Outlook

Khin Nyunt and his closest associates do seem to intend to have a new constitution in place before Myanmar assumes the ASEAN presidency in 2006.<sup>42</sup> Several of the ceasefire groups reportedly have been impressed by the Prime Minister's commitment to finding a way forward,<sup>43</sup> but it remains unclear how much he is willing or able to compromise and the nature of the National Convention remains a critical sticking point. While the government's desire to accommodate regional concerns may open for certain concessions as the process evolves, this is unlikely to have been discussed in any detail within the inner circle. It will likely depend also on how the process is approached by the international community and the domestic opposition.

A certain separation, at least in form, between the regime's military and political arms could become apparent if the roadmap progresses. Khin Nyunt may surrender his post as head of military intelligence in order to emphasise his political role in a civilianised government. Several of his most trusted officers from military intelligence are likely also to assume more specialised political tasks. The military leaders may transform the USDA into a party to help secure their dominance of a future political process, separate from any specific constitutional provisions.

The government, of course, faces numerous hurdles. Any constitution that lacks the support of Aung San Suu Kyi and key ethnic leaders would have very little credibility. However, Myanmar's regional neighbours most likely would support any plausibly genuine attempt to reintroduce constitutional government even if it institutionalised ultimate military control within an only semi-democratic system. If the military leaders are serious about their transition plan, all political groups, including the opposition, may face a tough choice between joining a convention that at best would give them limited concessions or boycotting it and risking either being marginalised or contributing to indefinite continuation of a deadlock that is grinding the country down faster than it is the generals.

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<sup>41</sup> The generals propensity to turn inwards when threatened and belief in the country's ability to go it alone is demonstrated by their response to the 1997 Asian economic crisis, which included an immediate reversal of key market-oriented economic policies and an apparent end to any desire to introduce further economic reform.

<sup>42</sup> ICG interviews, November-December 2003.

<sup>43</sup> ICG interviews, January-February 2004.

### III. LONGER-TERM TRENDS

The shock of 30 May and the crackdown on the NLD have understandably focused international attention on immediate implications but the hard-line backlash, unfortunately, is part of a familiar pattern extending over decades. Close attention must be paid to the structural obstacles to change and the nature of the crisis.

#### A. THE MILITARY'S POLITICAL ORIENTATION

While the military's tactical objectives have shifted several times over the past fifteen years in response to internal leadership changes and external constraints, its fundamental political orientation, rooted in the first decade of independence, remains largely unchanged.

Unlike its counterparts in other former British colonies, the Myanmar army was never significantly influenced by the standards and ideas of British military professionalism. Many of the first generation of top military leaders were engaged in politics in the pre-independence period and began their careers in the Burma Independence Army, which was trained by the Japanese occupation forces to fight against the British. The outbreak of multiple insurgencies immediately after independence made the civilian government dependent on the army, which came to enjoy considerable autonomy during the 1950s as it undertook numerous state and nation-building measures, especially in the more remote areas of the country. These experiences, coupled with civilian government failures and the perceived success of the military caretaker government that ran the country for eighteen months in the late 1950s, set the stage for the 1962 coup and subsequent attempts to resurrect central state control under military leadership, which have continued until the present.

The 1950s-1960s may seem like ancient history. However, the isolation of the Myanmar officer corps, coupled with the continuance of internal and external threats to the state, real and perceived, has greatly increased the power of internal military socialisation processes and created a particular perspective that is highly resistant to contradictory evidence. Successive generations of officers have nurtured the belief that the army not only won Myanmar's freedom, but also restored its unity after the divisive years of British colonial rule and has

safeguarded it in times of crisis since.<sup>44</sup> The progress made since 1988 in negotiating ceasefires with former insurgent groups and expanding the country's infrastructure has reinforced this belief in military superiority. The military leaders strongly believe it is their right and duty to play a leading role in the country's affairs, political and otherwise, rather than simply acting as servants of the state.<sup>45</sup>

There are elements within the regime, including at high levels, who favour a lesser role for the military in government, mainly because they understand the limitations of the current approach to state and nation-building. Yet, over the past decade and a half, hardliners have drawn the ruling council in the opposite direction, prompted by the increasing polarisation and personalisation of the struggle between the military and the NLD,<sup>46</sup> as well as a growing habit of exercising power and fear of losing it.

#### B. THE BALANCE OF POWER

The importance of the generals' political orientation in defining the opportunities for change is underscored by the massive power imbalance between the military and other political forces. The past fifteen years have disproved all theories that the regime is weak and on the verge of collapse, whether due to its own incompetence and contradictions, overreach or outside pressure.

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<sup>44</sup> The military coups in 1958, 1962 and 1988 were all justified as a reaction to civilian government failures and resulting political and social anarchy.

<sup>45</sup> For a detailed discussion of military ideology and mythology, see Maung Aung Myoe, "Military Doctrine and Strategy in Myanmar: A Historical Perspective", Working Paper N°339, Canberra, Strategic and Defence Studies Centre, Australian National University, 1999; Morten B. Pedersen, "The World According to Burma's Military Rulers", in David Mathieson and Ron J. May (eds), *Isolating Burma, Mediating Myanmar* (Adelaide, forthcoming); Andrew Selth, *Burma's Armed Forces: Power Without Glory* (Norwalk, 2002), chapter 2; and Tin Maung Maung Than, "Myanmar's National Security and Defence Posture", *Contemporary Southeast Asia*, 11/1, 1989.

<sup>46</sup> While many officers maintain a neutral, or even positive, attitude to Aung San Suu Kyi as the daughter of the country's independence hero and father of the army, General Aung San, some top leaders have developed a strong personal animosity, possibly related to her education and international experience, but perhaps primarily due to the fact that she has dared challenge their authority.

## 1. Military strength

The military today not only rules the country but also controls almost every aspect of public life. Most ministerial and deputy positions are held by active or retired officers, as are many other key positions throughout the administration and the private sector. Military intelligence, with its signals-intercept capability and extensive network of informers, reaches into almost every corner of society. New army camps have been established throughout the border areas, bringing most of the country firmly under central control. Although the military has failed to provide competent governance, it has been overwhelmingly successful in its narrow definition of state security.

One of the regime's main strengths lies in its internal cohesion, which is based to some extent on common interests and fears, but also on a shared worldview and esprit de corps, which is unmatched by other groups in society and often underestimated. The current generation of military leaders, like their predecessors, are united by the memories of fallen comrades and victorious battles, as well as a carefully crafted mythology of the military's crucial role in building the nation and protecting it against both external and internal threats.<sup>47</sup>

## 2. Opposition weakness

Although the 1988 uprising and 1990 election demonstrated the depth of popular dissatisfaction with military rule, these sentiments have not translated into sustained political pressure on the regime. The NLD, headed by Aung San Suu Kyi, presents a strong challenge to the legitimacy of the military government but the party has no real leverage. In the wider population, everyday resistance is expressed in numerous ways through non-compliance with government directives. Yet, society is atomised and disempowered, and few dare to challenge openly an army that to most people seems omnipotent and omnipresent.<sup>48</sup> Myanmar lacks anything resembling the broad civil society movements which have successfully pushed for change in neighbouring countries.

The people on several occasions have showed their capacity for political action when pushed to the limits and sufficiently provoked, most recently in the 1988 uprising. However, the students and political monks who have led popular protests in the past have lost much of their revolutionary potential under heavy pressure from the authorities, and the security forces have learned from 1988 and greatly expanded their monitoring of the population. They are supported in this by a growing number of quasi-military groups, such as the USDA, which on several occasions, also prior to 30 May, have been used to intimidate anti-government forces.

## 3. International leverage

International leverage over the military regime, too, is greatly limited. During the socialist period (1962 to 1988), the Ne Win regime pursued self-reliance as the basis for national security and became increasingly alienated from the world.<sup>49</sup> Since 1988, the introduction of a more open, market-oriented economy has fuelled a significant expansion in political and, particularly, economic links. However, after the 1997 Asian economic crisis, regional trade and investment flows all but dried up, and the government reverted to a self-reliance policy based on agriculture and import-substitution to shield the country from future disruptions. Trade has since rebounded, but foreign direct investment is almost non-existent. Myanmar thus remains one of the most closed countries in the world, whether measured by capital flows, communication links or political mindsets.

The lack of international leverage is compounded by the direction of Myanmar's limited external ties. Faced with Western sanctions from its inception, the military regime has been forced to emphasise closer political and particularly economic relations with conservative governments in the region and, in the process, has turned necessity to its advantage. The past few years have seen a renewed push in this direction, as Than Shwe and other senior leaders have visited all the neighbouring countries and secured political support, trade and other economic agreements. While ASEAN and other regional countries since 30 May 2003 have stepped up diplomatic pressure on the regime for governance

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<sup>47</sup> See ICG Asia Briefing, *Myanmar: The Future of the Armed Forces*, 27 September 2002, and Christina Fink, *Living Silence: Myanmar under Military Rule* (Bangkok, 2002).

<sup>48</sup> See ICG Asia Report N°27, *Myanmar: The Role of Civil Society*, 6 December 2001.

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<sup>49</sup> See ICG Asia Report N°28, *Myanmar: The Military Regime's View of the World*, 7 December 2001.

reforms, the expansion of economic links continues unabated.<sup>50</sup>

In sum, there is little doubt that the armed forces can keep power for the foreseeable future. Any prospect for political liberalisation appears to hinge on the emergence of a reformer within its ranks, possibly as part of a broader generational shift, and/or a gradual erosion of military control brought about by limited political and economic reforms.

### C. CONFLICT

While the political deadlock continues with little prospect for regime change, many of the underlying conflicts and resultant humanitarian emergencies remain largely unaddressed by domestic and international actors alike. For those committed to helping the Myanmar people, it is vital to consider the nature of the country's broader political, social and economic crisis.

The key factor in explaining the political and economic distress are the conflicts that since independence have divided society and pauperised the state. Although a major contributor to the crisis, military rule is itself an outcome of those conflicts, which continue to present a major barrier to democratisation. The current struggle over political power reflects long-standing civil-military disputes, as well as overarching ethnic conflict. There is also evidence of extreme tensions at the local level, reinforced by religious differences and struggles over scarce resources.

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<sup>50</sup> Since June 2003 China, Thailand, and India have all extended significant concessionary loans to the Myanmar government. Thailand has also moved ahead with its proposal for an Economic Cooperation Strategy with its neighbours, Myanmar, Cambodia and Laos, which reportedly will involve Thai trade concessions, as well as extensive Thai assistance for economic cooperation projects in the three countries amounting to US\$250 million annually. According to the Plan of Action, Thailand and Myanmar have agreed to work together on nearly 60 smaller and larger projects, including a major hydroelectric project on the Thanlwin River, a road linking Dawei in Southern Myanmar with Kanchanaburi in Western Thailand, and two special industrial zones in Hpa-an and Mawlamyine for relocation of industries to minimise the illegal immigration of Myanmar workers to Thailand (Myanmar Times, 17 November 2003).

### 1. Civil-military conflict

The struggle for power at the centre between the military government and the pro-democracy opposition did not begin in 1988 but rather has its roots in the immediate independence period. While the army was taking significant casualties in wars against communist and ethnic nationalist insurgents in the jungle, the politicians were embroiled in opportunistic struggles for personal power and the spoils of office, which caused several splits in the ruling Anti-Fascist People's Freedom League. There are divergent views on how bad the situation was, but General Ne Win subsequently justified the 1962 coup by the irresponsible behaviour of civilian politicians, which supposedly threatened the unity and survival of the young state.<sup>51</sup> Such sentiments remain at the core of the military's self-image and continue to affect its interpretation of events such as the 1988 uprising and the mobilisation of supporters during Aung San Suu Kyi's recent tours around the country.

This background is essential for understanding the difficulty of sustaining, or even initiating, a genuine dialogue between the government and the NLD today. While substantial discussions of the problems facing the country and practical cooperation are the only means of developing new trust and understanding, the psychological resistance among insulated military leaders, loaded down by the baggage of decades of internal military training and propaganda, to taking those first steps is very strong. Most officers still believe that politicians lack the army's unity and patriotism. They also vehemently oppose some of the policies that a NLD-led government would pursue, particularly a federal state and close cooperation with the West, which they perceive as direct threats to national security. The confidence building process has scarcely begun.

### 2. Ethnic conflict

Myanmar is one of the most ethnically diverse and strife-torn countries in Asia, having faced violent ethnic conflict since independence in 1948.<sup>52</sup> Over the intervening decades, every significant ethnic group has taken up arms against the central government, at the cost of many hundreds of

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<sup>51</sup> For a discussion of political and social conditions in the 1950s, see Mary P. Callahan, "Democracy in Myanmar: The Lessons of History", *Analysis*, vol. 9, N°3, 1998.

