

READY

ALTSEAN
BURMA

**Special
Report**

November 2003

SANCTION

AIM



SANCTIONS

SANCTIONS

SANCTIONS

CONTENTS

1 FOREWORD BY ARCHBISHOP DESMOND TUTU

PART 1: INTRODUCTION

3 FLAWED IMPLEMENTATION

3 MOVING AHEAD

4 RESISTANCE

4 BROKEN PROMISES

5 NO DELAY

6 SMART SANCTIONS

PART 2: THE STORY SO FAR

7 CURRENT STATE OF AFFAIRS

9 ROADMAPS LEADING NOWHERE

- * Thai 'road map' _ Much Ado About Nothing
- * The SPDC Roadmap_ the Perfect Stalling Tactic
- * National Convention background
- * What's missing from the 'road map'
- * What the convention does offer
- * NLD & ethnic nationality participation not required

12 INTERNATIONAL RELATIONS

14 BROADER INDIRECT IMPACT OF SANCTIONS

17 LIMITATIONS OF SANCTIONS

- * 'Carrot Sticks'

18 SANCTIONS & THE ECONOMY

PART 3: CURRENT SANCTIONS

21 CANADA'S SANCTIONS ON BURMA

22 EUROPEAN UNION SANCTIONS ON BURMA

- 23 JAPAN'S POLICY ON BURMA**
- 24 UNITED STATES SANCTIONS ON BURMA**
- 25 SANCTIONS & ACTIONS: AN ASSESSMENT**
- 25 IMPORT BAN**
 - * Direct Impacts
 - * Room For Improvement
- 26 BAN ON REMITTANCES TO BURMA**
 - * Direct Impacts
 - * Room For Improvement
- 28 FOREIGN INVESTMENT RESTRICTIONS**
 - * Direct Impacts
 - * Room For Improvement
- 30 ARMS EMBARGO / NON-PROVISION OF ARTICLES/SERVICES THAT COULD BE USED FOR REPRESSION**
 - * Direct Impacts
 - * Room For Improvement
- 33 ASSETS FREEZE**
 - * Direct Impacts & Room For Improvement
- 34 TRAVEL/VISA BAN**
 - * Direct Impacts
 - * Room For Improvement
- 35 BAN ON DIRECT FOREIGN ASSISTANCE**
 - * Direct Impacts & Room For Improvement
 - * Japan Suspends Aid to Burma
 - * Drug Eradication Assistance
 - * Direct Impacts & Room For Improvement
- 37 SUSPENSION OF MDB & IFI ASSISTANCE**
 - * Direct Impacts & Room For Improvement
- 38 TRADE PREFERENCE SUSPENSIONS**
 - * Direct Impacts
 - * Room For Improvement
- 40 DIPLOMATIC DOWNGRADES**

40 INTERNATIONAL LABOR ORGANIZATION (ILO)

- * A Model For Sanctions

43 UNITED NATIONS

- * SPDC Thumbing Their Nose At The UN
- * UN Interventions
- * Extreme Violations
- * Broad Based Support

46 WHAT ABOUT THE UNSC?

47 UN SECRETARY GENERAL'S SPECIAL ENVOY TO BURMA

- * Turning of the Tide
- * A New Strategy
- * UN Special Envoy's Mandate

49 THE UN SPECIAL RAPPORTEUR'S OBLIGATION

- * A Different Tune

50 UNDERMINING ITSELF

PART 4: RECOMMENDED ACTIONS & SANCTIONS

51 'RECIPE FOR RECONCILIATION'

51 PRINCIPLED ENGAGEMENT

- * Nominations for the Burma Diplomatic Squad:
- * Components of the Recipe
- * Reconstruction of Burma

54 NO MORE TOYS FOR THE BAD BOYS

54 WIDEN BAN ON REMITTANCES TO BURMA

55 IMPORT BAN ON GOODS FROM BURMA

- * 10% of Exports Profits Directly Fund the Regime

58 BAN ON CONFLICT RESOURCES

- * SPDC Involvement
- * Examples of SPDC 'unofficial' involvement in logging
- * Local Communities – Logging often hurts more than it helps
- * Gems
- * Environmental Destruction
- * Employment
- * Forced Labor

- * Ethnic Nationalities – Between A Rock & A Hard Place
- * Drugs, HIV/AIDS & Money Laundering
- * Resource Diplomacy
- * Who's Operating?
- * Some of the Big Boys

70 BAN ON NATURAL GAS IMPORTS FROM BURMA

71 RESTRICTION ON FUEL SALES TO BURMA

72 BAN ON OIL & GAS FOREIGN DIRECT INVESTMENT (FDI)

- * Oil & Gas
- * New Pipeline Proposal
- * Yadana Partners Strike Again
- * Greater Mekong Subregion Project

74 FULL INVESTMENT BAN

- * Major FDI Players
- * FDI 2001-2002
- * Trade Fairs
- * FDI Exposure to Money Laundering
- * What About the Workers?

79 SPECIAL FOCUS: TENTACLES – SPDC'S HOLD ON THE FORMAL ECONOMY

- * The BIG Tentacles – A Snapshot!
- * Ministry of Defense
- * DDP: Directorate of Defense Procurement
- * DDI: Directorate of Defense Industries
- * MEC: Myanmar Economic Corporation
- * UMEH (UMEHL): Union of Myanmar Economic Holdings
- * MOGE/MPE/MPPE
- * Ministry of Industry I
- * Ministry of Industry II
- * Myanmar Agricultural Produce Trading (MAPT)
- * Myanmar Timber Enterprise (MTE)
- * Myanmar Export-Import Services (MEIS)
- * Ministry of Post and Telegraphs (MPT)
- * Ministry of Hotels & Tourism
- * Myanmar Electric Power Enterprise (MEPE)
- * Directorate of Ordnance
- * State-Owned/Controlled Banks

86 A CLOSER LOOK: UNION OF MYANMAR ECONOMIC HOLDINGS LTD (UMEH/UMEHL/UMEHI)

- * Gems
- * Jade
- * UMEH Business Ventures
- * Keeping It In The Family: Industrial Estates
- * It Gets Worse
- * Six Degrees Of Separation
- * Union Solidarity and Development Association (USDA)
- * Na Sa Ka: Making Human Rights Violations Profitable

95 WIDEN THE ASSETS FREEZE

95 IMPLEMENT FINANCIAL ACTION TASK FORCE (FATF) RECOMMENDATIONS

98 WITHHOLD ASSISTANCE FROM IFI/MDBS

- * Greater Mekong Subregion (GMS)
- * East-West Economic Corridor (EWEC)
- * Power Trade Operating Agreement (PTOA)
- * Technical Assistance
- * Withhold GMS Funding For Projects In Burma

102 SUSPEND JAPAN'S OFFICIAL DEVELOPMENT ASSISTANCE (ODA) TO BURMA

- * Options

105 PRESSURE ON JAPAN

105 BOYCOTT AND DIVESTMENT CAMPAIGNS

108 DELAY TOURISM

- * Benefiting Whom?

109 ASEAN TO TAKE RESPONSIBILITY

- * The Reality
- * Credibility on the Line

111 INCREASE PRESSURE ON THE REGIME'S KEY PARTNERS

112 SPORTS EMBARGO

113 OFFICIAL RECOGNITION FOR THE CRPP

113 INCREASE CAPACITY OF THE DEMOCRATIC MOVEMENT

114 PUT SPDC ON PROBATION

114 TAKE BURMA TO THE UNITED NATIONS SECURITY COUNCIL (UNSC)

- * Rampant Military Growth
- * Known weapons procurement during 2001-July 2003
- * Civilian Military Porters
- * Child Soldiers
- * Drugs
- * Civil War
- * Displacement of People
- * Systematic human rights abuses
- * Failure to recognize democratic elections
- * Regional Implications

PART 5: MYTHS & REALITIES

132 MYTH 1: Sanctions on Burma have not worked.

133 MYTH 2: The effectiveness of sanctions is too limited to be constructive.

134 MYTH 3: The SPDC is not influenced by international pressure.

135 MYTH 4: Sanctions can be used as a scapegoat by the SPDC for internal policy failures.

136 MYTH 5: Sanctions will alienate the 'moderates' in the regime.

137 MYTH 6: Sanctions take away incentives for the regime to make progress.

138 MYTH 7: Constructive engagement would be successful in bringing reforms in Burma.

139 MYTH 8: Sanctions and principled engagement cannot work as complementary approaches.

141 MYTH 9: Western nations' economic stake in Burma is not large enough for sanctions to be effective

142 MYTH 10: Sanctions will not impact the regime but will mostly hurt civilians.

- * Formal and Informal Economy

- * Reality Check
- * Jobs Lost?

146 MYTH 11: Sanctions are starving the population.

- * Very Low Nutrition and Life Expectancy Rates
- * More Displacement in Ethnic and Central Areas
- * Logging and Increased Poverty
- * Military Forces and Arms Procurement Have Increased
- * More Oppression
- * Four-Cuts Program
- * Mawchi Township: Impoverished by the SPDC

151 MYTH 12: Investment and trade has brought better working conditions.

153 MYTH 13: Sanctions destroyed Burma's investment climate.

- * Mandalay Brewery: A Cautionary Tale

156 MYTH 14: Sanctions created Burma's current financial crisis.

- * Foreign Exchange Certificates (FECs)

158 MYTH 15: Burmese people do not want sanctions.

159 MYTH 16: International pressure & sanctions will isolate the regime, push it closer to China.

PART 6: IRREVERSIBLE STEPS FORWARD

162 LESSONS FROM AFGHANISTAN

- * A Few Steps Behind
- * Engagement & Reward – A Dangerous Game
- * Transformation

164 SANCTIONS FOR CHANGE

- * Clear Recipe
- * Period of Leverage & Enforcement Actions
- * Timing & Strength
- * Committee oversight
- * Communication
- * Moderates?
- * Lose-Lose Situation
- * Premature Action

172 EU'S NEW STRATEGY APRIL 2003 – WHY IT DIDN'T MEASURE UP

174	LESSONS FROM HAITI, NIGERIA, AND SOUTH AFRICA
	* Haiti
	* Nigeria
	* South Africa
179	RECIPE FOR SUCCESS
	* A Non-Zero Sum View of the Conflict
	* Sticks as Well as Carrots
	* Asymmetry of Motivation Favoring the State Employing Coercive Diplomacy
	* Opponent's Fear of Unacceptable Punishment for Noncompliance
	* No Significant Misperceptions or Miscalculations
	* Democracy Movement's Support For Sanctions
	* Support on the Thailand-Burma Border
	* What Armed Resistance & Ethnic Nationality Groups Think
	* NCGUB
184	CHECKLIST FOR THE UNITED NATIONS
184	CHECKLIST FOR THE UNITED NATIONS SECURITY COUNCIL
184	CHECKLIST FOR THE EUROPEAN UNION & OTHER EUROPEAN COUNTRIES
185	CHECKLIST FOR ASEAN
185	CHECKLIST FOR CHINA
185	CHECKLIST FOR JAPAN
186	CHECKLIST FOR INDIA
186	CHECKLIST FOR AUSTRALIA
186	CHECKLIST FOR CANADA
187	CHECKLIST FOR THE UNITED STATES
187	CONCLUSION
188	INDEX

FOREWORD

Burma's military regime has tested the will of the people of Burma; despite intimidation and violence, the people's desire for freedom and democracy remains strong. Our brothers and sisters in Burma realise that non-violent resistance does not mean passive resistance. Sadly, tyrants choose not to understand the language of diplomacy or constructive engagement, but rather respond only to the action of intense pressure and sanctions.

As in South Africa, the people and legitimate leaders of Burma have called for sanctions.

In South Africa when we called for international action, we were often scorned, disregarded or disappointed. To dismantle apartheid took not only commitment, faith and hard work, but also intense international pressure and sanctions.

In Burma, the regime has ravaged the country, and the people, to fund its illegal rule. Governments and international institutions must move past symbolic gestures and cut the lifelines to Burma's military regime through well-implemented sanctions. Sanctions will force Burma's oppressors to choose the path of justice and freedom or the path of their own demise.

I maintain my belief that no one or no government should wait to take action; the journey begins with one step. Businesses and governments have a choice if they want to do business with the oppressive regime in Burma, or not. Business with the regime puts weapons in the hands of those who massacred thousands of people in 1988; are responsible for creating more than a million Internally Displaced People who cannot find shelter and security in their own country; those who systematically rape women. It funds the vast intelligence system, the disgraceful incarceration and torture of Burma's freedom heroes, and the egregious human rights violations perpetrated against Burma's ethnic nationalities. Individuals and governments must take a stand against tyranny and those who protect and fund it.

Apathy in the face of systemic human rights abuses is amoral. One either supports justice and freedom or one supports injustice and bondage. Let us not forget that our responsibility is not complete until the people of Burma are free.