<sup>52</sup> See ICG Asia Report N°52, *Myanmar Backgrounder: Ethnic Minority Politics*, 7 May 2003.

thousands of lives and incalculable damage to security and development. The Karen, with an estimated population of around five million, is the largest minority in mainland South East Asia not to have gained political recognition in an independent nation-state and has fought for autonomy for more than 50 years -- perhaps the oldest armed conflict in the world.<sup>53</sup>

The ongoing peace talks between the military government and the Karen National Union (KNU), which follows a series of ceasefires with other ethnic nationalist armies in the early 1990s, have improved the prospects for an end to the long-running civil war. However, no sustainable solutions have been found and several ethnic nationalist armies, including the Shan State Army South (SSA-S) and the Karenni Nationalist Programme Party (KNPP), continue their guerrilla warfare, as do a number of smaller splinter groups which have refused to accept the ceasefires. Without a solution to the main grievances of minority organizations and communities -- including political disenfranchisement, economic neglect, and social and cultural discrimination -- this fragmentation is likely to escalate, and a new generation of conflicts could soon emerge.

In the longer term, the prevalence of illegal activities in the border areas, including drug production, human trafficking and smuggling of small arms, presents a serious threat to stability, particularly in the remote Eastern Shan State. It also constitutes a significant obstacle to political and economic liberalisation, which would threaten the illegal economy and the corrupt patronage networks sustaining it.

### 3. Social conflict

Relatively little is known about the situation at the local level, but anecdotal evidence suggests that racial, ethnic and religious tensions run high, compounded by an intensifying struggle over scarce resources. Many people in Myanmar identify strongly with their own group against outsiders, and prejudices against other groups are often strong. Pervasive discontent over tough economic conditions and frustration in the absence of any real prospect for change fuel conflicts between insiders and outsiders. The situation in some ways is comparable to India or Indonesia, although it has yet to be expressed in the

same levels of communal violence. The 1988 uprising, which had a dark underside in lynchings and extensive looting, as well as the religious violence between Buddhists and Muslims that has rocked several main towns since 2001<sup>54</sup> and even the viciousness of the attack on NLD supporters on 30 May 2003, all reflect these tensions.

## D. CRISIS OF GOVERNANCE

It is in this set of interlinked conflicts that Myanmar has faced throughout its modern existence, as much as in individual or institutional failures, that the roots of three current governance crises are found: the absence of peaceful means of resolving conflict, the policy paralysis, and the deepening humanitarian crisis.

### 1. Absence of peaceful means of resolving conflict

The most worrying aspect of the country's long history of conflict is perhaps the lack of experience with peaceful means of dealing with disagreement. From the liberation movement, through the democratic period -- which was marred by high levels of political violence -- and more than four decades of military stewardship to the current day, arms have been the primary means used not just in the pursuit of power, but also to settle differences over state policy and direction. It is no historical coincidence that thousands of pro-democracy activists in 1988 fled to the borderlands to take up arms against the government, or that many exile groups have put their main hope for change on another popular uprising. Aung San Suu Kyi has tried to stop the resort to violence. However, recent events have increased militancy, not only among military hardliners, but also among anti-government groups and dissidents, some of whom have called for a U.S. invasion and renewed armed struggle.<sup>55</sup>

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<sup>53</sup> See Martin Smith, "Myanmar: The Karen Conflict", in Joseph Rudolph (ed.), *Encyclopaedia of Modern Ethnic Conflicts*, (Westport, 2003).

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<sup>54</sup> Most recently, clashes between Buddhist monks and Muslims in Kyaukse in Central Myanmar killed around a dozen people. While dissident groups routinely blame such violence on military *agents provocateurs*, who allegedly are trying to divert attention from government failures, such explanations ignore the extreme animosity towards Muslims among many of Myanmar's majority Buddhists and the fact that the government has not attempted to exploit these events for political purposes. It has clamped down on those responsible and put a lid on news, clearly fearing an escalation of unrest.

<sup>55</sup> This shift is expressed, although subtly, in "The Fort Wayne Declaration" issued by diaspora activists after a meeting in the

## 2. Policy paralysis

In 1988, after Ne Win's experiment with the Burmese Way to Socialism failed, the new military regime seemed prepared to try something different as it opened up the economy to the private sector and international participation. Yet, it was not long before political and ideological conflicts overwhelmed a leadership that never was up to the job of running a modern government. The landslide victory of the NLD in the 1990 election shocked the military hierarchy and, together with Western sanctions, prompted its switch to survival mode. Since then, policy decisions have been driven primarily by short-term political imperatives. Under pressure, the top leaders have reverted to what they know best, the thinking of the socialist period. Extensive economic planning continues, if not in name, then in reality. The opening of the private sector has been accompanied by measures of control that have kept many important sectors in the hands of the state or the armed forces, and international investment is stymied by a wide array of informal barriers and a highly unpredictable business environment.

## 3. Humanitarian crisis

Years of violence and the resultant policy paralysis, together with failed ideologies and distorted military priorities, are responsible for what is now a very serious humanitarian situation. Myanmar, a naturally rich country, is today the poorest in Asia with a per capita gross domestic product of just US\$300.<sup>56</sup> Unofficial estimates suggest that half of the population is living below the poverty line.<sup>57</sup> Malnutrition is widespread; one out of two children does not finish primary school; HIV infection rates are among the worst in Asia and rising rapidly.<sup>58</sup> Many rural areas face serious ecological problems

resulting in declining yields, increasing landlessness and large-scale migration. Some economists warn of emerging famine conditions in the worst affected areas.<sup>59</sup> A recent banking crisis and the new U.S. sanctions have brought further misery, primarily to tens of thousands of people in Yangon and the main urban areas who have lost their jobs, but the disruption of trade and resultant shortages and price fluctuations are felt even in remote villages.

The seriousness of the conflicts dividing Myanmar society and the complex emergencies that flow from them can hardly be overstated. Since independence, up to a million people have died in hidden wars in the jungle that continue to take lives every month, and millions of people have endured meagre lives with no opportunities for advancement. Unfortunately, the crisis appears to be self-sustaining. While pro-democracy forces blame it on military rule, the generals view it as justification for centralising state power and limiting human rights. Meanwhile, the deteriorating political, social and economic conditions are undermining the basis for a peaceful transition.

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U.S. city of that name, 30-31 August 2003, which calls for the use of "all possible means and drastic actions". The Free Burma Coalition (FBC) has pledged renewed cooperation with armed resistance groups on the Thai-Myanmar border. FBC, "Burmese Freedom Fighters Step up Efforts", Press Release, 9 September 2003. Numerous individuals both inside and outside Myanmar have also called publicly or privately for a U.S. invasion.

<sup>56</sup> UN Country Team, *A Review of the Humanitarian Situation in Myanmar*. Unpublished monograph, Yangon, April 2003. The comparison is made in purchasing power parity terms.

<sup>57</sup> ICG interviews, December 2003.

<sup>58</sup> See ICG Asia Report N°32, *Myanmar: The Politics of Humanitarian Aid*, 2 April 2002; ICG Myanmar Briefing, *Myanmar: The HIV/AIDS Crisis*, 2 April 2002.

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<sup>59</sup> As yet, neither the government nor the relevant international agencies have the data necessary to assess how serious and widespread the situation is. However, qualitative evidence from several areas of the country are said to be indicative of trends witnessed in the lead-up to famines elsewhere in the world. ICG interviews, June 2002.

#### **IV. PRESENT INTERNATIONAL POLICIES: SANCTIONS AND ENGAGEMENT**

Over the years, Myanmar has inspired often heated debates over the relative effectiveness of Western sanctions and the more cooperative stance of ASEAN nations and other regional neighbours. The proper question, however, is not which single approach is "right", but what mix of measures has the best prospects of helping build a peaceful, democratic and prosperous country. This requires a frank assessment of the impact of existing policies on the ground, including their benefits, limitations and adverse effects.

##### **A. SANCTIONS**

The range and scope of sanctions on Myanmar has increased incrementally over the past fifteen years. Most Western governments have suspended non-humanitarian bilateral aid since 1988, imposed an arms embargo and deny tariff preferences to imports from Myanmar, as well as preferential financing for exports to and investments in the country. Washington has further banned all new investments by U.S. firms and nationals (1997) and blocked all imports and financial services (2003), making it one of the tightest unilateral U.S. sanctions regimes, similar to that on Cuba. Japan has significantly limited its official development assistance, which was a mainstay of the Myanmar economy in the 1980s, as well as a major source of business for Japanese companies.

There are no multilateral sanctions,<sup>60</sup> though Western governments use their influence in international organisations to limit multilateral economic assistance. The boards of the International Monetary Fund, the World Bank and the Asian Development Bank deny all assistance except minor technical support (1988). The UN maintains a minimal program in the country, but the UNDP works under a special mandate which

requires that all assistance "be targeted at programs having grassroots level impact in a sustainable manner in the areas of primary health care, the environment, HIV/AIDS, training and education, and food security" (1992). The lack of bilateral and multilateral funding greatly limits the presence of international non-governmental organisations as well.

These generalised measures have been supplemented by so-called smart sanctions, which target the military rulers and their main supporters more directly. The EU has imposed a visa ban on top officials and their families, designed among other things to deny opportunities for shopping trips or for their children to study in Europe (1996), and frozen their assets (2000). Both measures have recently been extended to encompass all who benefit from the military regime, including military-affiliated companies, banks and mass organisations (2003). The U.S. includes similar measures in its more comprehensive sanctions package.

Outside the machinery of government, human rights activists -- including many Myanmar exiles, and often in cooperation with Western labour unions -- have carried out extensive grassroots campaigns to stop all foreign trade, investment and tourism. Some have worked with sympathetic lawmakers in state and local governments -- particularly in the U.S. -- to introduce selective purchasing or divestment laws targeting companies that do business in Myanmar.<sup>61</sup> Others have used consumer boycotts, shareholder resolutions and lawsuits aimed at specific companies. These activities have added significantly to the impact of formal trade and investment sanctions.

Myanmar's neighbours and main trading partners in the region all reject the use of sanctions and have often defended the military government in international forums.

##### **1. Benefits**

Sanctions have provided additional legitimacy and important moral support for the pro-democracy forces; they have given bite to censure by emphasising how seriously many Western

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<sup>60</sup> The ILO in 2000 passed a resolution encouraging all countries to "cease as soon as possible any activity that could have the effect of directly or indirectly abetting the practice of forced labour" in Myanmar. Implementation was postponed, pending an evaluation of new steps by the military government to eliminate forced labour, but the issue remains on the agenda.

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<sup>61</sup> Most of these measures have been under revision since the U.S. Supreme Court in 2000 declared a Massachusetts selective purchasing law unconstitutional on the grounds that it undermined the supremacy of the federal government in foreign policy.

governments and international organisations regard the generals' breach of international standards of behaviour, and they have created an implicit space for bargaining with the military government.

The actual impact on the political and human rights situation is hard to assess, but sanctions may have helped to protect the top leaders of the NLD and keep the party alive. They have probably also encouraged the military government to adopt the terminology, if not the practice, of democracy and human rights, as well as to invite institutions like the UN Special Envoy, the UN Human Rights Rapporteur, the International Committee of the Red Cross (ICRC) and, most recently, the International Labour Organisation (ILO) and Amnesty International into the country.

The latter types of gestures, however self-serving, could have some significance as early steps in a longer-term socialisation process leading to improvements in human rights. However, comparative research indicates that more substantial improvements depend on the emergence of domestic pressure groups as part of an overall strengthening of political and civil society,<sup>62</sup> something which sanctions may obstruct (see below). Also, even these minimal gestures may have been made as much because other governments and individuals, who had established a degree of dialogue with the military government, were urging it at the same time, in its own interest, to demonstrate a modicum of cooperation with the international community.<sup>63</sup>

## 2. Limitations

There is no doubt that sanctions affect the military government, both psychologically and economically. However, they have done little to change its will or capacity to maintain power and continue its repressive policies.

The sanctions have not significantly diminished the military elite's personal welfare. Most of the top leaders live relatively frugally, driven more by a taste

for power and sense of patriotic duty than a lavish lifestyle. They are not avid travellers, and their families have access to everything they need in the region, including tertiary education. Contrary to their counterparts in many other military-ruled states, they remain hesitant to embrace foreign investment fully, although it is an extremely lucrative arena for rent-seeking.

The military rulers do smart under harsh criticism and would like to be treated as equal members of international society. However, they find solace in standing up to what they see as the unjustified bullying of the U.S. and Europe. The psychological impact of sanctions is greatly diminished because they are imposed overwhelmingly by Western governments and organisations, which the generals consider lack any understanding of or concern for conditions in the country.