2 Special Report: Ready, Aim, Sanction!

At a time when the military is professing promises of reform, one should bear in mind that actions speak louder than words. Freedom cannot be obtained through a process embedded in discrimination and persecution. I am deeply concerned for my courageous sister, Aung San Suu Kyi, and the more than 1,000 political prisoners, who have remained steadfast and true to non-violent principles, but are being kept isolated from the people of Burma and the international community. Their silenced voices are the most eloquent persuasion that the time to stand firm for their freedom is now.

If the people of South Africa had compromised the struggle against apartheid, we may have never gained our freedom. In Burma, to settle for anything less than freedom and justice, for the democratic participation of all people, would be to accept the presence of oppression and to dishonour our brave brothers and sisters who have dedicated themselves to the future of a democratic Burma.

I believe that truth and justice will prevail. Let a deep sense of faith and commitment to our principles guide our actions and sustain our hope. Sowing the seeds of justice may not be easy, but the harvest will be abundant.

The people of Burma will be free.

A handwritten signature in black ink, appearing to read 'Desmond Tutu', with a large, sweeping flourish extending to the right.

Archbishop Desmond Tutu

INTRODUCTION

FLAWED IMPLEMENTATION

The lack of sustained and hard-hitting pressure has allowed the regime to play referee in what they have turned into a game of manipulation. For every baby step taken forward, three steps are taken backwards.

Strong international pressure and sanctions have been the driving force behind those 'baby steps,' which demonstrates that the regime does respond to pressure. However, prior to the application of new U.S. sanctions in July 2003, the international community has generally employed 'carrot sticks', sanctions that have missed hitting 'pressure points' of the SPDC. In this context the question is not whether sanctions work, but rather how to develop well-implemented, comprehensive sanctions to fully exploit their effectiveness.

MOVING AHEAD

Existing sanctions should be tightened and a new round of direct-impacting sanctions needs to be implemented. These elements need to be applied not only in the arena of multilateral action through international forums such as the UN Security Council, but also within the individual policies of each state. This report examines existing sanctions and their direct and indirect impacts as well as explores a wide-range of possible sanctions from an import ban to natural gas and oil embargos to the implementation of international anti-money laundering recommendations to withholding assistance from International Financial Institutions including the Greater Mekong Subregion Program to an international arms embargo, assets freeze and visa ban under the mandate of the United Nations Security Council.

The international community should devise a clear and rigorous plan of action for transition in Burma, as Daw Aung San Suu Kyi has often said, "speed is of essence."¹ Sanctions are necessary as a key component of principled engagement with Burma as constructive engagement has failed to bring reforms. We have developed a 'recipe for reconciliation' featuring nominations for Burma's diplomatic squad, tips on how to implement sanctions to achieve maximum effectiveness and some information on lessons that can be learned from the struggle in other countries.

Creating democracy and reconciliation in Burma is not only about pressuring the regime, but also about supporting the democracy movement.

¹ Burma Campaign UK (17 Jun 02) Interview with Daw Aung San Suu Kyi

4 Special Report: Ready, Aim, Sanction!

Daw Aung San Suu Kyi, the NLD, and Burma's democracy movement receive world-wide praise and it is time for governments and international institutions to put their policies where their mouths are and recognize the Committee Representing the People's Parliament (CRPP) as the official representation of the people and to increase support for Burma's democracy movement.

RESISTANCE

Opponents say sanctions will not affect the regime, but only hurt civilians. However, well-implemented sanctions will impact the regime. The regime has monopolized the investment and business economy so as to profit themselves and their loyalists. Properly applied sanctions can deny further gains to those currently benefiting from the SPDC's corrupt policies, which can then generate greater domestic pressure for economic reforms. Sanctions are needed to create significant 'moderate' voices within the regime. In order to 'persuade' them to favor reforms, these officials need to be hit where it hurts, in the pocket and in their international reputation.

A better system of governance is what will help the civilians of Burma the most. It is the regime's economic monopoly, gross economic mismanagement, and gross human rights abuses that mostly hurt the welfare of civilians. The regime is directly responsible for Burma's socioeconomic deterioration and increasing poverty. John Jackson of the Burma Campaign UK said, "The regime itself is the greatest sanction imposed on Burma. It is the mismanagement of Burma's economy and lack of political reform by the military that is creating appalling suffering for the people in the country."² Since this regime came to power, more people are hungry, fewer children attend school, and millions of civilians have been displaced, with their livelihoods stripped away from them. Yet, spending on arms increased by 700% between 1988-1999 and public expenditure has decreased more than 50% during their reign. There is strong support for sanctions among the Burmese democracy groups. Many people in Burma believe a better economy is connected to better governance.

BROKEN PROMISES

Fifteen years have already been squandered by a combination of broken promises, delay tactics, and flat rejection by the SPDC to make concrete progress towards democratic transition and national reconciliation. In an apparent test of international will, the SPDC has become more belligerent,

² Irrawaddy (June 2003) Sanctioning Isolation

more oppressive, and more powerful. The SPDC's true colors showed on Black Friday (May 30) when they sponsored an attack on the NLD and subsequent assault on the democracy movement in Burma.

"...his [Sr-Gen Than Shwe's] main strategy is to drag the dialogue process out and retain power as long as possible" - Senior military source close to Than Shwe, October 2002

"Most importantly, Burma's regime has proven that its words cannot be taken seriously. It has denied the use of rape as a weapon, stated that it has no child soldiers, and refuses to acknowledge the detention and torture of political prisoners. For this reason, it should not be surprising that Than Shwe has ignored the promise he made over a year ago to enter into a dialogue with Aung San Suu Kyi... Instead, he has flaunted the good-faith efforts of the United Nations Special Envoy to Burma, Razali Ismail, and by extension, the entire United Nations General Assembly."³ ~ U.S. Congressman Michael Capuano, May 2003

Sr-Gen Than Shwe and his buddies have repeatedly made empty promises or preliminary actions that get abandoned once the fire of international fervor dies down. In February 2003, a member of the European envoy lamented, "We have seen this pattern before of deflecting international censure by means of limited concessions that can be easily rolled back once attention has shifted elsewhere."⁴ The SPDC often uses this method to stall possible sanctions. They have sat back and let the international community dispute amongst themselves on a plan of action, instead of demanding action from the generals themselves.

NO DELAY

As UN Special Envoy Razali Ismail said, "make the military beholden to those commitments" of turning a 'new page.'⁵ He warned that, "It is not a question of asking for sanctions to be lifted, it is having things happen in the country that would make it unnecessary for the sanctions to be there."⁶

It is regrettable that the U.S. is the only country to impose strong economic sanctions, despite calls from representatives of the democratically elected representatives of Burma for increased pressure. However, the apparent new political will of the international community to take a stronger position

³ US House of Representatives (21 May 03) Speech of Honorable Michael E. Capuano of Massachusetts

⁴ Asia Times Online (25 Feb 03) Myanmar: Real reform or a nervous junta?

⁵ AP (16 May 02) U.N. Seeks Democracy in Myanmar

⁶ AP (22 May 02) Razali to Return to Myanmar for More Concessions by Junta

6 Special Report: Ready, Aim, Sanction!

on Burma, holds possibility. While there appears to be strong support in the EU for stronger sanctions, Italy, Austria and particularly Germany refuse to consider stronger economic sanctions and are being accused by advocacy groups of protecting the regime.⁷ The UN Security Council informally discussed Burma for the first time on July 16, 2003, however the seriousness of the situation demands the immediate, official attention of the Council.⁸ A sustained commitment is essential to follow up on the momentum following the May 30th attack on the NLD and the rest of the democratic movement in Burma. There needs to be coordination with the UN, governments, and international institutions. This can end the SPDC's game of playing various stakeholders off of each other and allow coordination of pressure to achieve clear, specific objectives.

SMART SANCTIONS

A more comprehensive utilization of sanctions can have substantial impact on bolstering democratic changes and national reconciliation. Sanctions levied in this manner will have three effects:

- ◆ Reduce the SPDC's financial resources, which will make financing the military and its destructive campaigns difficult. It will further reduce waning business confidence, creating a sense of urgency for reforms.
- ◆ Increase the international political commitment to the realization of political and economic reforms in Burma. This will make associating with the generals an unpopular measure and place serious pressure on allies to pressure the SPDC to reform.
- ◆ A clear and dignified expression of moral support for the people of Burma and their movement for democracy. These measures will provide them with more political leverage to negotiate with the SPDC in lieu of armed resistance.

⁷ Burma Campaign UK (21 Aug 03) Germany is protecting Burma's dictatorship says new Europe-wide campaign

⁸ NCGUB (18 Jul 03) NewsDesk: UN Security Council hears Burma situation

CURRENT STATE OF AFFAIRS

“The junta leaders have choreographed their moves so precisely that the reconciliation process has been used as an alibi to weaken the opposition party. Diplomats talk more about the regime's need for more humanitarian assistance...ignoring the opposition's eagerness to begin dialogue. Suu Kyi has clearly stated she is ready to enter the dialogue without any conditions. But the junta leaders continue to dodge the talks and ignore her appeals. Indeed, the regime has continued to enjoy this win-win situation.”⁹ ~ Kavi Chongkittavorn, Thai journalist, March, 03

The savage attack on May 30th has seen the dawn of a bleak horizon for the Burmese democracy movement. The regime has lied about being committed to dialogue and lied about their May 2002 promise of ‘turning a new page.’ The SPDC promised, “...we shall recommit ourselves to allowing all of our citizens to participate freely in the life of our political process...”¹⁰ Yet, now most NLD leaders are confined to prison cells or under house arrest while the democratic movement is being hunted down and interrogated, tortured, arrested, and sentenced without trial. Sr-Gen Than Shwe condoned this onslaught because he was confident that ASEAN, India and China would help his regime weather criticism, and continue to supply him with weapons. When SPDC officials went on a public relations tour of the region they rewrote their story from one of ‘protecting their little sister’ to ‘protecting the country from raging NLD anarchists’.

Liar: Brig-Gen Than Tun, said “the dialogue process would not be affected by the latest incidents.” ~ June 3, 2003¹¹

Prior to ‘Black Friday’, the democracy movement inside was showing their support for democracy and for dialogue, through party organization and the peaceful attendance of Daw Aung San Suu Kyi’s country tours. Despite harassment and restrictions by the regime, massive amounts people gathered to listen to Daw Suu’s speeches when she traveled around the country. Elected Members of Parliament have said that there was a conscious effort not to antagonize the regime, but to still let the will of the people be known. However, the SPDC Labor Minister Tin Win told reporters, “These incidents [Black Friday] happened because Aung San Suu

⁹ Nation (31 Mar 03) Burma's political dialogue: stalled yet again

¹⁰ AFP (5 May 02) Text of Myanmar Government's Statement

¹¹ Bangkok Post (3 Jun 03) Suu Kyi detention points to widening military split The ruling junta is said to be divided over how to deal with Aung San Suu Kyi, and so the hard-liners have decided to up the ante. – Larry Jagan

8 Special Report: Ready, Aim, Sanction!

Kyi had taken advantage of her party organizational trip to campaign publicly, thereby making many people resent her actions.”¹²

The future of democracy in Burma is bleak if the regime continues to call the shots. The new regime lineup announced in August 2003 is likely just another smokescreen, immediately aimed at quelling criticism at the APEC and ASEAN meetings in October 2003.¹³ The regime has reshuffled its cabinet 14 times since Nov 15, 1997, often promising to make genuine reforms, like they did when they changed their name from SLORC to SPDC.¹⁴ The new Prime Minister Khin Nyunt, who is often hailed by some in the international community as being a moderate, was quoted in the *New Light of Myanmar* saying the May 30th events would serve as ‘lessons’ for those responsible for ‘disorderly and unruly acts.’

“Everyone’s running, hiding out, keeping a low profile. No-one wants to hear that knock on the door in the middle of the night.”
~Lu Maw (Moustache Brother)

On August 30, 2003 he blamed the NLD for ‘faltered’ political developments since 1995 and referred to the people’s movement in 1988 as being ‘distorted’ and an ‘alarming movement towards chaos and

anarchy.’¹⁵ Sec-Gen 1 Soe Win, who openly professed that the SPDC has ‘no plan to talk to the NLD and would never hand over power to the NLD,’ represents the trend of the promotion of hard-line officers.¹⁶ Even Asda Jayanama, a former Thai diplomat said, “It is all propaganda. There is nothing new. The so-called ‘roadmap’ mentioned to bring peace to Burma is disgusting.”

It’s been 15 years since 1988 – and now it is clear, no progress has been made.

¹² LA Times (2 Jun 03) Myanmar Cracks Down on Opposition; Nation’s military rulers hold pro-democracy activist Aung San Suu Kyi for a third day. Party offices and universities are shut down.