Sanctions have placed some constraints on the economy, but economic development is secondary to the generals' security objectives (national unity and sovereignty), which they believe would be undermined by giving in to demands for democracy. In fact, the top leaders do not appear troubled by economic failures but instead are proud of what they have achieved in a hostile environment. Nor are they under internal pressure from groups hurt by the sanctions to give in to foreign demands for political reform.<sup>64</sup>

To the extent that sanctions have hurt the economy, they have contributed to the budgetary constraints that inhibit a fuller expansion and modernisation of the armed forces. There are signs that the inability of the ministry of defence to provide adequate salaries and living conditions is hurting morale among junior officers and the rank-and-file. However, while this weakens conventional defence capabilities, it does not much affect the generals' ability to suppress internal dissent, whether in the cities or the jungle.<sup>65</sup>

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<sup>62</sup> Thomas Risse, Stephen C. Ropp and Kathryn Sikkink (eds), *The Power of Human Rights: International Norms and Domestic Change*, Cambridge; Cambridge University Press, 1999.

<sup>63</sup> Japan, Australia, Malaysia and other ASEAN governments have played a key role in this respect, as have moderate voices in the U.S. and Europe, which have given the military government some hope that it might be possible to normalise relations with the West without sacrificing its core values.

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<sup>64</sup> The recent banking crisis and virtual collapse of the private banking sector is illustrative. Although many people have lost money and overall economic activity has contracted, there are no signs of major political stress, no angry middle-class demanding the departure of the government. People are simply shifting back to a traditional economy, investing in hard assets, and moving money through the informal *hundi* system.

<sup>65</sup> The regime relies now less on the army and more upon its comprehensive organisational reach through military



Over the years, many proponents of sanctions have pushed for a final straw that would cause an "economic collapse" and force the military government to compromise. However, this ignores crucial aspects of the link between power and economics in Myanmar. First, the country does not have a modern economy. Most people still live at a subsistence level; the informal economy may be as large as or larger than the formal economy; and most of the upper class, including the generals and their families, makes its money from rent-seeking activities rather than production or services. There is very little that can collapse.<sup>66</sup> Secondly, the government ultimately does not depend on external economic linkages for its survival. Myanmar is self-sufficient in food, and the domestic economy is large enough for the army to extract what it needs to function. The government might have to cut back on building roads and bridges and abstain from buying MIG-29s, but none of these are needed to maintain power.

Sanctions, by adding to the suffering of the general population, could fuel renewed social unrest. However, it is highly doubtful whether even another uprising, would be a positive force for change. The military leaders are extremely sensitive to any indication of disorder, and -- as 30 May 2003 indicated -- they remain willing to use violence to maintain stability.<sup>67</sup> Social unrest driven by a deepening socio-economic crisis would likely just provoke further repression in an escalating cycle of suffering and violence.

The importance of finding alternative or at least complementary policies to produce change is underscored by the costs of sanctions, which may be divided into three types: counter-productive effects, social costs and opportunity costs.

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intelligence, police, and other informer and control networks to suppress dissent and ensure that any stirrings of unrest are quickly dealt with.

<sup>66</sup> There is probably a limit to how long the government can continue to print money at the current rate to cover its budget deficits. However, as witnessed over the past decade, the first sectors to be shut down are health and education, the near collapse of which has already had hugely damaging and long-term consequences.

<sup>67</sup> The regime since 1988 appeared to go to some lengths to avoid violent actions that might fuel popular discontent but the events of 30 May 2003 broke with this pattern and may signal a new willingness by some elements to use open violence in pursuit of their goals.

### 3. Counterproductive effects

International censure and sanctions have reinforced the siege mentality of highly nationalistic leaders. Most officers are fiercely proud of Myanmar's historical resistance to imperialism and extremely sensitive to any attempt by foreigners to dictate its internal policies. The value placed on standing up to the West is very high; it is a matter of both personal face and national pride. No leader can be seen to give in to outside pressure.

The nationalist backlash in the ruling circle has been exacerbated by the failure of the West in general, and the U.S. in particular, to give the government credit for progress in several areas, including the ceasefire agreements with some two dozen ethnic nationalist armies, increased opium eradication efforts, acknowledgement of the HIV/AIDS crisis, and expansion of popular access to electronic communication and information. This has undercut those within the military hierarchy who want to open up the country through directed reform.<sup>68</sup>

Similarly, direct political and economic support for Aung San Suu Kyi, the NLD and dissident groups overseas has seriously tainted the democracy movement in the eyes of nationalistic leaders. While the most open-minded officers might understand the principles behind such support, many of their more insular colleagues feel that the country is under attack and are thus confirmed in their belief in the correctness of their cause. It is not just propaganda when government officials and state-controlled media rally against "neo-imperialism" and "internal destructive elements". This fits military mythology -- no less influential for being substantially artificial -- of the role of the armed forces in protecting the nation against external enemies, self-serving politicians and ethnic nationalists bent on secession.

In some ways, sanctions actually have reduced pressure on the top leaders by allowing them to blame the economic crisis on external actors and ignore their own mismanagement. Isolation has

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<sup>68</sup> The misgivings of the military leaders about the lack of international recognition for what they consider significant achievements reached a new high in early 2003 when the Bush administration, under pressure from Congress, denied Myanmar certification for cooperation on drugs eradication after first having acknowledged significant progress during 2002. This snub may have strengthened hardline views within the regime prior to the attack on Aung San Suu Kyi and her followers in May 2003.

also made it easier for the government to insulate its members from the kind of discomfiting exchanges with critics that would have required them to defend and possibly begin to question their perceptions of economic and political realities.<sup>69</sup>

#### 4. Social costs

The economic burden of sanctions has to a large extent been shifted to the general population through money printing (which fuels inflation), cuts in government social spending and forced labour. While the government obviously is primarily responsible for this, sanctions have thus had an indirect negative effect on poverty, health and education standards. This problem has been compounded by the strict limitations on foreign aid, since no agencies have been able to work seriously for economic reform or pick up the slack from reduced government spending.

Job loss resulting from trade and investment sanctions is a specific, very serious problem for the urban poor, who have few employment opportunities outside the informal sector. Even before the latest U.S. import ban, factory closures and production cut-backs resulting from highly effective consumer campaigns against U.S. and European clothing stores had already cost tens of thousands of jobs in the garment export industry, one of the few sectors that was producing new jobs and paying comparatively good wages.<sup>70</sup>

While most labour in Myanmar, as in every developing country, is very poorly paid, for many families even a minimal income is the difference between a decent life and daily hunger and illness. Most labourers in the garment factories are unskilled young women with few other job opportunities. Many have talked about the liberating effect of

having jobs that take them out of their homes and give them more control over their lives. The sanctions have taken that away and also pushed a significant number into prostitution, which is the only easily available alternative means of sustenance for many.<sup>71</sup> Moreover, sanctions that keep Western companies out while others invest mean that average salaries, benefits and working conditions in the factories that do operate are worse than they would otherwise have been.

There are also considerable costs to both individuals and the country from the inability of university graduates to find challenging jobs, consonant with their educational level, with international organisations and foreign companies. Many leave the country, thus contributing to a damaging brain drain. Those who stay frequently suffer from intellectual stagnation and loss of motivation -- or they join the military, which increasingly has become the only avenue for social and professional advancement.

#### 5. Opportunity costs

The extensive use of censure and sanctions has limited the diplomatic influence of Western governments in Yangon. The character of international criticism, at times very personal and strongly worded, has strengthened the feeling of top military officials that they are engaged in a battle of wills and increased their sense of wounded pride. This, in turn, has lessened chances that the government could be persuaded to act constructively on non-core issues, such as economic and social reforms, that might open a crack for political changes later on, or at least help alleviate the socio-economic situation.

While Western governments and civil society actors, in imposing sanctions, have expounded the general objectives of democracy and human rights, they have generally defined or operationalised these in rather narrow terms: implementation of the 1990 election results, release of Aung San Suu Kyi and the like. The structural causes of authoritarian rule and many of the complex emergencies facing the country have been largely ignored. Western governments have done little to promote conflict resolution, institution-building or economic reform. They have limited basic needs assistance to a narrow definition of "humanitarian" that excludes areas such as education and reconstruction of war-torn

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<sup>69</sup> Many at the top of the Myanmar government quite like their insulation from the kind of regular pressures to which senior officials in China and Vietnam, for example, are subject as a result of engagement policies. (This judgment, here as elsewhere, is made on the basis of many conversations within the country by ICG representatives.)

<sup>70</sup> Salaries in Myanmar's export garment industry in U.S. dollar terms are the lowest in the world, but in purchasing power are similar to or higher than those in, for example, China, Indonesia and Bangladesh. More importantly, they are about 30 per cent higher than in garment factories producing for the domestic market and provide much better benefits. Moe Kyaw, "Report on the Textile and Garment Industry", Yangon 2001).

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<sup>71</sup> ICG interviews, July-August 2003.

communities and economies in the border areas. The preoccupation with the political agenda has also delayed action against transnational crime, including drugs and human trafficking, which threatens both the international community and the Myanmar state and society. These omissions are detrimental both to the cause of democracy and to the broader welfare and security of the Myanmar people.

## 6. New U.S. sanctions

The Democracy Act, together with additional measures taken by the Bush administration, has given significant emphasis to international condemnation of the recent crackdown on the NLD and may have helped galvanise regional pressure for the release of Aung San Suu Kyi. They do little, however, to address the limitations that sanctions have as a strategy for change. Indeed, they have deepened the siege mentality that has driven military regimes since the 1960s and increased social costs.

Since June 2003, the military has greatly expanded paramilitary training of civilians throughout the country, reportedly in order to counter the possible invasion of an unspecified enemy. However unrealistic such a scenario is given the lack of perceived U.S. strategic interests in the country, it would appear that the escalation of U.S. political and economic pressure, coming after the U.S.-led military actions in Afghanistan and Iraq, has revived concerns that a similar operation might be launched in Myanmar.

The economic sanctions have largely missed their target. Contrary to conventional wisdom, the military government does not own or control the garment export industry, which accounts for about 85 per cent of U.S. imports from Myanmar.<sup>72</sup> The industry is dominated by local, generally small, privately owned companies (88 per cent), which employ 72 per cent of the workers and produce 62 per cent of the export value -- the rest is divided between joint ventures and fully foreign-owned companies.<sup>73</sup> Moreover, the garment export industry has very little added-value as it operates on a CMP (cut, make and pack) basis. Most of the money is made overseas. According to three independent estimates, the military regime's income from garment exports to the U.S. in 2002,

including taxes<sup>74</sup> and revenue sharing from joint ventures with military holding companies, was less than U.S. \$10 million -- hardly significant even for a poor government.<sup>75</sup> Some individual officers have a stake in private garment factories, but that, too, is very limited.

These limited losses to the government are dwarfed by the price paid by private entrepreneurs, workers and their families. In early July 2003, even before President Bush had formally signed the import ban into law, more than a third of Myanmar's remaining garment factories had filed for closure, while many others had only a few months worth of orders left.<sup>76</sup> According to one survey around 30,000 workers were laid off between June and November 2003, while an undetermined number stayed on at greatly reduced salaries.<sup>77</sup> Another survey by an international NGO in two townships in Yangon in September found that 60 local factories had closed as a direct result of the new sanctions, at the cost of 40-60,000 jobs and serious spin-off effects for support industries including vendors and hostels. It also revealed that since so many lost jobs at the same time, it was impossible to absorb them into the broader economy. Many families were forced to adopt extreme coping strategies, including cutting meals, taking high-interest loans, selling assets and migrating.<sup>78</sup>

The final total of job losses from consumer boycotts in the U.S. and elsewhere and the U.S. federal import ban will be significantly higher. Some fear that the entire garment export industry, which at its peak in 2001 employed more than 150,000,<sup>79</sup> could be wiped out, depending on future actions in Europe. With an average family size of five, this would mean that at

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<sup>72</sup> U.S. Department of Commerce, Bureau of Census, *World Trade Atlas*, 2001-03.

<sup>73</sup> Kyaw, *Report on the Textile and Garment Industry*, op.cit.

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<sup>74</sup> Most of the garment sector is exempt from export tax. Government revenue is, therefore, limited to income tax, which few companies pay in full, and a 10 per cent levy on foreign exchange withdrawals.

<sup>75</sup> Claims made in the U.S. Congress that the import ban would deny Myanmar more than U.S.\$300 million in export revenue are greatly exaggerated.

<sup>76</sup> ICG interview, July 2003.

<sup>77</sup> ICG interview, November 2003.

<sup>78</sup> World Vision, "Report on US Sanctions on Burma/ Myanmar: The Impact on Local Communities in Yangon", released 26 September 2003.