¹³ Bangkok Post (29 Aug 03) Burmese reshuffle keeps world guessing

¹⁴ Bangkok Post (29 Aug 03) Burmese reshuffle keeps world guessing

¹⁵ New Light of Myanmar (31 Aug 03) Prime Minister General Khin Nyunt explains future policies and programmes of the State. Online at http://www.myanmar.gov.mm/NLM-2003/enlm/Aug31_h4.html

¹⁶ Democratic Voice of Burma (28 Jan 03) No plan to talk to NLD and we are not afraid of USA-SPDC & AP (3 Feb 03) Myanmar reshuffles cabinet

ROADMAPS LEADING NOWHERE

Much has been made of the Thai-devised roadmap and the regime's own roadmap for Burma, yet the international community has forgotten the most definite 'roadmap' that has the endorsement of the UN and its members. The UNGA resolution on Burma has consistently outlined the way forward for Burma, and should be used as the template for any 'roadmap' or 'recipe' to bring about national reconciliation in Burma.

Thai 'road map' – Much Ado About Nothing

In July 2003, after criticizing US Sanctions on Burma, Prime Minister Thaksin stunned the world with a 'road map.' for Burma. The roadmap, which included no ultimatums, was vaguely described by Thaksin and members of his administration as a "concept," a "modality," or actually just "an idea for a road map."¹⁷ The SPDC was not enthusiastic and Foreign Minister Win Aung eventually informed Thaksin that the SPDC "would rather solve it's own problems from within."¹⁸

Meanwhile the Thai 'road map', dismissed by Thai critics as "a monumental diplomatic blunder,"¹⁹ was successful in deflecting media attention from the real issue-the SPDC's continuing detention and arrests of opposition members and supporters.

The SPDC Roadmap – the Perfect Stalling Tactic

On August 30, 2003, newly appointed Prime Minister General Khin Nyunt unveiled a 7-point 'road map' to democracy. According to Khin Nyunt, the SPDC 'road map' will reconvene the stalled 1993 National Convention to draft a state Constitution, which will be voted on in a national referendum and ultimately result in 'free and fair' elections.²⁰ The road map is the perfect stalling tactic for the regime; a plan to reduce international pressure while guaranteeing a pro-military outcome. The SPDC roadmap is a direct rejection of the UN resolution for a tripartite dialogue. "This is exactly the

¹⁷ Nation (18 July 03) Rangoon weighs Thai 'road map' & Xinhua News Agency (30 July 03)Thailand's "road map plan" just advice to help Myanmar: spokesman & Radio Thailand (21 July 03)Thai Premier says Burma's Suu Kyi "Is in no danger whatsoever"

¹⁸ AFP (27 July 03) Malaysia warns Myanmar over Suu Kyi

¹⁹ Bangkok Post (1 October 03) Road map for Burma is greenhorn diplomacy.

²⁰ AFP (9 September 03) Myanmar says "too early" to come up with democracy roadmap timetable

10 Special Report: Ready, Aim, Sanction!

line the regime was pushing 10 years ago. Nothing has changed,” says Aung Zaw, editor of Irrawaddy magazine.²¹

National Convention background

The SPDC first instituted the National Convention in 1990 as a ‘consolation prize’ to elected representatives who the regime banned from taking office. The convention, which was tasked with drawing up a new constitution, wasn’t convened until January 1993. In order to ensure a voting majority, the SPDC appointed 505 out of the 702 delegates. Among the delegates appointed by the regime were known drug traffickers.²² The NLD, which won over 80% of the seats in the 1990 election, constituted only 12% of the national convention.²³

As a result of misrepresentation and after being continually denied permission to address the convention, NLD leaders finally walked out in 1996. The National Convention was suspended soon after.

What’s missing from the ‘road map’

- ◆ A clear timeframe
- ◆ A role for NLD and other democratic opposition groups
- ◆ A role for ethnic nationality groups
- ◆ Commitment to release Daw Aung San Suu Kyi, people detained during the Black Friday crackdown, and other political prisoners.
- ◆ Commitment to a nation-wide ceasefire and cessation of hostilities against ethnic nationality groups.

What the convention does offer

- ◆ Guarantee of a “leading role of Burma’s armed forces in the future affairs of the State.”²⁴
- ◆ Guarantees the military’s right to declare a “state of emergency” whenever deemed necessary.²⁵

²¹ Sydney Morning Herald (31 August 03) No freedom for Suu Kyi in Burma junta's reform plan

²² Sai Lin, a leader of the National Democratic Alliance Army (NDAA) was appointed a special advisor to the National Constitutional Convention.

²³ Irrawaddy (3 September 03) Revisiting the National Convention

²⁴ The Irrawaddy (6 September 03) Ethnic Agendas: The PM's Road Map To Nowhere

- ◆ Guarantees that presidential candidates be “well-versed in military affairs,” effectively limiting qualification to serving or retired members of the armed forces.²⁶
- ◆ Requirement that the military appoint 25% of the seats in both the upper and lower houses.²⁷
- ◆ Requirement that at least one of the 3 people holding offices of president and vice presidents be from the military.²⁸

NLD & ethnic nationality participation not required

In announcing the roadmap, Khin Nyunt made only one reference to Daw Aung San Suu Kyi - to blame her and the NLD for the failure of the 1996 convention.²⁹ On September 9, SPDC spokesman Tin Win noted that convention regulations stated that any group that left the convention could be deemed to have forfeited their right to participate. “It is still too early to come up with any definite answers on whether the NLD can join the national convention,” he said.³⁰

No mention was made of participation by ethnic nationality groups in the national convention or subsequent stages of the ‘road map.’ A statement issued by the Karen National Union (KNU) referred to Khin Nyunt’s address as “the lost road to nowhere.”³¹

Meanwhile the regime has named 4 senior military officials and a judge to oversee the drafting of a new constitution.³² Lieutenant General Thein Sein has been appointed as the new chairman, and Chief Justice Aung Toe and Minister of Electric Power Major General Tin Htut have been named as joint vice-chairmen.³³

²⁵ The Irrawaddy (6 September 03) Ethnic Agendas: The PM's Road Map To Nowhere

²⁶ The Irrawaddy (6 September 03) Ethnic Agendas: The PM's Road Map To Nowhere

²⁷ The Irrawaddy (2 September 03) New Approach to Combat the Rhetoric

²⁸ The Irrawaddy (2 September 03) New Approach to Combat the Rhetoric

²⁹ Sydney Morning Herald (31 August 03) No freedom for Suu Kyi in Burma junta's reform plan

³⁰ Agence France Presse (9 September 03) Myanmar says "too early" to come up with democracy roadmap timetable

³¹ The Irrawaddy (6 September 03) Ethnic Agendas: The PM's Road Map To Nowhere

³² Financial Times (9 September 03) Burma begins to draft constitution

³³ AFP (7 September 03) Myanmar junta names new members of constitutional body

INTERNATIONAL RELATIONS

Few governments have formed cohesive, comprehensive policies on their approach to Burma. However, the diverse positions that governments subscribe to create unnecessary complexity and difficulties in supporting change in Burma. In response to Black Friday and the ensuing crackdown on the democracy movement in Burma, the position of some governments may have shifted, strengthened, or remained unchanged.

ASEAN Has not fulfilled their promise to 'deal with Burma once it is in the family.' Prior to the pressure that has been placed on and by ASEAN after Black Friday, ASEAN continuously protected and defended the SPDC in the international arena, while suffering from the cross-border and regional problems coming from Burma.

Australia Takes pride in their 'non-Asian' and 'non-Western' form of engagement with the SPDC.

Prior to Black Friday they were increasing aid and human rights programs with the SPDC while withholding public criticism of the SPDC's abuses and decreasing cooperation with the opposition movement.

Bangladesh Is focusing on increasing trade and cooperation with the SPDC. A sticking point is what to do with the nearly 20,000 Muslim refugees in Bangladesh that neither party wants.

China SPDC's oldest and most important ally. At times China has encouraged the SPDC to make economic reforms and make more efforts on narcotics suppression. China conducts a lot of trade with Burma, supplies much of Burma's arms, protects Burma in international forums, and in return gets some benefits from Burma's strategic regional position. There is a large Chinese civilian and business presence in Burma, particularly in the north, Kachin State, Shan State, and Mandalay Division. However, in recent years, China has been irked by the flow of Burmese drugs and HIV/AIDS through its regions.

EU Is a harsh critic of the SPDC and has imposed limited sanctions. However, several member countries, UK, Germany, the Netherlands, have sizeable trade and investment interests with Burma. Germany, Italy, and Austria are not in favor of increasing pressure on the regime with Germany

Non-military options to support Burma's democratization 13

threatening to veto such measures.³⁴ Prior to Black Friday, EU countries were increasingly providing Burma with aid and more diplomatic contact, despite previous conditions listed in the October 2001 Common Position. [See EU's New Strategy April 2003 p172] They provide assistance to the pro-democracy movement. Acceding and cooperating countries support the Common Position.³⁵

India Has recently begun embracing the SPDC for economic, border security, naval advantages and regional interests, which has included selling ammunition and weapons to the SPDC. Burma also plays a significant role in the India-China rivalry. The Indian government has moved away from its traditional position of solidarity with the pro-democracy movement.

Japan Previously Japan practiced a form of 'engagement', which did not require specific action from the SPDC but provided the regime with large amounts of aid and some verbal encouragement for political and economic reforms. There were increasing amounts of visits from current and former diplomats, who reportedly mentioned economic and political developments in Burma with SPDC top officials, including Sr-Gen Than Shwe.³⁶ In May 2003, they released a statement saying, "The Government of Japan expects that the Government of Myanmar will expand its release of political detainees. Japan also has a firm hope that, through the release of political detainees, basic human rights in Myanmar will be improved, contributing to the nation's democratization and national reconciliation process."³⁷ Three weeks later the regime staged "Black Friday." Japan has suspended new bilateral aid.

Malaysia Has been interested in assisting the SPDC to make economic reforms and at times is said to quietly suggest cooperation with the international community. Relations with the SPDC have deteriorated since August 2002. Dr. Mahathir's post-

³⁴ Bangkok Post (15 May 03) Analysis / Promoting Change on Burma: Asean under pressure to use its influence

³⁵ EU Presidency (8 May 03) EU Presidency Declaration on the Declaration by the Acceding, Associated and EFTA Countries

³⁶ Myanmar Times (5-11 May 03) Japanese Prime Minister Reiterates Assistance Offer to Myanmar

³⁷ The Ministry of Foreign Affairs of Japan (6 May 03) Statement by the Press Secretary/Director-General for Press and Public Relations, Ministry of Foreign Affairs, on the Release of the Political Detainees in Myanmar

14 Special Report: Ready, Aim, Sanction!

Black Friday comment sparked off discussion of the possibility of ejecting Burma from ASEAN.

- Russia** Is quietly increasing their cooperation and influence with the SPDC. Russia appears to be a willing arms and loan supplier.
- S. Korea** Has recently begun to substantially increase economic investments in and with Burma.
- Singapore** Has been one of the largest investors in Burma, however in recent years there is a growing dissatisfaction with the insecurity of investments in Burma. At times has quietly encouraged the SPDC to make some economic reforms. A significant amount of trade from Malaysia and Bangladesh and some arms are transported via Singapore.
- Thailand** Has taken a 'pro-business' approach and often engages in 'resource diplomacy' in dealing with their troublesome neighbor and the Prime Minister has 'ordered a clear policy that the Thai government will have nothing to do with Myanmar's internal affairs.'³⁸ Thailand is attempting to pacify the SPDC and the quiet border disputes by supplying aid, increasing business, tightening the border to asylum seekers and migrants, and offering to mediate genuine cease-fires with ethnic nationality groups [which the SPDC has snubbed]. In August 2003, Prime Minister Thaksin Shinawatra said the SPDC was more open to participation of other political groups and "if Suu Kyi was still stubborn, it would be helpless for her."³⁹ Thailand is rapidly losing tolerance for Thai-based Burma opposition groups.
- U.S.** Has the strongest sanctions and repeatedly condemns the actions of the SPDC. Since Black Friday the U.S. has led efforts to encourage ASEAN and regional countries to take a more involved position on democratic reform in Burma. Prior to the new sanctions imparted in July 2003, the U.S. was still quite economically involved with Burma. Provides assistance to the opposition movement.