<sup>79</sup> Kyaw, *Report on the Textile and Garment Industry*, op. cit. It is unclear whether the 150,000 figure included day workers without contracts.

least 750,000 people would have been affected, many seriously.<sup>80</sup>

The ban on export and re-export of financial services caused major, immediate disruptions to trade in and out of Myanmar, much of which was conducted using letters of credit in U.S. dollars routed via banks in the U.S. and so was no longer possible. Many export and import businesses almost shut down, creating shortages and price fluctuations inside the country. Most of these disruptions have proven temporary as traders found other ways of transferring money or shifted to border trade. However, the ban has increased the transaction costs and made Myanmar less attractive for foreign trading companies. There is likely, therefore, to be a longer-term, impact on producers and consumers in the form of higher costs and prices. How this will affect government revenue is unknown, but the worst losses are likely to be in agriculture, which like the garment sector is dominated by private companies. The sectors from which government makes most profit -- hydrocarbons, mining and teak -- are less vulnerable due to the absence of alternative markets for foreign investors and buyers. Again, the burden falls mainly on those already suffering from government policies.

These dilemmas are exacerbated by the conditions for lifting the sanctions. In essence, the U.S. is demanding that the generals commit the political equivalent of collective suicide to avoid what amounts to little more than a slap on their wrists.

## 7. The South African comparison

The fall of South Africa's apartheid government is often held up by proponents of sanctions as evidence that concerted coercive pressure on a pariah regime

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<sup>80</sup> Proponents of the import ban have argued that most of these jobs would have disappeared anyway by the end of 2004, when the current quota systems in the U.S. and Europe are eliminated. However, this is open to question. While the limited infrastructure and opaque policy environment places Myanmar at a disadvantage compared to major garment exporting countries such as China, Thailand and Bangladesh, set-up and labour costs are lower. Given a few more years of positive business conditions, the young industry might well have become competitive and survived, or even expanded. In any case, such arguments are of little comfort to the many poor families for whom every day's work counts in the struggle to cope with deteriorating socio-economic conditions.

can be effective.<sup>81</sup> The analogy with the military government in Myanmar, however, is misleading.

First, when apartheid became a major international concern in the late 1970s, South Africa was already deeply integrated into the international economy, and the ruling white elite was substantially modernised. Foreign investment and trade was crucial to the ability of the government to maintain the prosperity of its main constituents, the country's large and growing white middle class.<sup>82</sup> It came under strong pressure from domestic business, which acted as a mediator for international sanctions and greatly added to their impact.<sup>83</sup> These conditions are absent in Myanmar where most companies with links to the global economy are either military-controlled or owe their position to military patronage.

Secondly, although set apart from the world by its racism, the South African government and its white minority supporters relied on contacts with the West to maintain their social and cultural identity. Most leaders were well connected in London, New York, Washington, and other Western capitals. South African society as a whole, especially the English-speaking business community, was closely tied to Europe and the U.S. in a myriad of ways. Myanmar's military leaders are not isolated from their main reference group. On the contrary, they are able to tap into a strong tradition of regional nationalism that emphasises the distinctiveness of East Asian societies

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<sup>81</sup> For background on the role of sanctions in South Africa's political transformation, see Robert Price, *The Apartheid State in Crisis* (Oxford, 1991).

<sup>82</sup> On trade and investment in South Africa during the apartheid era, see Richard Knight, "Sanctions, Disinvestment and U.S. corporations in South Africa", in Robert Edgar (ed.), *Sanctioning South Africa* (Africa World Press, 1990); Stephen Lewis, "The Economics of Apartheid", Council on Foreign Relations, New York, 1990.

<sup>83</sup> This was particularly true of the financial sanctions imposed by both the private financial sector and public institutions in the late 1980s, which proved to be much more significant in delivering the coup de grace to the apartheid regime than the much longer-running and widely-debated trade sanctions. See Keith Levy, "Sanctions on South Africa: What Did They Do?", *The American Economic Review*, vol. 89 issue 2, May 1999, especially p. 418; Anton D Lowenberg, "Why South Africa's Apartheid Economy Failed", *Contemporary Economic Policy*, vol. 15 N°3, July 1997; Keith Ovenden and Tony Cole, *Apartheid and International Finance: A Program for Change*, (Penguin Australia, 1989); M Lipton, "The Challenge of Sanctions", *South African Journal of Economics*, December 1989.

and cultures and thus challenges any intervention from outside.

Thirdly, sanctions on South Africa supplemented and reinforced strong internal pressures for political change. These included an underground resistance movement aligned with the African National Congress, an open and broad-based opposition movement led by high profile figures such as Bishop Desmond Tutu, Rev. Frank Chikane and union leader Cyril Ramaphosa, and a substantial group of white liberals and businessmen who opposed apartheid. In Myanmar, although most people resent the military, there is little active opposition. Actions by the military to crush the NLD have left the main opposition party a shell of its 1988-1990 self, while the armed challenges to the government no longer threaten its control of the country.

Fourthly, sanctions worked in South Africa because white leaders proved pragmatic.<sup>84</sup> Given a choice between living in a society of ever increasing repression and fear and accepting majority rule, they chose the latter. The Myanmar government has yet to show the same pragmatism, at least at the level where it matters. The top leaders appear to feel that they have achieved their primary objectives of maintaining national sovereignty and unity. They are less concerned about serious socio-economic deprivation and until recently may have been deceived about poverty in Myanmar, which at least in towns and cities is less ugly and violent than in many other countries.

Finally, it is important to recognise that sanctions imposed on South Africa were substantially supported by all its neighbours, as well as its main Western trading partners, and were accompanied by multi-faceted engagement with both the government and the anti-apartheid opposition. During the 1980s, while conservative governments in the U.S. and the UK maintained communication with South African leaders, activist groups provided substantial direct assistance to opposition groups and black communities inside South Africa. By contrast, Myanmar's neighbours and main trading partners and suppliers of capital are opposed to sanctions, and links between the main protagonists inside the country and the West are embryonic at best.

## 8. Prospects

The most basic problem with sanctions as a dominant strategy for change is that they freeze a situation that may not contain the seeds of its own resolution. The military, despite its many policy failures, has stayed in power since 1962, and there are no indications that the past fifteen years of external pressure have changed its will or capacity to continue for the foreseeable future. On the contrary, sanctions confirm the long-standing suspicion of nationalist leaders that the West aims to exploit Myanmar and thus strengthen one of their main rationales for maintaining power. The pro-democracy movement remains alive with the symbol of Aung San Suu Kyi and in the hearts of millions. However, under the existing depressed political, social and economic conditions, it does not have the strength to produce political change. Sanctions may provide moral support, but they also contribute to the overall stagnation that keep most people trapped in a daily survival battle.

Perversely, sanctions may be helping sustain military rule. The generals have learned to live with isolation, internal dissent and the economics of survival in a poor, strife-torn country. The real threat to reactionary leaders is the modernity and development that might come from more involvement with the outside world.

## B. ENGAGEMENT

While Western governments have used sanctions as a strategy for change, Myanmar's regional neighbours, in particular, have advocated increased political and economic cooperation with the regime in Yangon. According to Malaysian Prime Minister Mahathir Mohamad, the military rulers perceive the democratic process as foreign and unfit for their society and need to be convinced that it can work in an Asian context.<sup>85</sup> This links to a broader proposition that Myanmar's participation in international organisations and cooperation with international actors at home can become a force for change by exposing officers and officials to different cultures and ways of thinking.<sup>86</sup> A related theory is that economic cooperation can help build the socio-economic basis for democracy and human rights by

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<sup>84</sup> For an influential early assessment of the pragmatism of the leaders of the apartheid state, see Heribeit Adam and Hermann Giliomee, *Ethnic Power Mobilised* (New Haven, 1979).

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<sup>85</sup> Quoted in *The Irrawaddy*, vol. 5, N°2, 1997.

<sup>86</sup> Western business executives, for example, often defend their activities in Myanmar by arguing that foreign companies import a micro-culture of the democratic and free societies they come from.

fostering social groups with independent economic power that can act as a counterweight to the state and push for expansion of civil and political freedoms.<sup>87</sup>

The symbolic highpoint of this approach came with the admission of Myanmar into ASEAN in 1997, which greatly expanded contacts with the region, at both the political and working-level. Meanwhile, the opening of the Myanmar economy after 1988 facilitated increased flows of people, goods and capital across the borders, helped by the establishment of numerous new road links. Much of this has been driven by private economic interests, but China in particular has provided significant official development assistance for infrastructure support and credit lines, and India and Thailand appear to be following its example.

Japan and Australia have also tried different approaches to the United States and Europe with both countries trying to engage with the government in Myanmar on such issues as human rights and economic reforms. While in the current political climate, these initiatives have not immediately borne fruit, they do have longer-term potential in educating officials in such areas as international humanitarian law and economic reforms.

## 1. Benefits

The benefits of cooperation have been significant, although perhaps more evident to those who have visited the country regularly before and after 1988.

The increased exposure of senior officials has helped overcome the worst fears and misconceptions about foreigners, and many are now genuinely committed to bringing Myanmar back into the international community. In joining ASEAN, the government accepted the basic proposition that Myanmar should bring its administrative, economic and social arrangements into conformity with the group. It has also accepted, at least in principle, the obligations that flow from normative conventions on human rights, transnational crime and the environment (though implementation leaves much to be desired). That the government is now actively trying to ward off regional censure rather than completely withdrawing into its shell is significant.

Contrary to popular belief in the West, life in Myanmar has changed appreciably over the past fifteen years as a result of increased exchanges with the outside world, at least for the upper and middle classes. Many people now enjoy virtually unrestricted access to international short-wave radio and satellite television. Since the beginning of 2003, they have also been able to access much of the internet in new cyber cafes in Yangon.<sup>88</sup> Restrictions on foreigners travelling around the country have been relaxed, and exchanges between locals and foreigners have greatly increased, particularly in the cities where they generally no longer attract government attention. Increasing numbers of Myanmar citizens are travelling overseas for business, tourism, and study.

The government continues to suppress information; the overall education system is abysmal; and many exchanges remain embryonic and limited. However, they are all steps that are changing the country, expanding the universe of perceived solutions to problems among government, political and civil society actors alike, and laying the basis for further reform.

Jose Ramos-Horta, the Nobel Laureate and Foreign Minister of Timor Leste, said in a recent interview that sanctions "might punish the common people more and might not induce change":

I would say that active engagement by the international community, allowing foreign investment and tourism, might actually achieve more than sanctions in the sense that it opens the country, if they want to modernise, to industrialise, to create jobs and wealth for the people. The regime cannot at the same time maintain an authoritarian system. If you want to modernise, you have to open the doors to the outside world, to foreign investment, to international development assistance, to the participation in these efforts by the international community. This will result automatically in one reality; the people on the ground are no longer alone and at the mercy of the regime. You will have dozens, if not hundreds of international personnel as witnesses, as pressure.

So I would tend to think that the pro-democracy movement in Myanmar -- and its

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<sup>87</sup> This thesis, generally referred to as the economic development thesis, has been a powerful influence in democracy theory over the past three decades, not least due to developments in several of Myanmar's neighbours.

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<sup>88</sup> These trends are evident also in the youth culture among the urban elite, which increasingly resembles that in neighbouring countries with Western fashion, music and consumer trends.

friends around the world -- out of moral concern for the poorest in Myanmar should rethink the sanctions strategy.<sup>89</sup>

## 2. Limitations

The potential of cooperation is harder to assess than that of sanctions since it depends upon gradual changes in elite attitudes, administrative culture and broader social processes within the state and society and therefore necessarily over a long period. Nonetheless, significant limitations are evident.

Myanmar officers are subject to extremely powerful socialisation processes within the armed forces. Many rarely, if ever, leave the country and feel alienated and threatened by foreign actors and influences. The older generation, most with minimal formal education and formative experiences of fighting communists and ethnic nationalists in the jungle, is particularly resistant to change. Exposure may help in the short-term to rationalise the government's responses to international pressure. However, any decisive change is unlikely until a generation of better-educated officers with different career experiences takes over.<sup>90</sup> Importantly, the impact of exposure abroad depends critically on how well it dovetails with change and new opportunities at home.

Meanwhile, there is little evidence that foreign trade and investment are promoting the type of broad-based economic development necessary to strengthen civil society and induce the wider political changes seen in many neighbouring countries. First, Myanmar has not experienced the economic take-off predicted by its leaders and counterparts in the region in the early 1990s, due in large part to the absence of effective governance. Economic policymaking is in the hands of military leaders with little technical expertise. There are few channels for gathering critical information about private sector needs. The business environment is unpredictable, with frequent, arbitrary policy changes, pervasive corruption, and absence of legal recourse in a judicial system that

does little to uphold the rule of law. Most fundamentally, national development is undercut by the government's lack of domestic legitimacy and the resulting predominance of political considerations in policymaking. Without comprehensive political, administrative, and legal reforms to address these and other structural weaknesses, broad-based, sustainable economic growth will remain stymied.

Secondly, the state's dominant role in the economy is detrimental to the growth of independent power centres with capacity and commitment to press for political reform. The state monopolises key sectors and controls the distribution of export and import licenses, investment loans, and related benefits. As a result, most who prosper from expanding economic opportunities are either officers, people with close links to the government or members of the vulnerable Chinese community, who access capital through family or ethnic networks, domestically or overseas. Recent developments in Indonesia suggest that even in a highly centralised economy, growth tends to undermine state control of society in the long-run. However, any credible strategy of democratisation in Myanmar must shorten this path by encouraging relaxation of the present pattern of state capitalism. This would also improve overall growth prospects and have immediate benefits for poverty alleviation.