BROADER INDIRECT IMPACT OF SANCTIONS

Sanctions deny the SPDC access to some potential sources of income that could be used to strengthen the regime, retard their plans for military growth and hence intensify their oppression of the people of Burma. If the

³⁸ AFP (21 May 03) Four killed as blasts rock Myanmar border town

³⁹ Asia Times Online (5 Sept 03) ASEAN inaction irks Myanmar exiles

regime had full access to arms and sources of revenue, it is not unreasonable to suppose that they would have been 'successful' in achieving annihilation of ethnic nationalities, creating the largest military in Southeast Asia, and complete destruction of the NLD and democratic opposition. Sanctions diminish the regime's international credibility and legitimacy. One diplomat in Rangoon said, "Every time a foreign government condemns human-rights abuses in Burma, the regime loses face in front of its own population, and that's very important."⁴⁰

Prior to sanctions implemented in response to the Black Friday attack, sanctions have maintained international awareness and a base level of pressure on the regime. Despite the official rhetoric from the SPDC, they continuously demonstrate the bearing and influence that international pressure has upon them. It is when the SPDC has been under notable international pressure that they have attempted any efforts towards dialogue, rule of law or reconciliation. International calls for concrete progress by the regime that is backed up by the willingness to initiate sanctions, has been the main thrust behind:

- ◆ The release of Daw Aung San Suu Kyi from house arrest in 2002 & 1995
- ◆ Entering into 'talks' with Daw Aung San Suu Kyi in October 2000
- ◆ Release of some political prisoners prior to key international meetings or events
- ◆ Engagement with the ILO in eradicating forced labor, including issuing an order forbidding forced labor since November 2000
- ◆ Creation of an anti-money laundering law in June 2002
- ◆ The reopening of some NLD offices
- ◆ Diligently attempting to *appear* as combating narcotics production and trafficking since the 1999 Interpol Conference

In May 2002, when Daw Suu was released again from house arrest, Col Hla Min said, "She can travel. We will sort of cooperate because she is a prominent person," as though it was the pressure and not SPDC's desire to

⁴⁰ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-updated May 2003, quoting Far Eastern Economic Review, 7 & 14 June 90

16 Special Report: Ready, Aim, Sanction!

abide by the rule of law that secured her release.⁴¹ Bradley Babson from the Center for Strategic and International Studies and former World Bank official acknowledged that, “the international community have played a role in pressuring the SPDC to accept political accommodation with Daw Aung San Suu Kyi and the NLD...”⁴²

This was also true on July 10, 1995, when Daw Aung San Suu Kyi was released from house arrest, one day before the U.S. Congress was to debate the banning of all economic contacts with Burma.⁴³

The International Labor Organization (ILO) is effectively using the threat of sanctions to elicit action from the SPDC on the matter of forced labor. The SPDC Foreign Minister Win Aung said, “As the ILO Governing Body’s decision is totally unjust and unreasonable, we have declared that owing to this coercion, Myanmar will no longer co-operate with ILO in relation to the ILO Convention 29 [freedom from forced labor], though it co-operated with the ILO with goodwill in the past.”⁴⁴

The ILO did not back down and indicated it would seek further action if Burma did not take concrete action to come into compliance. The Myanmar Chamber of Commerce and Industry pleaded with the ILO not to impose further sanctions saying, “With the imposition of restrictions and sanctions, the international trading and business activities in Myanmar, of which we form the cornerstone, will be crippled and widespread national economic decline will occur.”⁴⁵

The ILO again did not back down. The SPDC responded by agreeing to an ILO liaison country officer, demonstrating the influence pressure with defined enforcement actions has upon the regime. [See section on ILO for more details p40]

The regime is not ambivalent to sanctions and international pressure. On May 3, 2002, the SPDC signed a contract with U.S. public relations firm

⁴¹ AP (5 May 02) Myanmar’s Aung San Suu Kyi to be Freed Monday, says Ambassador and Junta Spokesman

⁴² Babson, B. From Dawn to Daylight: Future Challenges for Burma. The Center for Strategic and International Studies, May 2002

⁴³ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-updated May 2003, quoting Shin, M, Krupnick, A & Wilson, T. Burma or Myanmar? US Policy at the Crossroads. National Bureau of Asian Research, 1995.

⁴⁴ World Affairs (Apr/Jun 2001) Myanmar Enters the New Century: Interview with Foreign Minister Win Aung

⁴⁵ Irrawaddy (May 2001) Sanctions Revisited

DCI Associates with the focus on 'normalizing relations' between the U.S. and SPDC, beginning with soliciting aid for anti-narcotics and HIV/AIDS prevention.⁴⁶ In December, the U.S. State Department did not recommend Burma for its anti-narcotics program and in February the contract was abruptly cancelled.⁴⁷

The full impact of sanctions laid in the wake of Black Friday has yet to unfold. However, the regime has once again demonstrated their susceptibility to international pressure. U.S. Senator Mitch McConnell said, "If the SPDC was truly immune to world public opinion, (UN Special Envoy) Razali would have left Burma empty-handed."⁴⁸

In attempt to alleviate post-Black Friday international pressure the regime:

- ◆ granted Razali a supervised meeting with Daw Suu
- ◆ allowed the ICRC to visit Daw Suu
- ◆ moved Daw Suu out of Insein Prison
- ◆ released 91 political prisoners
- ◆ made a diplomatic tour of the region showing photos of a healthy Daw Suu

At the ASEAN Ministerial Meeting Foreign Minister Win Aung conceded that 'our government is not a representative government' and tried to pacify the discontent by saying they will work for an 'emergence of a constitutional civilian government.'⁴⁹

LIMITATIONS OF SANCTIONS

'Carrot Sticks'

Prior to the implementation of the July 2003 U.S. sanctions, the positive results of international pressure and sanctions have been limited by the selection of sanctions and poor implementation. The majority of sanctions serves a 'preventive' role and also delivers a strong political message. They mainly inhibit the SPDC from obtaining potential new financial resources, easier access to weapons, and increased international legitimacy. These

⁴⁶ Washington Post (31 May 02) Burma Moves to Improve Relations with U.S.

⁴⁷ Washington Post (23 Feb 03) DCI, Burma and D.C.

⁴⁸ Asian Wall Street Journal (16 Jun 03) Sanction Burma

⁴⁹ DPA (19 Jun 03) Myanmar renewed country's commitment to civilian government

18 Special Report: Ready, Aim, Sanction!

measures partly hinder the SPDC from obtaining resources to strengthen their rule and oppression of the people of Burma.

However, for the most part sanctions have not inhibited the SPDC's current sources of income and thus their unyielding stance of total power. Sr-Gen Than Shwe has demonstrated that he will maintain his rule without compromising for potential new investment, trade and aid. The SPDC has shown that they are extremely concerned about the prospect of current sources of revenue being cut-off or reduced. This was clearly demonstrated with their actions surrounding the ILO and the U.S.'s 1995 contemplation of severing trade ties with Burma.

The loopholes in current sanctions need to be tightened and a new round of 'direct-impacting' sanctions needs to be levied. This report looks at the loopholes of the current sanctions and proposes new sanctions that can have this type of impact.

SANCTIONS & THE ECONOMY

Due to the largely 'preventive' nature of current sanctions, prior to July 2003, the actual impact sanctions have directly had on pre-existing trade and investment was limited.

However, the SPDC's trade policies have managed to discourage business by persistent ad-hoc trade and investment policies, widespread corruption, assets being seized or frozen while in ventures with regime-backed agencies, having no accountability and transparency, use of money laundering, and an economic policy that is often created by 'strategic, military factors.'⁵⁰ In 2002, the Heritage Foundation ranked Burma as one of the least economically free countries and said that, "government policies actively, if not officially, deter foreign investment."⁵¹ [see Myths & Realities 12 & 13, p151 & p153]

The Economist Intelligence Unit reported that activist campaigns dissuading investment in Burma, "have not done nearly as much damage as have the unpredictable, sometimes bizarre, policies of the junta itself."

UN Special Envoy and businessman Razali Ismail said, "I can assure you that if there is no clear steps towards national reconciliation and political stability, even if there are no sanctions, investors would be [reluctant] to go

⁵⁰ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

⁵¹ Heritage Foundation (Jan 02) 2002 Index of Economic Freedom

in.”⁵² In reference to the economic control of the country by the powerful elite, Daw Aung San Suu Kyi said, “There is no evidence that sanctions have caused harm primarily to the Burmese people.”⁵³ [see *Tentacles* p79 & *Myth & Reality* 10 p142]

Burma is not even eligible for loans from the World Bank and Asian Development Bank due in part to the failure to repay outstanding loans and partly because World Bank loans often have some conditions based on institutional and policy reforms. The Economist Intelligence Unit said, “Only an improvement in the political climate, heralding a rise in aid and investment inflows, will create the positive sentiment required to trigger a reversal of this weakening trend.”⁵⁴

The current economic situation (due to the regime's mismanagement and the deprivation of foreign capital and military supplies because of some sanctions) has slowed the growth of the military and its defense capabilities. This leaves the unanswered question of how strong the SPDC would be without these measures.⁵⁵

The current economic situation has slowed the growth of the military and its defense capabilities. This leaves the unanswered question of how strong the SPDC would be without these measures.

The application of new sanctions will hurt the regime more than the civilian population. Regime affiliated businesses dominate the formal economy. Economist Alfred Oehlers argues that when taking into account the ‘structural features of the Burmese economy as well as key institutional features such as the pattern of ownership and control’ it may reasonably be presumed that ‘the negative consequences arising from sanctions will have [the] greatest impact on the military regime and its closest associates.’⁵⁶ The majority of Burma's civilian population is dependent upon the informal economy, including subsistence level activity, which would be minimally affected by sanctions.

⁵² Irrawaddy (11 Nov 02) An Interview with UN special envoy to Burma Razali Ismail (reprinted from *Malaysiakini*)

⁵³ AFP (9 May 02) Sanctions send ‘strong’ message to Myanmar regime: Suu Kyi

⁵⁴ Economist Intelligence Unit Ltd (1 Apr 03) EIU Country Risk Service: Myanmar

⁵⁵ While the regime denies any intentions to use military force outside of the country or to dramatically increase military capacity – despite promises to do so, they refuse to publish a White Paper on Defense. Selth, Andrew. (2002) *Burma's Armed Forces: Power Without Glory*

⁵⁶ Oehlers, Alfred. *Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003*

20 Special Report: Ready, Aim, Sanction!

The regime is responsible for the severe deterioration of socioeconomic development in Burma and for violating people's rights to their own livelihood. A better system of governance is a basic requirement for promoting sustainable economic reforms. If done properly, sanctions can pressure the regime to embark on genuine democratic transition, or they can create deep divisions within the regime that may lead it to its own demise.

[see Myths & Realities 11 & 14, p146 & p156]

CURRENT SANCTIONS

CANADA'S SANCTIONS ON BURMA	
1988	<p>Suspension of bilateral & multilateral aid.</p> <p>Withdrew diplomatic presence in Burma.</p> <p>Embargo on all direct military sales.</p> <p>Visa ban on senior SPDC officials.</p> <p>Ban on Export Development Corporation Assistance.</p> <p>Ban on trade promotions.</p>
1997	<p>Withdrew General Preferential Tariff eligibility on agricultural and industrial product.</p> <p>Placed Burma on Area Control List requiring all exports to Burma to have an export permit.</p>
2003	<p>Excluded from Least Developed Country (LDC) Market Access initiative, which eliminates most duties and quotas on imports from the other 48 LDCs.</p> <p>Reasserted the visa ban on senior regime officials.</p> <p>Placed travel restrictions on SPDC diplomats in Canada traveling outside Ottawa.</p>

EUROPEAN UNION SANCTIONS ON BURMA

- 1990 Arms embargo.
- 1991 Suspension of defense cooperation.
 Visa ban against top regime officials related to important governmental functions and their families.
 Expulsion of junta military personnel in Member States.
 High-level bilateral government visits to Burma suspended.
 Suspension of all non-humanitarian bilateral & multilateral aid
- 1996 Established a Common Position on Burma
- 1997 Generalized system of preference (GSP) eligibility withdrawn on agricultural and industrial products because of forced labor.
- 1998 Visa ban extended to prohibit entry and transit visas to senior SPDC officials and to extend the ban to include the tourism administration.
- 2000 Ban on export of equipment from EU that could be used for internal repression or terrorism.
 Published the list of 153 persons affected by the visa ban.
 Assets freeze on funds held abroad by those on visa ban list.
- 2002 List of 'persons subject to restrictive measures' was updated.
 If there is no progress on 'key issues of the national reconciliation process' the EU will Strengthen and broaden the assets freeze, travel ban measures, and arms embargo in October.
- June 2003 Extended the scope of the visa ban and assets freeze.
 Strengthened enforcement on elements of the arms embargo.
 Withdrawal of all military personnel of Member States in Burma and reiterate expulsion of SPDC military personnel in Member States.
 Suspension of non-humanitarian aid or development programs.

Policy is reviewed every six months

JAPAN'S POLICY ON BURMA	
Aug 1988	Suspended aid disbursement, Official Development Assistance (ODA), and economic cooperation "until Burma attains liberty and democracy". Implemented an arms embargo.
Feb 1989	Japan was the first country to officially recognize the regime. Disbursement of aid resumed on a case-by-case basis under existing agreements. No new aid programs.
1991	'Fundamental Principles of ODA' were created stipulating guidelines when considering ODA, including military spending, weapons procurement, democratic governance, market economy, economic and environmental issues.
Nov 1994	Japan provided new humanitarian aid to Burma as a 'reward' to the regime for the 'political progress it had made...meeting with Aung San Suu Kyi.'
1995	Ministry of Foreign Affairs officially resumes aid to Burma in response to Daw Suu's release from house arrest.
June 2003	Freeze on new bilateral economic aid to Burma.