Part of the problem, of course, is that the generals actively resist any change that could threaten their hold on power. They rejuvenate themselves by bringing in commanders from the provinces, who often have little exposure to the changes in Yangon and Mandalay. Whether this can continue is a different matter. The disconnect between the style of leadership and the needs of a changing society is growing year by year.

## 3. Counterproductive effects

Many critics accuse Myanmar's neighbours of propping up the regime. This argument seemed fairly strong in the late 1980s when the generals -- new to power and facing an acute foreign exchange rate crisis -- might just have been persuaded that government was more trouble than it was worth. Since then, however, the military leaders have re-established control, grown in confidence, and increased their personal stake in power. Even if comprehensive UN sanctions were imposed -- inconceivable in the present Security Council environment -- it is no longer plausible that the regime could be toppled. The officers' lives would be

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<sup>89</sup> An Interview with Jose Ramos-Horta. The Irrawaddy Online, 6 February 2004.

<sup>90</sup> A few of the next batch of military leaders (i.e. the former regional commanders who since November 2001 have taken up high-level positions in the ministry of defence), as well as a significant group of high-level officers outside the army command structure, at least partly fit this bill, but more significant differences become evident at the colonel level and below.

less comfortable but that would be of little comfort to the people, who would suffer more.

#### 4. Social costs

A major problem with the kind of commercial activities pursued in Myanmar today is their often exploitative character. Although the government has at times cracked down on foreign companies engaged in unsustainable practices, including clear-felling of forest and over-fishing, the state's poverty, compounded by personal greed in a system riddled with corruption, diminishes its will and ability to curtail such behaviour. This problem is not exclusive to the central government, but also occurs in border areas under the control of ethnic nationalist armies. Ironically, it has been reinforced by Western sanctions, which have impeded the development of a more rational and modern economy. The result is that Myanmar is rapidly losing its valuable natural resources, which are being sold off at discount rates to Thai and Chinese companies.<sup>91</sup>

#### 5. Prospects

Regional countries, including China, India, and the ASEAN member states, have several advantages in dealing with the military rulers in Yangon. Their political, economic, social and cultural links with Myanmar are much stronger with those of the West. The generals do not have the same ideologically grounded suspicions about the motives of Asian countries. On the contrary, they believe key governments in the region share their emphasis on national sovereignty, security and economic development, and have empathy with their situation. Also, several regional countries provide potentially attractive models for political and economic development and have relevant experience in institution-building and other areas that can serve as building blocks for Myanmar over the longer-term.

In order to qualify as a strategy for reform, regional cooperation must include pro-active efforts to expose the weaknesses of the current system, promote alternative policies, and strengthen domestic forces of change. This has been lacking so far, but key

countries, including China, apparently have begun to question whether Yangon is moving towards a peaceful resolution of long-standing conflicts, effective control of problems like drug trafficking and HIV/AIDS and sustainable economic growth. Thus, the UN and Western countries may find increased support for a coordinated international response, provided they acknowledge that Myanmar's neighbours not only have different value systems, but also different interests in the country (and a strong track-record of standing up to Western pressure). Any successful cooperation must build on areas of converging concerns and interests.

Myanmar is due to take over the ASEAN presidency in 2006 and this provides a convenient focal point for action. The issue of Myanmar's participation in Asia Europe Meetings (ASEM) has also been a pressure point on ASEAN to push Myanmar to reform. ASEAN has insisted that Myanmar, Cambodia and Laos must all be admitted to ASEM or it will block the participation of the ten new members of the EU. Although this is far from being a critical issue for the SPDC, the EU's refusal to allow Myanmar to attend ASEM does provide some leverage over ASEAN members to encourage the generals in Yangon to stick to their promises of reform.

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<sup>91</sup> See Global Witness, *A Conflict of Interests: The Uncertain Future of Burma's Forests*, October 2003 for a damning critique of greed-driven elites on both sides of the borders, who are cooperating in the rape of Myanmar's forests and minerals, at the expense of local communities and the country's future.



## V. ANOTHER WAY FORWARD

Sanctions and engagement both serve important interests in the countries supporting them. However, neither approach really addresses the root causes of Myanmar's political and economic malaise. In pushing for an immediate transfer of power, Western governments generally ignore the history of conflict that has led to the current situation and continues to shape the universe of realistic solutions. Conversely, Myanmar's regional partners often underestimate the role of military rule in shaping and sustaining existing conflicts. The crisis in Myanmar is rooted in the interface between political agency and historical, social and economic structures, and any genuine attempt to overcome it must address the linkages between them.

That said, Aung San Suu Kyi's continued detention, and the unwillingness of the SPDC to even engage in any serious political dialogue with her and the NLD, are insuperable obstacles to any significant change of policy approach in the U.S. and Europe. Unless she is released, and some kind of serious dialogue resumed, both principle and politics will make that impossible. But if those preliminary hurdles can be overcome -- and there is every current reason to believe they will be on or before 17 May 2004<sup>92</sup> -- there are some grounds for optimism.

The way forward in this context involves all the relevant international players first, rethinking their objectives; secondly, setting benchmarks to guide the application of both sanctions and incentives; and thirdly, taking a number of steps to support the creation of a positive environment for change within Myanmar. A framework of action is needed that bridges the gap between Western and regional positions and interests in order to both maintain the pressure for reform and increase the capacity to implement reform within Myanmar itself. This can only be achieved if there is willingness to deal with both the government and society in a number of key areas, including conflict resolution, constitutional reform, institution-building, economic development and protection of particularly vulnerable groups. Even then, the results are not likely to be immediately spectacular, but they can be important in a country which is so desperately in need of ideas and resources for reform.

<sup>92</sup> ICG interviews, March -- April 2004

## A. RETHINK OBJECTIVES

The international community needs to establish some realistic goals and apply its diplomatic and economic resources to those ends. The goals should include:

### Immediate improvements in political conditions

- The immediate release of all political prisoners;
- Freedom of movement and association for all participants in the political and constitutional-reform process.
- Fuller access for ICRC and other human rights organisations to vulnerable groups.

### Progress towards a democratic constitution

- Progress towards a new constitution that opens the door for broader inclusion of all political groups in government. This constitution may not be as fully democratic as many would like but Myanmar is not going to make an immediate transition to full democracy: a step towards democracy would be better than no progress at all.
- The international community will likely have to accept a military role in a new government as it has in the past in many countries, including Turkey, Indonesia and Thailand, all nations that have subsequently taken important steps towards real democracy.
- All parties should abandon, as wholly unrealistic however desirable in principle, the idea of enforcing the results of the 1990 elections.<sup>93</sup>

### Progress on economic and social change

- Greater economic openness and reforms including changes to the banking system, the lifting of some trading restrictions and greater openness for investment.
- A greater commitment by the SPDC to work with international organisations to improve the situation regarding labour, human rights, conflict prevention, HIV/AIDS and humanitarian assistance.

<sup>93</sup> For an NLD-sympathetic but regional view on this and related points see 'Quality of Partnership: Myanmar, ASEAN and the World Community', Report of the Asian Dialogue Society, Information and Resource Center, December 2003 (M.Rajaretnam, Convenor)

Since 1988, Western policy has been predicated on the assumption that the military government, if put under sufficient pressure, could be forced to hand over power to an elected parliament. However, there is virtually no chance that any military leader, now or in the foreseeable future, would agree to such conditions. The transition to genuine democracy and civilian supremacy is only possible through a gradual process, sustained and deepened by progress in each of the other areas discussed here.

The immediate objective must be to break the political deadlock and moderate the raw struggle for power, which for the past fifteen years has obstructed communication, bred further distrust and absorbed the attention and resources of all political groups, thus distracting attention from many critical challenges facing the country. As long as the main focus of politics is regime survival versus regime change, neither the government nor society can begin to address the policy failures and complex emergencies facing the country. The military leaders need to be convinced that an orderly transition that does not threaten vital national security interests is possible, while most other political groupings need time and space to organise and build up their political capacity. Ethnic minority communities, in particular, need time to develop a vision for the future and build capacity to manage their own affairs.

The most promising approach is to work for a return to constitutional government as a first step towards democracy. Since 1990, the generals have cited the absence of a constitution as the main justification for maintaining direct military rule. They now have announced that the National Convention will be resumed with a constitution as a priority objective. While this convention has often been perceived as a delaying tactic, the constitutional process also provides some opportunities. The hostility and resultant rigidity between key military leaders and Aung San Suu Kyi make it unlikely that any substantive agreements can be reached at that level. Also, an exclusive focus on discussions across this divide would keep on the sideline other significant political forces, most notably the ethnic nationalist armies.

It is important to keep in mind that of the three main actors in Myanmar politics -- the military, the ethnic nationalist armies and the political parties -- only the latter are primarily concerned about democracy; for the other two the core issue is the distribution of power between the central government and the regions. Sustainable progress requires that both these issues be dealt with and resolved at the same time.

Thus, future reconciliation talks should be broadened to embrace all sides in the conflicts.

The conditions for the constitutional process set by the military government are not acceptable to the pro-democracy forces, nor are they likely to lead to genuine reconciliation. However, rather than reject its roadmap out of hand, an attempt should be made to persuade the military government to make the National Convention and subsequent steps as inclusive as possible and allow genuine participation and exchange of views. Recent years have seen some convergence in thinking between political parties, ceasefire groups and non-ceasefire groups, as well as other groups in society. This would inject a fairly cohesive body of opinions into the convention that could be used to work for concessions from the military, particularly if regional countries maintained pressure on the generals to make something come of their roadmap.

Civilian political leaders understandably are concerned that a constitutional process dominated by the military would simply help enshrine military rule. However, this process is not the endgame. A constitution is a living document, which in most developing countries is changed or adjusted regularly as power relations and interests change. This might even be written into the constitution by including sunset-clauses or other mechanisms for amendments. In the meantime, agreement on a set of rules for political competition, even competition subjected to significant constraints, would create new space for political activity, which could be used to work for further reform. The Myanmar generals would not be the first to underestimate the processes set in train by what began as closely managed reform from above.

## **B. SET BENCHMARKS FOR SANCTIONS AND INCENTIVES**

The U.S. and EU need to review their sanctions policies and make some serious changes. They should jointly set a list of benchmarks,<sup>94</sup> based on the above

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<sup>94</sup> A precedent for this approach is the set of ten benchmarks proposed by then Australian Foreign Minister (and now ICG President) Gareth Evans at the ASEAN Post Ministerial Conference in Bangkok in July 1994. While not formally adopted, these won general support from the ministers present and did, at least until ASEAN political dynamics changed again in 1996-97, govern the terms of ASEAN's engagement with Myanmar, in particular its willingness to admit the country to ASEAN membership. The benchmarks were:

goals, and ease sanctions as those benchmarks are met. And, as discussed separately below, they should immediately and without further preconditions modify some of their sanctions policies relating to humanitarian assistance and other forms of support.

While it is not realistic to contemplate the setting and implementation of such benchmarks being directly negotiated with the SPDC -- any idea of a 'quid pro quo' could be expected to be as firmly resisted as it has been in the past -- that does not mean that they would be without influence.

Such benchmarks could include, for example:

- ❑ release of all political prisoners;
- ❑ full inclusion of the NLD and ethnic nationality groups in the constitutional reform process ;
- ❑ commitment to a reasonable timetable for the conduct of, and achievement of outcomes in, that process;
- ❑ provision and implementation of legal guarantees of human rights;
- ❑ establishment of a transitional government; and
- ❑ holding of properly conducted elections.

As these are met, most sanctions could be progressively lifted, starting with the economic sanctions that have a wide impact on the public and ending with those that target the leadership itself. A ban on arms sales should be maintained until an enduring democracy has been established.

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- (i) the unconditional release of Aung San Suu Kyi;
  - (ii) the commencement of a serious dialogue between SLORC and Aung San Suu Kyi about the political and constitutional evolution of the country;
  - (iii) access to political prisoners by the International Committee of the Red Cross, UN Special Rapporteur and other outsiders;
  - (iv) a review and reduction of sentences imposed for political activity;
  - (v) significant progress in the proposed dialogue between the SLORC and the UN;
  - (vi) a clear timetable for the constitutional process with delegates able to participate more freely;
  - (vii) agreement by the SLORC to the inclusion of transitional provisions in the new constitution permitting further constitutional development;
  - (viii) the provision of legal guarantees for the rights of the ethnic minorities;
  - (ix) the cessation of forced labour and portering beyond what are traditional practices; and
  - (x) the repeal of censorship and state protection legislation.