UNITED STATES SANCTIONS ON BURMA

Sept 1988	Arms embargo and suspension of foreign assistance except humanitarian aid.
1989	Decertified Burma from being listed as cooperating in efforts against narcotics, denied anti-narcotics assistance and thus ineligible for Export-Import Bank and OPIC guarantees. Withdrew GSP eligibility. Adopted a policy of opposing multilateral aid and loans.
1990	Diplomatic representation downgraded to Charge d' Affaires. U.S. Customs and Trade Act of 1990 requires the imposition of economic sanctions on Burma if specific conditions on human rights and narcotics suppression are not met.
July 1991	Denied renewal of bilateral textile agreement. Section 138 of the Customs and Trade Act of 1990.
June 1993	Suspension of munitions export licenses to Burma under the Arms Export Control Act.
April 1994	Burma placed on list of 'outlaw' states, which mandates that voluntary U.S. funding for any UN agency be automatically reduced if the agency conducts programs in Burma.
Sept 1996	U.S. assistance to Burma, except relief and anti-narcotics aid blocked under the FY 1997 Foreign Operations Appropriations bill.
Oct 1996	Suspension of entry permission to the U.S. of persons who formulate, implement, or benefit from policies that are impeding the transition to democracy in Burma.
May 1997	New U.S. investment in Burma by U.S. persons banned. Executive Order 13047. Suspension of non-humanitarian bilateral assistance.
June 2000	Selective purchasing bill struck down in U.S. Supreme Court.
July 2003	Import ban on any article that is a product of Burma. Assets freeze of SPDC institutions and senior members of the SPDC and USDA. Policy to oppose multilateral loans to Burma. Expanded visa ban on SPDC and USDA officials. Ban on remittances to Burma.

The State Department assesses the situation in Burma every 6 months

SANCTIONS & ACTIONS: AN ASSESSMENT

In order to understand the current sanctions on Burma, it is necessary to look at the definition, impacts, and loopholes of each.

IMPORT BAN

On July 28, 2003, as part of the U.S. Burmese Freedom and Democracy Act of 2003, the U.S. banned the import of any article that is a 'product of Burma.' The ban specifically targets the SPDC, its ministries and members, known narcotics traffickers, Union of Myanmar Economic Holdings Incorporated, Myanmar Economic Corporation, USDA, and their fiduciary interests.

Direct Impacts

The ban will deny the regime a considerable source of revenue. In 2002, Burma exported \$356 million in goods to the U.S., mostly in garments.⁵⁷ It also denies the regime revenue from the 10% tax they require on exports in foreign exchange.⁵⁸ This is a considerable amount for a country whose GDP is only US\$6.7 billion.⁵⁹ The regime also controls a substantial proportion of Burma's exporting garment factories. In a BBC hidden-camera investigation of Burma's apparel industry, an SPDC official asserted that the regime controls "all the [garment] factories."⁶⁰ It has been reported that 95% of the factories represented by Myanmar Garment Manufacturers' Association are state-owned. The Association reported that 75% of their goods are imported by the U.S. and 25% by the EU.⁶¹

Importantly, it will decrease the regime's options to buffer the effects of sanctions. After the 1997 U.S. ban on investment, exports dramatically increased as part of a coping mechanism.⁶² Since 1998, exports to the U.S. from Burma have grown more than 400% and more than 575% since

⁵⁷ AP (15 Jul 03) House OKs Trade Sanctions Against Myanmar

⁵⁸ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

⁵⁹ Heritage Foundation (2003) 2003 Index of Economic Freedom: Burma

⁶⁰ BBC Night News 1997

⁶¹ AP (8 May 03) Myanmar garment manufacturers call for end to U.S. ban

⁶² Australian Department of Foreign Affairs and Trade (May 2001) Economic and Trade Information: Burma

26 Special Report: Ready, Aim, Sanction!

1995.⁶³ In 2000, garment imports to the U.S. more than doubled to US\$400 million after increasing 45% in 1999.⁶⁴

Replacement of this market will not be as easy as the regime's rhetoric suggests. U.S. markets became Burma's second largest export destination, accounting for 16% of Burma's exports in FY2001. Garments are labeled as one of Burma's principal exports and it is estimated that 90% of garment exports went to U.S. markets.⁶⁵

Room For Improvement

The bill permits products that are made from materials from Burma, but assembled or created in another country, to be imported to the U.S. For example, teak is heavily logged in Burma but made into furniture and wood boards in Thailand and then exported.

While the import ban dramatically reduces the economic ties the U.S. has with Burma, the regime is able to continue importing goods from the U.S. and still receives funds from investment projects grand-fathered prior to the 1997 investment ban. [see Foreign Investment Restrictions p28] Burma imported U.S. machinery and tools recorded at US\$13 million in 2001. There is currently no comprehensive regulatory system to ensure that these products are not being misused and thus contributing to forced labor or defense development programs. [see Arms Embargo p30]

BAN ON REMITTANCES TO BURMA

In July 2003, the U.S. banned remittances to Burma.⁶⁶ U.S. Secretary of State Colin Powell said, "It's time to ban remittances to Burma so that the SPDC cannot benefit from the foreign exchange."⁶⁷

Direct Impacts

This act bans money transfers from the United States, including U.S. banking institutions and businesses, into Burma. The impact has been rather strong on the regime as reportedly, most trade was conducted in U.S.

⁶³ Economist Intelligence Unit (1 Apr 03) EIU Country Risk Service: Myanmar: Trends in foreign trade

⁶⁴ US Department of Commerce (2002) Burma Country Commercial Guide FY2002 www.usatrade.gov

⁶⁵ US Department of Commerce (2002) Burma Country Commercial Guide FY2002 www.usatrade.gov

⁶⁶ Free Burma Coalition (15 Jul 03) U.S. House of Representatives Passes Sanctions on Burma

⁶⁷ Wall Street Journal (12 Jun 03) It's Time to Turn the Tables On Burma's Thugs

dollars and Burma's international transactions and money transfers were largely cleared through U.S. banks.⁶⁸ However, the act permits money transfers to support 'conduct of diplomatic or consular activities' in Burma.

These restrictions may impact the use of credit cards (only available to elite Burmese and foreigners), import and export businesses and businesses with U.S. dollar bank accounts. U.S. banks and notably several banks in Singapore have stopped accepting Letters of Credit (which authorizes a transfer or withdrawal from one bank to another) from Burmese banks.⁶⁹ The state-run Myanmar Foreign Trade Bank, Myanmar Investment and Commercial Bank, and the Myanmar Economic Bank are the only institutions that handle foreign exchange transactions in Burma.⁷⁰

Burmese citizens living abroad are required to pay taxes to the regime, and this ban will make the transfer of that money to Burma more difficult. It also severely hampers the ability of officials close to the regime that are living abroad to send money back to the country.

The regime is clutching at coping mechanisms to ease the blow. All government organizations and private businesses have been instructed to use the Euro for import and export, but the Japanese yen and Singaporean dollar can be used if the trading partner agrees.⁷¹ The biting reaction from Gen Khin Nyunt calling the ban 'inhumane' and saying it could create 'chaos and anarchy' in Burma, is indicative of the pinch the regime is feeling or expecting.⁷²

Room For Improvement

The specific parameters on this ban have yet to be fully detailed and thus the full impact and assessment of loopholes or probable coping mechanisms is not available at this time. The guidelines of the act will be posted at: <http://www.ustreas.gov/offices/eotffc/ofac/sanctions/index.html> [see Recommendation: Widen Ban on Remittances to Burma for more discussion, p54]

⁶⁸ BBC (15 Aug 03) Burma favours euros over dollars

⁶⁹ Irrawaddy (7 Aug 03) Foreign Banks Refuse Letter of Credit

⁷⁰ Irrawaddy (7 Aug 03) Foreign Banks Refuse Letter of Credit

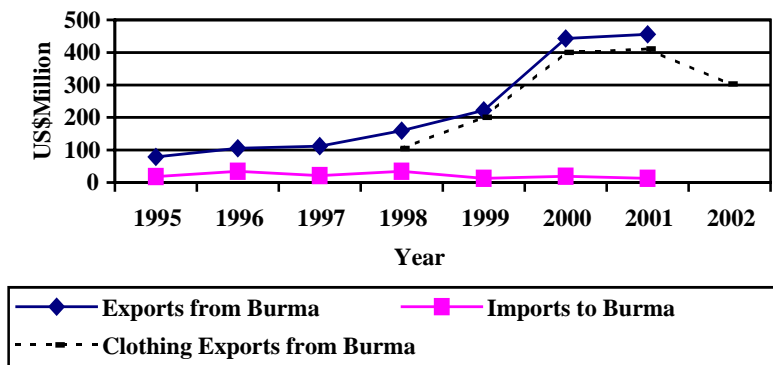
⁷¹ BBC (15 Aug 03) Burma favours euros over dollars

⁷² Associated Press Worldstream (17 Aug 03) Myanmar junta warns that U.S. sanctions will create anarchy

FOREIGN INVESTMENT RESTRICTIONS

May 20, 1997 the U.S. banned new investment in Burma by U.S. persons or entities, which does not apply to contracts enacted prior to May 1997. Prior to that in 1990, Overseas Private Investment Corporation (OPIC) guarantees were suspended. This was first mandated when Burma was decertified for narcotic eradication and then reinforced with the 1990 U.S.

BURMA- US TRADE
 Source IMF Direction of Trade Statistics Yearbook &
 Dept of Commerce



Customs and Trade Act, which requires economic sanctions on Burma until specific conditions on human rights and narcotics suppression are met.⁷³

Direct Impacts

The ban on OPIC denies U.S. businesses the availability of direct equity funds for investment in Burma, making the choice to invest extremely risky, on top of the risks posed by the SPDC's glaring economic mismanagement.

Between 1990 and 1996 *actual* U.S. foreign direct investment (FDI) in Burma averaged more than 100% of the *approved* FDI. This is significant because in 1997 *approved* FDI jumped over 900% from the 1990-96 average,

⁷³ US Department of Commerce (2002) Burma Country Commercial Guide FY 2002 & US Department of State (5 Dec 97) Press Release

however in 1997 the *actual* U.S. FDI was merely 4% of the *approved* FDI.⁷⁴ Although the pre-existing contracts allowed for substantial investment for several years, the new FDI ban has halted an influx of finances and resources into the irresponsible hands of the regime.

Room For Improvement

Despite the ban on new investment, until the latest round of sanctions, the U.S. remained quite involved in trade with Burma. The Myanmar Investment Commission reports that American companies invested more in February 1997 than they had in the previous 8 years combined. Most of the new investment was in the oil and gas sector.⁷⁵ In addition, with a ban on investment, a concentrated focus on exports emerged, thus diluting the impact of the investment ban.

Pre-existing contracts were exempt from the investment ban, which has facilitated natural gas projects that have infused large sums of money into the hands of the SPDC. Natural gas is one of Burma's top export earners as well as the top foreign direct investment sector. U.S.-based Unocal has nearly 30% equity in the Yadana pipeline, a project that has been providing considerable revenue to the regime since 1999. In fiscal year 1999-2000, FDI in the oil and gas sector amounted to US\$ 2,356 million or 32% of all FDI. [See Recommendation: Ban on Oil & Gas FDI for more details, p72]

U.S.-based company Unocal has plans to expand its investment in Burma by developing new fields to expand deliveries of gas from the Yadana field they have already assisted in developing.⁷⁶ [see Yadana Partners Strike Again p73]

Also permitted under the investment ban legislation are:

- ◆ Supervision without guarantee or receiving economic return based upon consultation
- ◆ Sub-contractors providing a service that is not a supervisory function

⁷⁴ Burma Economic Watch (June 2001) Foreign Direct Investment and the Garments Industry in Burma quoting International Monetary Fund (17 Nov 00) Myanmar: Statistical Appendix

⁷⁵ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-updated May 2003, quoting Financial Times, 25 April 1997

⁷⁶ Oil & Gas Journal (28 Apr 03) TotalFinaElf group to develop Sein, Badamyar fields off Myanmar

30 Special Report: Ready, Aim, Sanction!

- ◆ Investment by foreign subsidiaries of U.S. companies in Burma, but the U.S. parent company cannot approve or supervise the project
- ◆ Purchasing shares of third-country companies that invest in Burma, provided it is not their main source of revenue
- ◆ Investments for non-profit, education, health and humanitarian projects

Despite these sanctions, the International Confederation of Free Trade Unions (ICFTU) asserts that at least 45 U.S. based companies either operate in Burma, have business relations with the country, have been in direct contact with the officials of the regime or promote tourism in the country.⁷⁷ [see Recommendation: Boycott & Divestment Campaigns p105]

ARMS EMBARGO & NON - PROVISION OF ARTICLES/SERVICES THAT COULD BE USED FOR REPRESSION

The U.S, Canada, Australia, Japan and South Korea have maintained an arms embargo against Burma since 1988 and the EU since 1990.⁷⁸ The U.S. and EU have taken a further step and suspended licenses and other approvals to export/transfer articles or services of military exports to Burma that could be used for internal repression. Before 1988, Burma's arms procurement efforts were rather insignificant compared to arms procurement efforts post 1988, which makes a comparison of arms embargo effectiveness limited. In June 2003, the EU voted to enforce the ban on technical training or assistance related to the provision, manufacture, maintenance or use of arms, munitions and military equipment.

Direct Impacts

The U.S. and several EU countries were some of Burma's major arms suppliers prior to the 1988 embargo.⁷⁹ While Japan, South Korea, Australia, and Canada do not have a substantial history of arms trading with Burma, the embargo has denied the SPDC possible trading partners and technology. However, the arms embargo serves an important 'preventative'

⁷⁷ International Confederation of Free Trade Unions (24 Oct 02) Companies linked with Burma - <http://www.global-unions.org/burma/default3.asp>

⁷⁸ US Department of Commerce (2002) Burma Country Commercial Guide FY 2002 & European Union (Nov 2002) The EU's relations with Myanmar/Burma – Overview: Legal basis of EU relations

⁷⁹ Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory

purpose by denying the SPDC easy access to new western technology, ammunition, and spare parts for previously acquired western military equipment and arms.⁸⁰ Andrew Selth asserts that the SPDC is anxious to get the arms embargo lifted so that they can obtain ammunition and spare parts for the military's American-made arms and equipment.⁸¹

What is extremely important is that the embargo and export ban likely slows weapons development and procurement by the SPDC. This prevents them from diverting more funds to military and defense budgets and increases pressure on other countries to reconsider engaging the SPDC in the weapons trade. This was illustrated in November 2002 when the Prime Minister of the Serb Republic said an agreement to sell arms to the SPDC was cancelled reportedly because Burma was under an arms embargo by several members of the international community.⁸²

Room For Improvement

With the absence of comprehensive trade sanctions on Burma, the SPDC has more revenue, with which to purchase weapons and military technology. There have also been credible reports that the regime has taken "full advantage of a range of grants, soft loans, special 'friendship' deals, barter arrangements and the sale of overseas property" to make payments for military equipment.⁸³ There have been repeated accusations that the regime has drawn on finances from narcotics production, sales and kickbacks as well as money laundering schemes to pay for their weapons.⁸⁴

There is evidence that Burma's "already extensive network of arms and ammunition factories is being modernized and expanded."⁸⁵ Andrew Selth asserts that while the regime is interested in obtaining more military equipment and weapons, there appears to be an emphasis on obtaining raw materials and 'intermediate goods,' which can be used to manufacture weapons domestically. Often these imports do not get categorized as

⁸⁰ Selth, Andrew. (2002) *Burma's Armed Forces: Power Without Glory*

⁸¹ Selth, Andrew. (2002) *Burma's Armed Forces: Power Without Glory*

⁸² Reuters (4 Nov 02) *Bosnian Serbs admit plans to sell arms to Burma*

⁸³ Selth, Andrew. (2002) *Burma's Armed Forces: Power Without Glory*, quoting Linter, Bertil. *Hidden Reserves* Far Eastern Economic Review, 6 June 1991

⁸⁴ Lintner, Bertil. *Drugs and Economic Growth in Burma Today*. In M. Pederson, E. Rudland, & R.J. May (Eds) *Burma/Myanmar Strong Regime Weak State? 2000*

⁸⁵ International Crisis Group (27 Sept 02) *Myanmar: The Future of the Armed Forces*, quoting Selth, Andrew *Burma's Defence Expenditure and Arms Industries*. *Contemporary Security Policy*, Aug 1998

32 Special Report: Ready, Aim, Sanction!

'defense-related imports' as their usage is ambiguous or deceptively reported for use in another sector. This makes it extremely difficult to know which exports to Burma are being used for civil society and which ones are being diverted to SPDC weapons development. This manipulation by the SPDC has potentially placed some countries in the position of unknowingly violating their own policies of 'suspending exports of materials that could be used for internal suppression.'

For example, it is known that some iron and steel mills have been upgraded to produce metal for arms production as part of this 'defense import substitution effort'.⁸⁶ In February 1998, Singapore provided the SPDC with a 'state-of-the-art facility' to manufacture small arms and ammunition.⁸⁷ The plant is producing automatic rifles, assault rifles, and light machine guns. In addition, around 1998 China and the SPDC made a secret deal to construct a landmine factory in Burma.⁸⁸ [See UNSC for further analysis on Rampant Military Growth p117]

The SPDC continues to seek out diversified partners, which demonstrates the need for a more cohesive international arms embargo policy on the SPDC. Since 1988, the junta has placed arms orders with: China, Russia, Singapore, Pakistan, Israel, India, Yugoslavia, Poland, Portugal, Vietnam, Ukraine and has reportedly tried to make deals with Czechoslovakia, Bulgaria, South Africa, Republic of Korea, Belgium and Chile.⁸⁹ India's Ministry of Defense has recently declared that, "As part of the government policy of export promotion and development, India is inclined to export arms to countries, including Burma."⁹⁰

In several cases, governments such as Singapore, Thailand, Israel, and Poland reported being unaware of arms deals to Burma through private brokers. Arms are often trans-shipped through entrepot ports, primarily

⁸⁶ US Embassy Rangoon (1996) Foreign Economic Trends Report: Burma, quoted in Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory

⁸⁷ in Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory quoting, Bruce Hawke. Myanmar Making Small Arms in Imported Factory. Jane's Defence Weekly, Jul 98

⁸⁸ Selth, Andrew (2002) Burma's Armed Forces: Power Without the Glory

⁸⁹ Selth, Andrew (2002) Burma's Armed Forces: Power Without the Glory quoting: Boyd, 'Burma Arms Itself against Rebels in Secret'; Lintner, 'Myanmar's Chinese Connection,' Asian Defence Journal (Sept 92) Junta Takes Delivery of Polish Choppers, and Economist (8 Oct 94) But Will the Flag Follow Trade?

⁹⁰ PakTribune News Wire (12 May 03) India actively exporting arms to Burma

Singapore.⁹¹ It also appears that the SPDC has obtained some US materials from suppliers in Singapore and Vietnam. This demonstrates the need for greater oversight and tracking of arm shipments.

In addition to arms, Burma receives military or defense training from China, the Philippines, Pakistan, India, Singapore, Malaysia, and Israel.⁹² India is rapidly trying to increase military ties with the SPDC. In September 2003, Indian Naval Chief Admiral Madhvendra Singh is scheduled to visit Burma on a high-level defense exchange, the first in nearly 30 years.⁹³

ASSETS FREEZE

In April 2000, the EU issued a mandate for member states to freeze the property and financial assets of high-ranking SPDC officials, authorities in the tourism sector, senior members of the military, the SPDC officials and security forces who formulate, implement or benefit from policies that impede transition to democracy, and their families.⁹⁴ On June 20, 2003, the EU extended the scope of the assets freeze to include further members of the SPDC and security forces as well as members of the Union Solidarity and Development Association (USDA). On July 28, 2003, the U.S. implemented an assets freeze on funds belonging to the SPDC, previous and current senior SPDC officials and senior officials in the SPDC's 'political arm', USDA.

Direct Impacts & Room For Improvement

Reportedly the EU has frozen 'not much' since the inception of this regulation in 2000. It is not known if there has been an investigation by the U.S. or EU into probable locations of assets, so it is not known how much impact this measure could have on high-level individuals in and associated with the junta. However, this measure does relay a political message that the EU and U.S. does not want to finance the junta and its associates who condone and commit human rights abuses and prevent reconciliation and democratization.

The assets freeze should be expanded under the United Nations Security Council to include state-owned companies, which are largely owned, financed and providing revenue to the regime, private businesses of SPDC

⁹¹ Selth, Andrew (2002) Burma's Armed Forces: Power Without the Glory quoting Tasker, R & Lintner, B. Difficult Guests. Far Eastern Economic Review, Mar 93

⁹² Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory

⁹³ Press Trust of India (29 Aug 03) India, Myanmar to hold high-level defence talks

⁹⁴ European Union (22 May 00) Council Regulation (EC) No 1081/2000

34 Special Report: Ready, Aim, Sanction!

officials, USDA businesses, and Na Sa Ka. [See Recommendation: Widen Assets Freeze & Tentacles, p95 & p79]

TRAVEL/VISA BAN

Since 1996, the U.S. and EU have had travel bans on identified high-level officials and those deemed to be 'impeding transition to democracy in Burma.' In June/July 2003, the EU and U.S. expanded the list to include more regime officials and regime affiliated persons, including some members of USDA and their spouses or family members. On the EU list there are 181 regime or regime-affiliated persons on the list and 89 family members or spouses. The U.S. list will be extensive as it applies to past and current senior leadership of the SPDC and USDA. However, this does not restrict all SPDC officials as Ambassadors from Burma are hosted in these countries. Both the U.S. and EU lists are public, which can be useful in cross checking and updating purposes. On July 10 2003, Canada placed a travel restriction on SPDC diplomats, who must notify the Canadian government when they travel outside of Ottawa.⁹⁵

Direct Impacts

It is unclear how much travel was enjoyed by these SPDC officials prior to the travel bans. However, this policy had a notable impact in June 2000, when the EU refused to allow the SPDC representative to join the EU-ASEAN senior officials meeting in Portugal. However, with what was seen as a concession, the EU agreed to Burma's participation in meetings that are held in ASEAN countries.⁹⁶ The episode was a reminder of how Burma's dysfunction under the SPDC also impacts the region. This is a type of technique that can be used to 'encourage' ASEAN countries to take a more involved position on Burma.

Room For Improvement

EU Visa Ban Exceptions:

- ◆ A Member State is hosting an international intergovernmental organizational meeting
- ◆ A Member State is hosting an international conference under the auspices of the United Nations

⁹⁵ Canadian Friends of Burma (July 2003) Graham Announces Further Actions Against Burma

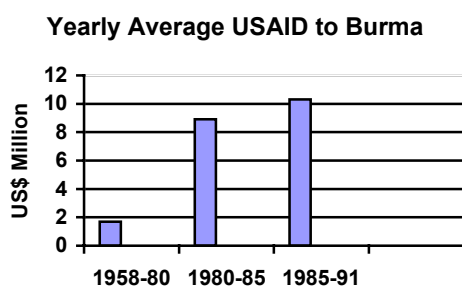
⁹⁶ Asia Times Online (25 May 00) EU toughens sanctions against Burma

- ◆ A Member State is hosting a meeting under a multilateral agreement conferring privileges and immunities
- ◆ There is only 48 hours to respond to a request for an exemption to the policy for urgent humanitarian needs and attending an intergovernmental meeting where a political dialogue is conducted that directly promotes democracy, human rights, and rule of law in Burma.

The ban is not consistently enforced which could undermine its impact. In January 2003, the EU permitted Deputy Foreign Minister Khin Maung Win to attend the EU-ASEAN summit in Brussels. His presence was permitted under the exception that permits SPDC leaders to attend meetings in the EU that discuss human rights and democracy.⁹⁷ While Burma's human rights record was raised as a side note, it was not the premise of the meeting. Likewise, in May 2002, Defense Minister Kyaw Thein was invited to the US for a narcotics conference.

BAN ON DIRECT FOREIGN ASSISTANCE

In 1988 the U.S. and Canada banned all bilateral and multilateral aid. The 1996 EU Common Position suspended non-humanitarian aid to Burma. In the 1997 legislation, the U.S. made the ban on direct foreign assistance independent of decertification for non-cooperation on narcotics eradication. The U.S. and EU provide humanitarian aid through INGOs and UN agencies and UN Burma specific projects with the condition that consultation with the NLD 'as much as is possible' is required. Canada, U.S., and some EU members provide aid to refugees and the pro-democracy movement.



Direct Impacts & Room For Improvement

Just prior to 1988, Canada was providing a minimal amount of development funding to Burma, so banning aid did not have a considerable direct impact on Burma. However, the U.S. Agency for International Development (USAID) was providing

⁹⁷ AFP (27 Jan 03) EU, ASEAN look to turn page on Myanmar-poised links

36 Special Report: Ready, Aim, Sanction!

Burma with project specific aid of an average of US\$10.3 million per year between 1985 and 1991.⁹⁸

The ban implies that Canada and the U.S. might be willing contribute significant funding to Burma if democratic changes occur. However, the regime responds more to actual deprivation of current resources they already benefit from than only the promise of new rewards if they comply. Both the U.S. and Canada provide funds to ASEAN and the Asian Development Bank, which provides funds to the Greater Mekong Subregion Programme, so Burma is likely obtaining aid from those avenues.