The United States, Japan, Australia and the European Union need to establish a strategy to encourage the members of ASEAN, China and India to put their weight behind change in Myanmar. It is in the interests of all Myanmar's neighbours that the country becomes stable, prosperous and open to the world. ICG recognises the limited impact any country can have on the SPDC but all the neighbours could do more.

Asian Governments, including China and India, need to make a clear, public statement of support for UN efforts to promote national reconciliation and use their influence to help the military government recognise the urgent need for substantial political and economic reform. Their embassies and visiting officials should establish a regular dialogue with Aung San Suu Kyi and other political leaders in order to demonstrate their respect for civilian, pluralistic politics.

ASEAN should make it clear that Myanmar's assumption of the presidency in 2006 would present serious problems unless there has been a return to constitutional government and free and fair elections have been held. It should press for commitment -- either public or private -- to a timeframe and offer appropriate assistance to ensure implementation of specific commitments. ASEAN governments should be wary of setting the bar too low in its demands on Myanmar ahead of the presidency. Unless serious change is underway in Myanmar, the presidency is likely to cause great embarrassment to ASEAN and strain relations with its allies and trading partners.

EU members should insist to ASEAN that Myanmar only be allowed to participate in ASEM once there has been progress on the situation of the NLD and the National Convention. This will mean that the ten new members of the EU may not be able to join the meetings until there has been some significant political movement.

As the benchmarks for change are met, Western governments should not just lift sanctions but develop and publicise a package of increasing benefits to Myanmar that might follow political and economic reforms, including the resumption of financing through the international financial institutions and expanded trade benefits.

These might include:

- ❑ Funding from the World Bank, the IMF and ADB as the government implements economic policies that will create the environment for growth.

- Assistance in particular for infrastructure and other development projects, including rehabilitation of power plants and other vital services.
- Access to European and U.S. markets for textiles and other manufactured goods.

### **C. CREATE A POSITIVE ENVIRONMENT FOR CHANGE**

The economic and social policies of the SPDC and the impact of sanctions have caused serious problems in the economy in recent years. There is currently little about Myanmar that suggests it would be able to cope with any instant transformation to a democracy, even if that were to happen. The international community needs to do more to tackle an array of issues from the widespread conflicts in the society to economic reforms and governance. Waiting until a transformation to democracy is complete will be too late; indeed it would create a situation in which democracy might fail before it can take hold. The international community must find ways to engage with all parties in Myanmar to create an environment for change. Four key areas need to be tackled and efforts on these should move forward without preconditions:

#### **1. Support conflict prevention and resolution**

The most fundamental need in Myanmar today is for peace. Throughout its history, the country has suffered from an inability to produce peaceful regime change. Most new rulers have come to power after (or through) bloodshed, and the violence inevitably has carried over into their regimes. While the possibility of a revolutionary transformation brought about by another popular uprising or a split in the armed forces may seem attractive, both are unlikely and were they to occur would most probably just reinforce the cycle of violence. If the country is to leave this tragic legacy behind, there is no alternative to negotiations, involving all significant political groups.

The formal commitment by the government, as well as the NLD and most ethnic minority organisations, to seek political reconciliation shows a general perception that military solutions are untenable. Realisation that the political deadlock must be broken is unfortunately not matched, however, by sufficient confidence that a satisfactory outcome can be reached through negotiations.

Five decades of continuous political and military conflict -- compounded by the often confrontational positions assumed by the military government and pro-democracy forces throughout the 1990s and culminating in the recent attack on the NLD -- have caused an almost total breakdown of communication. The violence involved has further contributed to an atmosphere of alienation, distrust and lack of basic understanding and empathy. While some representatives on all sides do genuinely seek dialogue, others are unwilling or unable to break down the barriers that have been created, preferring unilateral actions to cooperation. This fragmentation of society and psychological resistance to dialogue is the most fundamental obstacle to a negotiated settlement.

The continuance of armed conflict and many unresolved issues surrounding the current ceasefires present a particularly difficult challenge. If the concerns among both the military government and some countries in the region that ethnic nationalists seek to break up Myanmar could be put to rest, this would go a long way towards undercutting the military's position that it must remain in power to hold the country together. It would also considerably alleviate external worries that democratisation might put regional stability at risk.

Importantly, the persistence of conflict at all levels of society transcends the issue of democracy versus authoritarianism. Even if an elected, civilian government were to emerge over the next few years, the army would continue to be the primary authority in many parts of the country; human rights abuses related to poverty, mistrust and fear would continue; so would drugs trafficking and the general lawlessness in the border areas, as well as the simmering religious conflicts. At best, the democratic process would facilitate inclusion of presently excluded groups and interests and allow healing to begin. But there is always the risk, as with any society in democratic transition, that at worst it would open a door for demagoguery and agitation based on racial and religious identity that could fuel latent conflicts.

Myanmar desperately needs increased communication and cooperation among all its political actors and communities in order to establish the trust necessary for them to move forward together. Democracy would be an important step in that process but it is no guarantee for conflict resolution, and in the absence of peace, it would be significantly constrained.

Myanmar's neighbours should continue and step up efforts to create an environment conducive to further ceasefire agreements and peace talks between the military government and the remaining insurgent groups.

International donors should expand humanitarian assistance to ethnic minority areas and develop a long-term plan for post-conflict reconstruction.

They should also provide further training and assistance to aid the participation of ethnic minorities in future constitutional negotiations.

## 2. Support institution-building

The success of any transition process ultimately depends on how effectively the state and society deal with multiple development challenges. Currently, however, Myanmar has few if any effective institutions outside the armed forces. As a local analyst put it, "Our country is like an old house. The foundation has long since crumbled; it is only held together by the creepers [the military]"<sup>95</sup>.

The success of the military in coopting or destroying most of Myanmar's civilian institutions, compounded by general underdevelopment and a massive brain drain, has made it much easier for the current rulers to control both state and society, including politics, business and the media. It has also greatly diminished the prospects of democracy taking root and a smooth transition from military rule. Whatever the government in power, the weakness of the civil service and the near-absence of effective non-state organisations greatly reduce the ability to respond to the challenges presented by the growing HIV/AIDS pandemic and other social crises, as well as to the opportunities created, for example, by the new global information order.

Many of Myanmar's problems are created not by policy as such, but by administrative rigidity and inefficiency. Since the military takeover in 1962, thousands of competent civil servants have been replaced by political appointees (often military officers), selected not for administrative skills but loyalty. Four decades of top-down decision-making has stifled creativity and independent thinking, while the erosion of wages has fuelled corruption and absenteeism. A surprising numbers of highly skilled and committed individuals are fighting the system on

a daily basis to keep the wheels moving and have proven to be effective partners for international aid agencies. However, many are close to retirement, and they work within a system that lacks transparency, accountability and any culture of reform or improvement. If there were to be a political transition, there would continue to be immense obstacles to effective implementation in the short term.

This problem is compounded by the almost total lack of administrative capacity at the local level. An effective democracy would depend critically on decentralisation of power and administrative responsibility. Indeed, support for a democratic government by ethnic minority groups would depend on such decentralisation. Yet, the experience of the ceasefire groups, which have authority over the special regions, stems from wartime administration and economics -- few, if any, are familiar with modern government methods.

Governance, of course, is not just about civil service capacity. Motivation for change rarely builds up sufficiently to generate genuine reforms in any state apparatus unless there is strong pressure from political parties, professional associations or broader social movements. Myanmar lacks political and civil society groups that can complement the state by providing ideas, information and feedback, performing much needed services, and mobilising the population to support national programs. The private business sector, which is an important source of the skills, capital, entrepreneurial drive and connections needed to compete in the global economy, is also very weak.

The military government has acknowledged that the state has neither the capacity nor the resources to do everything, and it has allowed some new space to develop. Since 1988, the private business sector has expanded rapidly in response to market-oriented reforms; a narrow range of political parties and non-violent ethnic minority organisations has been established; and new local community development organisations have emerged to promote social welfare and, to a lesser extent, peace-building.

These new sectors are all embryonic. The pervasive influence of the military and the extremely difficult and limiting circumstances under which any independent grouping must function have greatly hampered the development of organisational capacity. Most surviving and newly emerging groups have some way to go before they would be able to perform governance functions effectively, whether as

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<sup>95</sup> ICG interview, May 2003.

part of political or civil society -- and the events of 30 May 2003 demonstrated their precarious existence. Nonetheless, compared to pre-1988, there have been significant changes that, if reinforced, could be the seeds of a gradual transition and help sustain a future democracy.

- As political conditions in the country allow, international actors should increase communication with the military government, the civil service and non-state groups alike in order to increase the flow of information, knowledge and ideas necessary to overcome years of conflict and improve policy.
- They also need to work to boost the capacity of, and enlarge the space for, independent political, civil and economic society, focusing on building the basis for long-term improvements through pluralism and local empowerment.
- Japan and the ASEAN countries should renew and increase support for civil service reform and capacity-building at all levels of the state, including programs for local administrations in the special regions.
- The UN system should commission a detailed report on the state of the independent sectors, which would examine the structure, capacity and activities of political parties, civil society organisations and private companies and develop baselines against which to measure their future growth and openness.
- The donor community should then develop an in-country aid program specifically to train and support individuals working in key independent sectors, contingent on the degree of freedom from governmental control of each sector.
- It would also be useful to expand the availability of overseas scholarships, study trips, and longer-term placements in international institutions for Myanmar nationals. Such programs should target government officials, as well as members of political parties, civil society organisations, and the next generation of leaders and administrators. In the case of government officials, priority should be given to departments where parallel work was being done to reform policies and administrative procedures.

### 3. Support planning for economic development

The poverty that affects the Myanmar state and society alike presents another fundamental obstacle to progress in politics, governance and human rights. Broad-based socio-economic development is needed to sustain the emergence of an effective political and civil society independent of state power. One does not have to accept the thesis that democracy comes to countries only when they achieve a certain gross domestic product (GDP) in order to recognise that education and socio-economic welfare are necessary for broad popular participation in politics and reform of authoritarian attitudes at all levels of the state and society.

Meanwhile, minimal government budgets and expenditures threaten the ceasefires, which since the late 1980s have brought relative peace to many parts of the country. Both government and key ceasefire groups saw those agreements as a development-first approach to peace-building which would help overcome hostility and create a win-win path to unity and reconciliation but there has been little development. Lacking necessary resources, the government has fallen back on *laissez-faire*, which has brought few benefits for ethnic communities or, indeed, the ceasefire groups, except some leaders and their business associates. This could undermine the ceasefires and increases the reluctance of those still fighting to consider similar agreements.<sup>96</sup>

The weak economy and inability of the government to generate more than 3 per cent of GDP in revenue, compared with more than 35 per cent in most developed countries, also lie at the root of an arbitrary and coercive system of taxation and corruption, as well as the deteriorating quality of the health and education systems. They further contribute to human rights abuses across the country, as local commanders with insufficient budgets take what they need from the population to

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<sup>96</sup> Some observers have criticised the ceasefires as obstacles to change. However, a return to civil war would end all prospects for political reform, better governance and economic development. Conversely, if the ceasefires could be turned into effective vehicles for the reconstruction of local communities and economies, they might provide a model worth emulating for those groups that are still fighting and thus become a force for a nationwide ceasefire and, perhaps over time, genuine peace. This, in turn, would take away the main justification for military rule, the need to protect the Union and national sovereignty.

feed their soldiers, fight the ethnic armies or build infrastructure.

The military government, except for the early period after 1988, has shown little willingness to implement economic reforms. Militarisation of the bureaucracy continues unabated, and economic problems inevitably are met with short-term, administrative interventions that leave the fundamental difficulties unaddressed. However ICG is in no doubt, on the basis of many discussions and interviews, that awareness of the need for economic reform is growing among government officials, even at the top levels. The remaining rigidity might be removed through sustained international activity.<sup>97</sup> The introduction of a new rice policy from the 2003 harvest season that has (partially) liberalised the entire sector, although ill-conceived and ill-prepared, might indicate increased receptiveness to external experience and advice that could deepen as recent government restructuring is felt in the ministries.

There is a danger that successful socio-economic development, rather than propel the country forward, could reinforce the military state's power and thus impede broader progress. This might even be unavoidable in the short-term. However, without such development, many of the existing conflicts will continue and establishment of sustainable and effective institutions outside the state will be more difficult. The frequency of stalled or reversed democratic transitions around the world shows the dangers to a new government of taking over at the height of a socio-economic crisis. In Myanmar, as elsewhere, addressing deep-seated problems in an atmosphere of massively increased popular expectations could be beyond the capacity of new democratic institutions.<sup>98</sup> This risk would be minimised by starting to strengthen the economic fundamentals now.

- The donor community should establish a Myanmar Aid Group and appoint a prominent economic envoy or interlocutor, who could play a role similar to that of Razali Ismail and Paulo

Sergio Pinheiro in the political and human rights realms respectively. The emphasis should be on economic policy dialogue and the establishment of proper conditions for the effective application of future technical and economic assistance.