Japan Suspends Aid to Burma

In 1988, Japan briefly suspended aid distribution to Burma “until Burma attains liberty and democracy.” However, in 1989 the distribution of some aid resumed and in 1994 Japan began giving the regime new aid packages and officially resumed aid in 1995. On June 25, 2003, Japan suspended the distribution of *new bilateral* assistance to Burma.⁹⁹ The suspension does not include grassroots grants assistance and also allows for the disbursement of previous agreements. While the freeze was clearly linked to the events surrounding Black Friday, most notably Daw Suu’s prolonged detention, Japan has not listed upon what conditions aid will resume. [see Recommendation: Suspend Japan’s ODA to Burma p102]

Drug Eradication Assistance

In 1988, Canada and the U.S. halted drug eradication assistance to Burma. Canada’s policy is to not provide money to programs that fund Burma, while the U.S. still contributes a significant amount of money through the United Nations Office on Drugs and Crime (UNODC) [previously named the United Nations Drug Control Program (UNDCP)]. In addition to the U.S. general contribution to the UN drug control program, in 1997 the U.S. gave US\$3.3 million to fund a UN alternative development program in Burma.¹⁰⁰

Direct Impacts & Room For Improvement

Prior to 1988, Canada did not provide Burma directly with drug eradication assistance and only contributed about US\$144,000 to regional UNDCP

⁹⁸ USAID (2003) Burma Project History Report

⁹⁹ AFP (27 Jun 03) UN special envoy due in Jakarta for talks on Myanmar

¹⁰⁰ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-updated May 2003, quoting US Investigative Services (3 Apr 98)

programs.¹⁰¹ Prior to 1988, the U.S. counter-narcotics aid package was about US\$18 million annually, during which drug production actually increased due to the regime's manipulation of using funds to suppress ethnic nationalities and not narcotics production.¹⁰² However, the U.S. is providing an increasing amount of funding to Burma via UNODC.

Withholding assistance from the SPDC is denying them legitimacy as genuine narcotic fighters. It also denies them justification to strengthen their campaigns against ethnic nationalities, instead of working for a genuine political solution. As pressure is mounting regionally on the SPDC to fight narcotics, the SPDC is eager to obtain drug eradication assistance from the U.S., instead of diverting military resources to this purpose, and has launched an intensive public relations campaign. The U.S. Task Force on Burma is adamant that the "United States should not certify Burma at this time because it has 'failed demonstrably' to curtail drug production, drug trafficking and money laundering. In addition, the United States should not provide any counter-narcotics assistance to the Burmese government. Increased counter-narcotics cooperation should depend, at minimum, on significant steps by the Burmese government to curb methamphetamine production, to arrest leading traffickers, and to stop channeling drug money into the illicit economy."¹⁰³ [see UNSC: Drugs for more info, p126]

SUSPENSION OF MDB (Multilateral Development Bank) & IFI (International Financial Institution) ASSISTANCE

In 1988 Canada ceased multilateral aid and opposed multilateral loans or assistance. Since 1989, as part of U.S. policy on countries that are decertified from cooperating with narcotics eradication, the U.S. has a policy to oppose aid and loans from MDB/IFIs.¹⁰⁴ In 1996 this policy was renewed to be independent of the narcotics certification process. The U.S. holds veto power in the World Bank and substantial influence in the Asian Development Bank (ADB). Under the EU's 1996 Common Position

¹⁰¹ International Crime of the Department of Foreign Affairs and International Trade (Canada) (May 2003) Personal communication with Policy Officer

¹⁰² Lintner, Bertil. Heroin and Highland Insurgency in the Golden Triangle. In Alfred W. McCoy, Alan A. Block (eds.) War on Drugs Studies in the Failure of U.S. Narcotics Policy. 1992

¹⁰³ U.S. Council on Foreign Relations Independent Task Force (2003) Burma: A Time For Change

¹⁰⁴ US Department of State (5 Dec 97) Press Release & International Trade Reporter (6 Mar 96)

38 Special Report: Ready, Aim, Sanction!

provision to suspend aid to Burma, EU countries are required to oppose loans and assistance from MDB/IFIs.¹⁰⁵

Direct Impacts & Room For Improvement

The ADB suspended loan privileges in 1986. Burma has not received loans from the World Bank and technical assistance from the ADB since 1987.¹⁰⁶ The regime has not paid on the loans since 1998 and owes more than US\$55 million in overdue payments.¹⁰⁷ Due to the excessive outstanding loans and failure of payment, it is unlikely the regime would be eligible for loans at this time. Also, the policies of the U.S., EU and Canada have made it extremely difficult for the regime to obtain large amounts of money, which if they had could strengthen their grip on power. The SPDC has rejected World Bank involvement, in part because they are conditional upon institutional and policy reforms.

While the ADB has a moratorium on direct loans to Burma, it funds projects in the Greater Mekong Subregion, which includes Burma. [see Recommendation: Withhold Assistance From IFI/MDBs: GMS p98]

Development specialists estimate that Burma could easily attract US\$500 million yearly from donor countries and substantially more from International Financial Institutions.¹⁰⁸ It is therefore arguable that these sanctions are of extreme importance because without good governance policies, this money could easily be misused to prop up the regime.

TRADE PREFERENCE SUSPENSIONS

The U.S., EU, and Canada have withdrawn or suspended some trade privileges specifically in response to the gross violation of human rights by the junta as well as their failure to adequately cooperate on narcotics suppression. Since 1989, the U.S. has maintained a suspension on Export-Import Bank and Commodity Credit Corporation credit, and Generalized System of Preferences (GSP) eligibility.¹⁰⁹ In 1988, Canada put a ban on

¹⁰⁵ Bank Information Center (15 Jul 03) Burma's Status in the Multilateral Development Banks

¹⁰⁶ ADB (2002) Outlook: Myanmar & US Department of Commerce (2002) Burma Country Commercial Guide FY2002

¹⁰⁷ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

¹⁰⁸ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990--updated May 2003, quoting International Herald Tribune, 26 Nov 98

¹⁰⁹ US Department of Commerce (2002) Burma Country Commercial Guide FY 2002 & US Department of State (5 Dec 97) Press Release

Export Development Corporation Assistance and trade promotions.¹¹⁰ In 1997, the EU and Canada withdrew Burma's GSP eligibility on agricultural and industrial products. Canada also put Burma on the 'Area Control List,' which requires permits for all exports to Burma.¹¹¹

The EU invoked the measures in response to assertions of widespread forced labor. The U.S. suspension on Export-Import Bank credits was first mandated when Burma was not certified for narcotics eradication and then reinforced with the 1990 U.S. Customs and Trade Act, which requires economic sanctions on Burma until specific conditions on human rights and narcotics suppression are met. The U.S. revoked GSP eligibility in response to the absence of internationally recognized workers rights in Burma.

Direct Impacts

The denial of GSP status denies Burma's eligible exports a tax-free or reduced entry into a specific country. This gives an edge to other exporters who are eligible for GSP status, and thus puts some hindrance on EU, U.S. and Canadian imports from Burma in favor of other countries that should have better human rights standards. The U.S. ban on export-import and commodity credit guarantees and Canada's ban on Export Development Corporation Assistance deters exports to Burma as sellers are prevented from obtaining insurance protection and loans. However, Burma would not likely import a significant amount of goods from Canada and the U.S. for civilian use. These measures mainly make a political statement on the EU, U.S. and Canada's desire for democratic reforms and respect of human rights.

Room For Improvement

For the most part exports from Burma were not benefiting from these preferences prior to the restrictions. In 1995, Burma exported about US\$88 million in exports to the EU, of which only 2.4% benefited from GSP status although 35% were considered eligible by the EU.¹¹² After revoking

¹¹⁰ Canadian Friends of Burma (www.cfob.org) & International Crime of the Department of Foreign Affairs and International Trade (Canada) (March 2003) Personal communication with Policy Officer

¹¹¹ Canadian Friends of Burma & European Union (24 Mar 97) EU Suspends GSP Trade Privileges for Burma

¹¹² European Union (24 Mar 97) EU Suspends GSP Trade Privileges for Burma & Collignon, Stefan.. The Burmese Economy and the Withdrawal of European Trade Preferences. European Institute for Asian Studies, April 1997

40 Special Report: Ready, Aim, Sanction!

the GSP status, imports to EU countries did not decline, but instead increased. Between 1997-1999, imports to EU countries increased about 68% and about 33% to Canada.¹¹³ Imports to the U.S. have also grown rapidly despite the denial of trade and investment preferences. [See Foreign Investment Restrictions p28] These restrictions have not profoundly hindered the export profit schemes of the junta, the way an import ban could.

DIPLOMATIC DOWNGRADES

Only the U.S. and Canada have downgraded their diplomatic representation in Burma in 1990 and 1988 respectively. The U.S. Embassy still operates in Rangoon and the highest-ranking official is a Charge d' Affaires. There is no Canadian Embassy in Burma, but the Canadian Ambassador in Thailand is accredited to cover Burma. The EU officially suspended high-level governmental visits in 1996 but made 4 official-level Troika Missions to Burma in order to explain the EU's position on Burma and to get first hand information on the political and human rights situation in the country. In 1996, regime military personnel attached to the diplomatic representations in EU Members States were expelled and in June 2003, this was expanded to military personnel attached to the diplomatic representations of Member States in Burma. The U.S., Canada, and EU countries continue to host full Ambassadors from Burma.

INTERNATIONAL LABOR ORGANIZATION (ILO)

A MODEL FOR SANCTIONS

The approach taken by the ILO deserves to be examined as it has solicited consistent response and some action from the SPDC as illustrated in the following chronology. The ILO cited Burma as being in violation of Convention standards since 1991, but it was not until Burma was threatened with consequential action that the SPDC began their limited engagement with the ILO.

- | | |
|----------|--|
| 1998-99 | The ILO sent a Commission of Inquiry to Burma to evaluate the status of forced labor (Convention 29). The Commission presented their findings and recommendations to the SPDC, but little to no corrective action was taken. |
| May 2000 | After intense lobbying from some of Burma's Asian neighbors to give the SPDC another chance, another ILO delegation |

¹¹³ International Monetary Fund (2002) Direction of Trade Statistics Yearbook

Non-military options to support Burma's democratization 41

- was sent to evaluate the SPDC's progress in implementing measures to end forced labor. The delegation found the SPDC's efforts to be grossly inadequate.
- Jun 2000 The ILO recommended ILO members to 'review' their relations with Burma to ensure they did not contribute to forced labor.
- Oct-Nov 2000 Just weeks before the ILO would vote to take serious measures against Burma, the SPDC entered into secret talks with Daw Aung San Suu Kyi and created a legal order banning forced labor. The Federation of Trade Unions of Burma said the "specter of economic sanctions was a primary factor forcing the regime to take this step."¹¹⁴
- Nov 2000 The ILO made an unprecedented decision to invoke Article 33, which puts the SPDC at risk for potential economic divestment and bans by international trade unions, UN agencies and the ILO member countries.
- Nov 2000 SPDC "categorically rejects the decision [to invoke Article 33]...Myanmar will cease to cooperate with the ILO in relation to the ILO Convention 29 [forced labor] and any activity connected with it."¹¹⁵
- May 2001 A couple of weeks before the International Labor Conference the Myanmar Chamber of Commerce and Industry wrote a letter pleading with the ILO not to impose further sanctions.¹¹⁶
- Sept-Oct 2001 After the SPDC categorically denied the accusations of forced labor by the ILO, the SPDC appeared to 'change their mind' and permitted a high-level team to assess the situation – 'coincidentally' right before the ILO Governing Body Meeting in November.
- Mar 2002 After the previous rejection of the ILO's recommendation for a permanent presence in Burma citing matters of

¹¹⁴ www.tradeunions-burma.org/ilo/iloandburma.htm

¹¹⁵ International Labor Organization Governing Body (16 Nov 00) Statement by His Excellency U Mya Than, Leader of the Myanmar Observer Delegation at the Plenary of the 279th session of the ILO Governing Body after the adoption of the decision on the situation in Myanmar

¹¹⁶ Irrawaddy (May 2001) Sanctions Revisited

42 Special Report: Ready, Aim, Sanction!

- 'sovereignty'¹¹⁷ during the ILO Governing Body Meeting, the SPDC agreed to an appointment of an ILO Liaison Officer, but rejected the call for a permanent representative and independent legal ombudsman.
- Oct 2002 One month before the ILO Governing Body Meeting, Ms. Hong-Trang Perret-Nguyen's mandate as the ILO Liaison Officer in Burma began.
- Mar 2003 Prior to the ILO Governing Body Meeting in March, the SPDC tried to host another ILO high-level team visit to demonstrate their 'commitment' to eradicating forced labor. In a strong move to deny the SPDC the opportunity to use the ILO as a smokescreen, Ms. Hong-Trang Perret-Nguyen denied the request saying, "there has not been sufficient progress for me to recommend the ILO send a high-level mission."¹¹⁸ Yet, ASEAN labor ministers called on the ILO to stop its action against Burma saying efforts have been made to end forced labor.¹¹⁹
- May 2003 ILO said the ILC would be the SPDC's 'last chance call' to produce a meaningful action plan to eradicate forced labor in order to avoid further enforcement actions. 2 weeks before the ILC convened, the SPDC agreed to a facilitator, Mr. Leon de Riedmatten, to assist 'possible victims' of forced labor to seek compensation and a pilot local road construction project.¹²⁰
- May 2003 The ILO received a formal complaint by the International Confederation of Free Trade Unions (ICFTU) on the systematic violation of the Convention on Freedom of Association and Protection of the Right to Organize (Convention 87).¹²¹

¹¹⁷ Reuters (20 Nov 01) Myanmar rejects ILO call for permanent presence

¹¹⁸ Irrawaddy (12 Mar 03) "The Main Problem is the Army": An interview with Hong Trang Perret-Nguyen

¹¹⁹ Japan Today (10 May 03) ASEAN ministers call on ILO to ease up on Myanmar

¹²⁰ M2 Presswire (15 May 03) ILO and Myanmar agree on facilitator to help end forced labour

¹²¹ International Confederation of Free Trade Unions (30 May 03) Burma: military junta faces second ILO procedure on workers' rights

UNITED NATIONS

SPDC THUMBING THEIR NOSE AT THE UN

For more than 12 years, various sections of the United Nations system have been trying to promote democratic transition, reconciliation, and respect for human rights in Burma. The usual tactics have been employed, yet the SPDC continues to be belligerent and dismissive of international standards and regulations.