- The international financial institutions (IFIs), while maintaining the ban on loans until the benchmarks are met, should be allowed and encouraged to open offices in Yangon in order to conduct a critical policy dialogue with the government and plan for future action if that dialogue is successful.<sup>99</sup>
- At the same time, the UNDP's special mandate should be modified to allow the UN Country Team (UNCT) as a whole to engage in policy dialogue with the government, as well as selective capacity-building in the social and other poverty-related sectors.

#### 4. Support humanitarian aid for vulnerable groups

International efforts to alleviate acute vulnerabilities and protect the people of Myanmar from the consequences of government policy failures, human rights abuses and sanctions are a humanitarian imperative irrespective of the ebbs and flows of national politics, subject only to reasonable criteria of transparency, accountability and efficiency.<sup>100</sup>

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<sup>97</sup> Some potential benefits of such activity is already evident in areas such as HIV/AIDS, prison conditions and forced labour, although much remains to be done.

<sup>98</sup> There is a parallel between sanctions as a tool and socio-economic crisis as a condition for change (with the two obviously being related): While some pressure may be necessary to kick a recalcitrant government into action, too much pressure may undermine longer-term progress.

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<sup>99</sup> Contrary to conventional wisdom, normal programming by the development banks fits well into a broader strategy for political change. The banks place much stronger emphasis on policy dialogue and capacity-building than in the past (including consultation with intended beneficiaries and other civil society groups). Also, strict criteria apply to structural adjustment lending, which is conditional upon the establishment of a prior government track record on economic reforms. The extended timeframe and sequence of current programming would allow political actors (the boards) to monitor the situation and release specific forms of assistance only gradually as developments in Myanmar made it appropriate. In the meantime, the banks would be able to build up their knowledge and establish contacts critical for successful promotion of economic reforms. Importantly, the military government would receive a clear signal that benefits would be forthcoming if it proceeded on reconciliation with the opposition and genuinely pro-poor economic reforms, and so be under indirect pressure to deliver concrete results. Conversely, if the banks delay their entrance until the political situation is already deemed to warrant actual loans, valuable time will have been lost.

<sup>100</sup> The case for humanitarian aid to alleviate the deepening humanitarian crisis in Myanmar has been made in two earlier

Millions of children and adults are wasting away from illnesses, malnutrition, and lack of education -- by the time a new government takes over, they will be too disadvantaged to reap the rewards. Of the 1.4 million children who will be born in Myanmar in 2004, 110,000 will die before their first birthday. If the HIV/AIDS epidemic spreads, it could undermine the basis for economic development and health services in the country for decades to come. This situation is urgent enough to require immediate action by all who have the power to make a difference.

Humanitarian aid has increased significantly over the past several years. However, it is focused in a few areas, which -- somewhat arbitrarily -- have been defined as humanitarian, while others of equal importance to people's welfare are largely ignored and under-funded. The priority areas -- primary health care and major diseases, including HIV/AIDS -- are vitally important but it is imperative that more attention is given, particularly, to food security and education.

Malnutrition is widespread in all age groups and can greatly diminish potential for learning and earning an income; it is also closely associated with life-threatening diseases. Education does not have the element of visible suffering, which helps establish a sense of crisis on health issues. Yet, the deterioration in educational attainment, reflected in falling literacy and enrolment rates, has reached levels which make it an integral element of the silent emergency.

Importantly, vulnerability is not just a matter of poverty. It is greatly increased by disruptive state interventions in the subsistence economy, including the widespread use of forced labour, forced contributions and other human rights abuses. This requires national level reform, combined with bottom-up grassroots organisation and empowerment of local communities, to facilitate effective redress of inequality and injustice.

The space for effective aid delivery remains limited while national pride, military security obsessions, limited understanding of poverty alleviation systems

and a rigid bureaucracy continue to obstruct UN agencies, international NGOs and local development groups alike. However, the trend over the past decade has been improving, as aid organisations have been able to extend their geographical spread and begin to address sensitive sectors such as HIV/AIDS. The government, while still woefully ineffective, has slowly begun to acknowledge the seriousness of the situation. It has also granted increased access to rights-based institutions, including the UN Special Rapporteur on Human Rights, the International Committee of the Red Cross (ICRC), the International Labour Organisation (ILO), and Amnesty International.

Over the years, many political actors have warned that aid even for basic needs could obstruct political reform.<sup>101</sup> However, few of these arguments are substantiated by experience on the ground. Humanitarian aid programs have little political value; on the contrary, top military leaders seem largely indifferent to them. There are no signs that they replace government investments either. Most foreign aid goes to remote areas and programs such as HIV/AIDS, which would have been unlikely to attract government funding. Moreover, the amounts are so small compared to the needs that it is hard to see how they would allow the government to switch its investments.<sup>102</sup> The pain from withholding humanitarian aid is felt by the direct beneficiaries, not the government or its key individual officers or officials.

- Once the UN Country Team finalises its ongoing survey of the state and direction of socio-economic conditions, donors need to increase humanitarian assistance in order to reduce pressure on the most vulnerable groups and avert a social collapse.
- The Country Team, as soon as possible, should present a credible action plan that combines quick impact projects in urgent areas with a longer-term strategy for addressing particular vulnerabilities.

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ICG Reports, *Myanmar: The Politics of Humanitarian Aid*, and *Myanmar: The HIV/AIDS Crisis*, both op. cit. It is reiterated here in light of the continued deterioration in socio-economic conditions for a majority of the population and the increasingly evident linkage between human rights abuses and vulnerability in many parts of the country.

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<sup>101</sup> See the discussion of the political costs of aid in ICG Report, *Myanmar The Politics of Humanitarian Aid*, op .cit., pp. 14-16.

<sup>102</sup> In fact, the impact may be the opposite. By exposing problems and initiating new programs, international aid organisations apply pressure on the government to address issues such as HIV/AIDS and poverty that were previously largely ignored, at least at the policy level.



- Building on the concepts of the Joint Action Plan for HIV/AIDS and the Joint Kokang-Wa Humanitarian Needs Assessment Team, it should explore the possibility of establishing two new task forces to address food security and basic education, as well as an overarching project on reconstruction of war-torn communities and economies in the border areas. A premium must be placed on integrated development programs that empower local communities and take a holistic approach to basic human needs.
- Aid agencies must do more to address the intermediate causes of systemic vulnerabilities. While leaving issues of political and macro-economic reforms to other actors, humanitarian interventions should be used as an entry point for dialogue with the government on policies and behaviours that directly affect the livelihood of the poorest strata of the population, including the lack of poverty focus in state development programs, the inadequacy of social sector funding, and pervasive human rights abuses.
- UN agencies and international non-governmental organisations (INGOs), as far as possible, must also draw different sides in the political, economic, social and religious conflicts into the planning and execution of assistance projects. This is not just about bringing the main national-level protagonists into joint consultation on overall programming, but also about strengthening communication between local authorities and communities and among different groups within such communities at the grassroots level. Efforts to strengthen coordination at the township level have particular strategic importance as it has strong both upward and downward linkages.
- Maximum efforts need to be exercised to alleviate basic human rights abuses that threaten the livelihoods of many poor families, particularly in rural and remote areas. International Committee of the Red Cross (ICRC) programs for protection of civilian populations in heavily militarised and conflict-affected areas should be expanded as a high priority.
- The International Labour Organization (ILO) should implement its May 2003 agreement with the government on an action plan to eliminate forced labour, emphasising the new mechanism for facilitating action by victims of forced labour.
- Human rights training programs should be resumed, with new emphasis on army personnel. Ways must be found to expand the focus from individual officers and officials to the institutions they work within (notably local military command structures and the judicial system).
- To move the process forward, the government should be encouraged to sign and ratify the relevant international human rights conventions, including the optional protocols, as a first step toward institutionalisation of human rights in domestic law.

## VI. THE UN'S MEDIATION ROLE

UN mediation efforts began in 1998 after the General Assembly requested Secretary-General Kofi Annan to use his 'good offices' to help implement the objectives expressed in the annual UN resolutions. The Secretary-General has carried out his mandate primarily through two personal envoys -- Alvaro De Soto (1998-99) and Razali Ismail (2000-) -- with support from the Political Affairs Department, but has also from time to time issued personal statements on issues pertaining to the national reconciliation process.

The UN first explored the possibility of resuming international aid to Myanmar through the World Bank in return for political concessions, including dialogue between the SPDC and the NLD, the release of political prisoners, and access for the International Committee of the Red Cross (ICRC) to prisons in Myanmar.<sup>103</sup> This attempt, however, was blown out of the water before it really got underway when it was publicised by a U.S. newspaper, provoking a nationalistic backlash in Yangon.<sup>104</sup>

The first UN envoy, De Soto, never recovered from this setback. However, having learned from his experience, Razali took a different approach, rejecting any attempt to impose a specific set of objectives on the regime in favour of what was dubbed 'facilitation'. The aim was to try to bring the different sides in Myanmar together to negotiate a compromise on domestic terms. Emphasis was placed on dialogue between the military government and Aung San Suu Kyi. However, the envoy also reached out to other political parties and ethnic minority organisations. Apart from shuttle diplomacy, he put forward specific proposals, including a joint commission on humanitarian aid and a national forum for tripartite dialogue, and worked with the international community to find ways of supporting such endeavours. This process continues, although it has suffered a major setback with the crackdown on the NLD in 2003.

### 1. Benefits

Razali has been widely credited for helping facilitate the now abandoned dialogue between the military government and Aung San Suu Kyi, which began in October 2000 six months after he took up his post, and for some time appeared to be making headway in nudging the two sides closer to some form of cooperative agreement.

The benefits of this process have obviously been put into question by its subsequent collapse, but at least Aung San Suu Kyi had a chance to travel around the country and get a first-hand understanding of conditions in different areas, as well as the state of her party, which should help her in making future strategic decisions. It is also possible, though difficult to confirm, that better relations were established between the opposition leader and individual members of the regime, and that certain ideas for cooperation might have survived the 2003 crackdown and could be revived later. Importantly, there was a spin-off effect for the international community, which for two years had significantly more and better contacts with both Aung San Suu Kyi and the government. This dialogue set a precedence, which has been carried forward in the Thai-sponsored 'Bangkok process', as well as a number of track-2 initiatives.<sup>105</sup>

Apart from the impact inside the country and on relations with the government, the UN envoys have played an important role in bringing the international community together and coordinating its responses. Razali's double role as UN envoy and advisor to former Malaysian Prime Minister Mahathir, coupled with his close links to other ASEAN governments, has been critical in getting Malaysia and the wider region more actively involved in resolving the deadlock in Myanmar.

<sup>103</sup> ICG interviews, August 1999.

<sup>104</sup> Myanmar's foreign minister, U Win Aung, put it bluntly: 'For us, giving a banana to the monkey and then asking it to dance is not the way. We are not monkeys'. Quoted in *Asiaweek* 25 December 1998.

<sup>105</sup> The Myanmar Institute of International and Strategic Studies in January 2004 held its first international conference on transitional issues, with participation of foreign scholars, diplomats and counterparts think tanks from the region. A week later, a group of foreign scholars under the auspices of the Institute of Southeast Asian Studies in Singapore, held a five day workshop in Yangon, which included discussion with a wide range of political, religious and development organisations. While the two events were unrelated, both were the first of their kind in more than forty years.

## 2. Limitations

That said, the UN mediation efforts have at least three significant limitations, relating to their mandate, the personalities involved, and the lack of bilateral support.

Razali faces a fundamental dilemma in his role as a facilitator. Any chance of success would seem to depend on a strictly non-partisan approach. Yet, his mandate is fundamentally partisan -- the UNGA resolutions require him to work towards several predetermined goals, including the handover of power to the NLD (the elected parliament). This problem is compounded by the fact that Razali is mediating in a context of highly unequal power relations, and that he is charged with promoting the interests of the weaker of the two dominant parties.<sup>106</sup>

But the greatest weakness of the UN process has been the lack of support from member governments. The disconnect between general statements of support for the envoy and more specific contributions to his efforts has been notable.<sup>107</sup> In fact, the activities of the UN may have provided an excuse for some individual governments to do less. Most damaging, the UN has not managed to get the full support of Myanmar's neighbours. China has not even been invited to the various consultative meetings held under the UN umbrella. This gulf was finally bridged at the international meeting hosted by Thailand in Bangkok on 15 December 2003, where China not only participated but expressed support for the UN envoy. However, much needs to be done to join UN

and regional efforts to mediate the political deadlock in Myanmar.

## 3. Prospects

There is much uncertainty at this stage about the role of Razali and the broader process of UN-facilitated reconciliation. Clearly, it depends on how events unfold both inside and outside Myanmar over the coming months. Still, certain parameters can be established.

The UN envoy has been the main channel of communication with the regime on political issues since 2000 and, as such, remains vitally important for the ability of the international community to respond to an evolving situation. His visit in March 2004 shows that he could continue to play a role as a key facilitator in discussions between the NLD and the SPDC, even if the political process moves forward on other tracks. The envoy is also an important means of maintaining pressure on the government to resume the national reconciliation process. In fact, it would probably suit those behind the crackdown on the NLD if the UN would retreat to New York and stop bothering them with personal visits. The departure of the UN envoy would also take away much of the space available to more cooperative elements within the regime, some of whom owe their position largely to their ability to liaise with the international community. This could lead to the collapse of several parallel initiatives, including those of the UN Rapporteur on Human Rights and the ILO Liaison Office.

The past six months have seen increased criticism of Razali, particularly from exile groups and activists frustrated with the deadlock and his relatively non-confrontational approach. However, on balance, he is probably still the best man for the job. He now knows key Myanmar officials and has an understanding of them that will be critical for negotiating the highly complex and sensitive issues ahead.<sup>108</sup> Also, he is an important link between Myanmar and other ASEAN member states. His position gives both Malaysia and ASEAN as a whole a more direct stake in the UN process. The envoy has made it clear for some time that he would like to see ASEAN take a more pro-

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<sup>106</sup> Further compounding the problem, several sources close to the Myanmar government were suggesting last year that its top leaders were losing trust in Razali as a go-between. While the public relations arm of the regime continued to praise his efforts, Senior General Than Shwe was said to be very upset about Razali's request to visit Aung San Suu Kyi in Taunggyi during his visit to Myanmar in November 2002, a trip which the General saw as politically motivated and therefore inappropriate. Other government officials have expressed concern that Razali is too closely associated with Western governments, a feeling supposedly strengthened by the Consultative Meeting in Tokyo, organized by the UN Political Affairs Department, which was perceived by Yangon as a way to ratchet up international pressure on Myanmar. But all that said, Razali's visit in March 2004 seems to have been reasonably productive, as noted in the text below.

<sup>107</sup> This dilemma was evident at the Consultative Meeting in Tokyo in February 2003. While all the participating governments backed Razali, no concrete ideas or support was forthcoming. ICG interviews, February 2003.

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<sup>108</sup> The Myanmar government made no attempt to stop the visit -- at a time when they would have had numerous reasons to do so. This undercuts early speculation from dissident groups that the 30 May events were orchestrated to sabotage Razali's work.

active role in the process -- and the official communiqué from the Ministerial Meetings in Phnom Penh in June 2003, which specifically emphasised the Association's support for his efforts, suggested that it might respond. This would significantly improve the prospect for reviving the reconciliation process and effective UN mediation.

Clearly, the UN faces many of the same problems as other international actors in trying to influence domestic political developments. However, it is more acceptable to the Myanmar government than Western governments,<sup>109</sup> and more credibly committed to international standards of human rights than individual Asian capitals. Moreover, the UN specialised agencies currently provide more assistance than all other donors together (excluding Myanmar's neighbours) and, in the absence of the international financial institutions, are the best platform for policy dialogue with the government. While care should be taken not to unduly mix political and humanitarian efforts, this provides opportunities for mutually reinforcing initiatives at multiple levels, which need to be explored further within the parameters of international engagement laid out in the following section.

For Western countries in particular, initiatives coordinated through the UN have a higher probability of succeeding than bilateral ones, because they are less easily dismissed as driven by self-interest and less likely to be ignored. It is vitally important, however, to get regional countries more directly involved in support of the UN process. One way of achieving this may be for the Secretary-General to upgrade the UN envoy's role to that of Special Representative, with a broader, more proactive mandate confirmed by the Security Council.

It would be immediately helpful for the Secretary-General, assisted by his Special Representative, to

develop a credible plan for international engagement in the roadmap process, taking into account the objectives and benchmarks proposed in this report. A highly visible and useful initiative would be for Secretary-General Kofi Annan to visit Myanmar to impress personally upon the military leadership the importance the UN attaches to the national reconciliation process and discuss practical ways for the UN to support the country's move towards democracy and development.

Western Governments, while maintaining diplomatic pressure for adherence to international human rights standards, should allow the UN to take the lead in negotiating with the Myanmar government and other political forces in the country about the exact nature of the political process now underway and give it time to evolve. Specific Western diplomatic initiatives should focus on helping the UN Envoy -- or Special Representative, if the position is upgraded -- secure necessary support from Myanmar's regional neighbours. When and if significant progress is made and the overall atmosphere improves, visits by high-level Western envoys might help to encourage further progress by holding out a prospect to the military government of improved relations.

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<sup>109</sup> Myanmar has long been and remains a supporter of the UN system. In the 1960s, Myanmar's U Thant served as UN Secretary-General and the present regime has cooperated with UN organisations, such as the UNDP, UNICEF, WHO and UNODC, at a time when other organisations have found it difficult to gain access to the country. The SPDC appears to see the UN as a sufficiently broad and balanced organisation not to be cajoled by Western powers and thus an ideal platform for its global engagements. Significantly, there are no indications that they have considered limiting their participation in UN activities despite the criticism they face each year at the General Assembly and the Human Rights Commission.

## VII. CONCLUSION

Since 1990, most Western governments have taken a self-consciously principled approach to Myanmar, applying coercive diplomacy and economic sanctions in an effort to force the military government to implement the results of the multi-party election held that year. The 30 May 2003 attack on Aung San Suu Kyi and her followers increased both political pressure and justification for strengthening this approach. However, the military government today is more entrenched and more recalcitrant than when it took power. The pro-democratic opposition -- although it maintains broad popular support -- has lost much of its momentum, and international actors have demonstrably failed to protect even Aung San Suu Kyi, not to speak of less prominent figures, from persecution. Meanwhile, the socio-economic conditions for a majority of the population have greatly deteriorated. In short, things are moving the wrong way.

The much gentler 'engagement' policy embraced by most of Myanmar's Asian neighbours for most of the period of military rule has been equally unproductive. In the absence of any external pressure at all for change, it is highly unlikely that any change at all will occur.

The people of Myanmar need greater say in the governance of their country. The failure of 40 years of military rule to provide human welfare and security consonant with the country's great natural potential is closely linked to the absence of popular participation in decision-making. For now, however, the configuration of power and interests inside the country are not conducive to major, quick change -- and there are no "magic bullets", no realistic policy options that can change that. In such circumstances, efforts are required to change political, social and economic realities over a longer period in ways that would facilitate better governance and the gradual

introduction and consolidation of genuinely democratic institutions.

That is only likely to happen if coercive measures are allied to a more flexible, intensive and sustained diplomatic strategy that does not in any way embrace the military government, but rather includes a greater willingness to pursue some half-measures, small steps and even limited cooperation in order to begin to move the country forward while protecting those who suffer under the status quo or might be hurt by future reforms. International objectives have to be rethought, new benchmarks for change adopted, a more supportive approach toward creating a positive internal climate of change adopted, and more support given to the UN in its important mediation and facilitation role.

The road map put forward by the SPDC and realignments within the military government offer a sign of movement, slight though it may be, in the political situation. This provides an opportunity to encourage progress and should not be dismissed out of hand. Any government or institution that deals with Myanmar needs to maintain an acute sense of the realities of the country: change is often painfully slow and easily reversed, the military is an intensely difficult institution with which to deal, and outside influence on any of the actors is very limited.

The international community should take whatever opportunity is presented to encourage whatever progress is possible. That means developing a new policy approach -- containing elements of the present sanctions approach of the West and engagement policy of the region, but more productive than either -- that brings together international actors rather than divides them, creates an environment for change in the country and offers a way out for all parties that has a chance of being accepted.

**Yangon/Brussels, 26 April 2004**

## APPENDIX A MAP OF MYANMAR



Courtesy of The General Libraries, The University of Texas at Austin

## APPENDIX B

### ABOUT THE INTERNATIONAL CRISIS GROUP

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The International Crisis Group (ICG) is an independent, non-profit, multinational organisation, with over 100 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

ICG's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, ICG produces regular analytical reports containing practical recommendations targeted at key international decision-takers. ICG also publishes *CrisisWatch*, a 12-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

ICG's reports and briefing papers are distributed widely by email and printed copy to officials in foreign ministries and international organisations and made generally available at the same time via the organisation's Internet site, [www.crisisweb.org](http://www.crisisweb.org). ICG works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The ICG Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring ICG reports and recommendations to the attention of senior policy-makers around the world. ICG is chaired by former Finnish President Martti Ahtisaari; and its President and Chief Executive since January 2000 has been former Australian Foreign Minister Gareth Evans.

ICG's international headquarters are in Brussels, with advocacy offices in Washington DC, New York, London and Moscow. The organisation currently operates thirteen field offices (in Amman, Belgrade, Bogotá, Cairo, Freetown, Islamabad, Jakarta, Kathmandu, Nairobi, Osh, Pristina, Sarajevo and Tbilisi) with analysts working in over 40 crisis-affected countries and territories across four continents. In Africa, those countries include Burundi, Rwanda, the Democratic Republic of the Congo, Sierra Leone, Liberia, Guinea,

Ethiopia, Eritrea, Somalia, Sudan, Uganda and Zimbabwe; in Asia, Indonesia, Myanmar, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Pakistan, Afghanistan, Kashmir and Nepal; in Europe, Albania, Bosnia, Georgia, Kosovo, Macedonia, Moldova, Montenegro and Serbia; in the Middle East, the whole region from North Africa to Iran; and in Latin America, Colombia.

ICG raises funds from governments, charitable foundations, companies and individual donors. The following governmental departments and agencies currently provide funding: the Australian Agency for International Development, the Austrian Federal Ministry of Foreign Affairs, the Canadian Department of Foreign Affairs and International Trade, the Canadian International Development Agency, the Dutch Ministry of Foreign Affairs, the Finnish Ministry of Foreign Affairs, the French Ministry of Foreign Affairs, the German Foreign Office, the Irish Department of Foreign Affairs, the Japanese International Cooperation Agency, the Luxembourgian Ministry of Foreign Affairs, the New Zealand Agency for International Development, the Republic of China Ministry of Foreign Affairs (Taiwan), the Royal Danish Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, the Swedish Ministry for Foreign Affairs, the Swiss Federal Department of Foreign Affairs, the Turkish Ministry of Foreign Affairs, the United Kingdom Foreign and Commonwealth Office, the United Kingdom Department for International Development, the U.S. Agency for International Development.

Foundation and private sector donors include Atlantic Philanthropies, Carnegie Corporation of New York, Ford Foundation, Bill & Melinda Gates Foundation, William & Flora Hewlett Foundation, Henry Luce Foundation Inc., John D. & Catherine T. MacArthur Foundation, John Merck Fund, Charles Stewart Mott Foundation, Open Society Institute, Ploughshares Fund, Sigrid Rausing Trust, Sasakawa Peace Foundation, Sarlo Foundation of the Jewish Community Endowment Fund, the United States Institute of Peace and the Fundação Oriente.

**April 2004**

## APPENDIX C

### ICG REPORTS AND BRIEFING PAPERS ON ASIA SINCE 2001

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#### ASIA

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##### CENTRAL ASIA

*Islamist Mobilisation and Regional Security*, Asia Report N°14, 1 March 2001 (also available in Russian)

*Incubators of Conflict: Central Asia's Localised Poverty and Social Unrest*, Asia Report N°16, 8 June 2001 (also available in Russian)

*Central Asia: Fault Lines in the New Security Map*, Asia Report N°20, 4 July 2001 (also available in Russian)

*Uzbekistan at Ten – Repression and Instability*, Asia Report N°21, 21 August 2001 (also available in Russian)

*Kyrgyzstan at Ten: Trouble in the "Island of Democracy"*, Asia Report N°22, 28 August 2001 (also available in Russian)

*Central Asian Perspectives on the 11 September and the Afghan Crisis*, Central Asia Briefing, 28 September 2001 (also available in French and Russian)

*Central Asia: Drugs and Conflict*, Asia Report N°25, 26 November 2001 (also available in Russian)

*Afghanistan and Central Asia: Priorities for Reconstruction and Development*, Asia Report N°26, 27 November 2001 (also available in Russian)

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*The IMU and the Hizb-ut-Tahrir: Implications of the Afghanistan Campaign*, Central Asia Briefing, 30 January 2002 (also available in Russian)

*Central Asia: Border Disputes and Conflict Potential*, Asia Report N°33, 4 April 2002

*Central Asia: Water and Conflict*, Asia Report N°34, 30 May 2002

*Kyrgyzstan's Political Crisis: An Exit Strategy*, Asia Report N°37, 20 August 2002

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*Central Asia: The Politics of Police Reform*, Asia Report N°42, 10 December 2002

*Cracks in the Marble: Turkmenistan's Failing Dictatorship*, Asia Report N°44, 17 January 2003

*Uzbekistan's Reform Program: Illusion or Reality?*, Asia Report N°46, 18 February 2003 (also available in Russian)

*Tajikistan: A Roadmap for Development*, Asia Report N°51, 24 April 2003

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