Since 1991-92, the UNCHR and UNGA resolutions said, "despite the assurances given at various times that it [Government of Myanmar] would take firm steps towards the establishment of a democratic State, has not to this day fulfilled those commitments." In April 2003, U Mya Than, Permanent UN Representative and Leader of the Myanmar Delegation, said "My delegation dissociates itself from the draft resolution on situation of Human Rights in Myanmar."¹²²

The SPDC consistently denies UN allegations of abuses of justice and human rights and refuses to make genuine progress with the assistance of UN agencies. Therefore when the SPDC says, "We shall, therefore, continue to cooperate with the Commission on Human Rights in the spirit and the tradition that we have carried forward to date," they are clearly stating that they will continue their path of non-cooperation with the non-binding resolutions from the UN.¹²³

UN INTERVENTIONS

- ◆ Since 1991, the UNCHR has adopted by consensus annual resolutions on the situation of human rights in Burma expressing 'grave concern'.
- ◆ United Nations General Assembly has adopted by consensus 11 consecutive resolutions calling for democracy in Burma.
- ◆ UN Secretary General has produced annual reports since 1995 expressing concern over the situation in Burma.

¹²² United Nations Commission on Human Rights (16 Apr 03) Rebuttals to the draft resolution No.E/CN.4/2003/L.36: Statement by U Mya Than Permanent Representative and Leader of the Myanmar Observer Delegation

¹²³ United Nations Commission on Human Rights (16 Apr 03) Rebuttals to the draft resolution No.E/CN.4/2003/L.36: Statement by U Mya Than Permanent Representative and Leader of the Myanmar Observer Delegation

44 Special Report: Ready, Aim, Sanction!

- ◆ Secretary General's Special Envoy for Burma, Tan Sri Razali Ismail (Malaysia) began his mission in June 2000 and has made 10 trips to Burma.
- ◆ The Special Rapporteur on the situation of human rights in Burma Paulo Sergio Pinheiro (Brazil) began his mandate in 2001 and has made 4 1/2 fact-finding missions to Burma.
- ◆ UN Assistant Secretary-General for East Asian affairs Alvaro de Soto (Peru) visited Burma 5 times between May 1997 October 1999.
- ◆ 1997-2000 Mr. Rajsoomer Lallah (Mauritius) was the Special Rapporteur on the situation of human rights in Burma. The regime never permitted him to enter Burma.
- ◆ 1992-96, Dr. Yozo Yokota (Japan) was the Special Rapporteur on the situation of human rights in Burma.
- ◆ 11 UN Special Rapporteurs have submitted inquiries of concern to the SPDC and UN, most of which the SPDC has failed to acknowledge, let alone respond to.
- ◆ Since 1991, Burma has been cited as in violation of International Labor Organization standards.

EXTREME VIOLATIONS

For more than 13 years the United Nations has witnessed and responded to the increased levels of abuse and refusal to restore democratic rule by the SPDC. The SPDC has made little to no efforts to honor their promises and respect their agreements to the UN.

Although the SPDC has allowed certain high-level organizations into Burma, the Federation of Trade Unions of Burma makes the point that, "Increasingly, the SPDC has successfully applied the tactic of allowing international organizations...to observe the situation, and then delay the follow up of specific issues, therefore buying time for themselves and gaining positive publicity for allowing the organization into Burma. This takes away the ability to press the point that the regime is not interacting with these international organizations. The SPDC will continue this behavior for as long as money continues to flow in for their projects. "¹²⁴
March 2003

¹²⁴ FTUB (20 Mar 03) Letter from General Secretary of FTUB to General Secretary of ICFTU (20 Mar 03)

The regime is responsible for:

- ◆ at least 1 million Internally Displaced People, in part the result of ethnic cleansing campaigns
- ◆ continued detention of at least 1,300 political prisoners
- ◆ arrest of at least 200 people for political activities between Jan 2002-June 2003
- ◆ death of at least 82 political prisoners while in custody since 1988
- ◆ releasing most political prisoners under the condition they cannot engage in pro-democracy political activities
- ◆ conscripting about 70,000 child soldiers, more than any other country in the world
- ◆ state-condoned rape of more than 625 Shan women in which 83% were committed by military officers
- ◆ forcible relocation of millions of civilians e.g. more than 56,000 Shan villages between 1996-1999 and more than 470 Karen villages between January-July 2002.¹²⁵
- ◆ deprivation of livelihood of millions due to land confiscation, forced crop sale at below market rates, forced labor, extensive taxation system, extortion, forced evictions and relocations.
- ◆ only recognizing 10 political parties yet 236 parties participated in the 1990 elections.¹²⁶
- ◆ serious violations of the Convention on the Rights of the Child; Convention on the Elimination of All Forms of Discrimination against Women, Universal Declaration of Human Rights; the Geneva Conventions, specifically on the protection of the victims of war; International Covenant on Civil and Political Rights, International Covenant on Economic, Social, and Cultural Rights, and the ILO

An Indian Foreign Service Officer, previously posted in Moscow and is now based in Rangoon, said that today Burma is far more repressive and oppressive than even Stalinist Russia. ~ South China Morning Post (11 May 03)

¹²⁵ Burma Ethnic Research Group (July 1999) Internal Displacement in Myanmar & Free Burma Rangers reports

¹²⁶ All Burma Students Democratic Front (1998) To Stand and Be Counted: The Suppression of Burma's Members of Parliament

46 Special Report: Ready, Aim, Sanction!

Conventions concerning forced labor (No. 29) and concerning freedom of association and protection of the right to organize (No. 87).

BROAD BASED SUPPORT

It is widely recognized that the situation the SPDC has created in Burma is unacceptable by international standards, which is evident by the consensus adoption of the annual resolutions. In 2003, 40 countries cosigned the resolution on human rights in Burma, which condemned the SPDC's brutal abuses and called for the SPDC to take swift and specific actions. This shows a multilateral interest in prompting change in Burma.

WHAT ABOUT THE UNSC?

The list of concerns grows yearly, how much more do the people of Burma have to endure before stronger action is pursued? For 11 years the UN has appointed Special Rapporteurs on the situation of human rights in Burma, yet there has been no notable improvement. Every positive step forward has usually been followed with regression. A UN call for members' action against the persistent and intensifying abuses in Burma can provide governments with the justification needed and can encourage a stronger, more unified approach to respond to the belligerence of the SPDC's authoritarian rule.

The UN General Assembly took such action on South Africa in response to gross abuses and a refusal to create a genuine transition to democratic rule. In a resolution they called upon member states to separately or collectively, break diplomatic relations with South Africa, to deny port entry to South African vessels, to boycott South African trade, and to suspend landing rights for South African aircraft.¹²⁷ After 15 years of the SPDC's brutal rule, this type of resolution is appropriate and overdue for Burma.

To underscore the importance the UN places on progress in Burma, the UN Secretary General Kofi Annan should encourage ASEAN to build upon their efforts since Black Friday and actively assist the UN process, instead of abstaining from it.

It is time to bring Burma to the UN Security Council, which has a binding mandate and the ability to impose sanctions if the regime continues to defy international law and present a threat to international stability. [see UNSC p114]

¹²⁷ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-updated May 2003

UN SECRETARY GENERAL'S SPECIAL ENVOY TO BURMA

In 3 years, Razali has made 10 trips to Burma to assist in 'facilitating' dialogue between the SPDC and Daw Aung San Suu Kyi and the NLD. Razali has used a low profile, gentle-nudging approach to try and persuade the SPDC to enter into genuine and substantial dialogue with the opposition. Razali's kid-glove approach spouting the SPDC's rhetoric of a 'home-grown process' has been criticized as being manipulated and giving credibility to the SPDC without eliciting substantial progress. Some people in Burma reportedly call him a 'rescuer of the generals.'¹²⁸

When first appointed, Razali said the process would take "2-4 years...there is no reason why it cannot be done in the next few years." In November 2002, Razali said the SPDC would participate in dialogue 'very soon' - over 7 months later, this has not occurred, but instead produced the brutal crackdown witnessed on May 30. It is also of serious concern that Razali appeared unable to adequately read the warning signs from within the regime that such hostile thinking and intentions were brewing.¹²⁹

Turning of the Tide

During Razali's visits in June 2003 and November 2002, he was snubbed by Sr-Gen Than Shwe, which confirmed the widely held belief that Than Shwe is not interested in dialogue and reform. In 3 years Than Shwe only agreed to meet with Razali once, in November 2002, however, the meeting lasted less than 15 minutes. After being denied an invitation 3 times, Razali was finally able to return to Burma June 6-10, 2003. Than Shwe couldn't be bothered meeting Razali and instead skipped off to a beach resort. After appearing to be a cheerleader for the SPDC to solicit progress, in November 2002 Razali lamented, "So, this has already taken a lot of my time and I am beginning to feel like a fellow who is punched-drunk - you know, running from pillar to post."¹³⁰

Broken Promise: "A promise was made to me - that there would be a dialogue."¹³¹

In November 2002, Razali declared that on his next trip he "would be bringing the concern of the United Nations and the international

¹²⁸ Irrawaddy (30 Jan 02) Burmese Express Criticism Over Razali

¹²⁹ Irrawaddy (11 Nov 02) An Interview with UN special envoy to Burma Razali Ismail (reprinted from Malaysiakini)

¹³⁰ Malaysiakini (12 Nov 02) Interview with Razali Ismail: Part 2

¹³¹ Irrawaddy (11 Nov 02) An Interview with UN special envoy to Burma Razali Ismail (reprinted from Malaysiakini)

48 Special Report: Ready, Aim, Sanction!

community to ask why since the lifting on the restrictions on Suu Kyi in May, a dialogue did not take place.”¹³² His next trip focused only on securing a meeting with Daw Suu.

A New Strategy

The SPDC has clearly demonstrated that a more concerted effort needs to be implemented. The UN Envoy, in addition to the UN agencies and international community, should encourage and arrange for regional ministers to be more engaged with the efforts to get Burma on an irreversible track towards democracy and reconciliation. Razali clearly sees the benefit in such a strategy when he said, “As far as other ASEAN leaders are concerned, I am somewhat surprised that they have not expended energy to that extent [as Mahathir has].”¹³³ Since the May 30th attack, ASEAN and its member countries have taken some initiative to urge democratic reforms in Burma, but these efforts should be intensified and in congruence with UN strategy. Razali should also encourage India and China to participate in the UN process with Burma as they have considerable influence in the region and arguably with the regime. In a long-term strategy, it should be recommend that regional ministers not only engage with the SPDC, but also with Daw Aung San Suu Kyi and the NLD.

UN Special Envoy’s Mandate

The biggest obstruction is that the envoy’s mandate is too loose and does not have the support of a binding UN mechanism, such as the UN Security Council. The Special Envoy’s mandate is to promote human rights and the restoration of democracy in Burma.

There needs to be coordination with the UN, international governments, and international financial institutions under the auspices of the UN. This can end the SPDC’s game of playing various stakeholders off of each other and will coordinate pressure on clear, specific objectives. This type of coordinated strategy will make Razali’s mission more effective. [see Sanctions for Change and Recipe for Success, p164 & p179] The UNGA can also support the Special Envoy’s mandate by passing a resolution encouraging member states to impose sanctions and break diplomatic ties with Burma if dialogue does not occur within a specified time. These types

¹³² Irrawaddy (11 Nov 02) An Interview with UN special envoy to Burma Razali Ismail (reprinted from Malaysiakini)

¹³³ Irrawaddy (12 Nov 02) Razali Defends Iris; Disappointed with ASEAN (reprinted from Malaysiakini)

of pressure can make cooperating with the UN Special Envoy look more appealing to the regime.

THE UN SPECIAL RAPPORTEUR'S OBLIGATION

UN Special Rapporteur Professor Paulo Sergio Pinheiro has completed 4 'fact-finding missions' to Burma. He was unable to complete the 5th in April 2003, as there was a breach of agreement with the SPDC when Pinheiro found the room he was interviewing political prisoners in was bugged.¹³⁴ Pinheiro's access to the ethnic nationality areas, where the majority of overt human rights abuses are committed, is extremely limited. This limitation makes an accurate assessment of the situation impossible. Impartial reporting is key to Pinheiro's mandate however, he often omits contradictory messages regarding the situation of human rights and actual commitment by the SPDC. Spokesman for the NLD, U Lwin said, "We don't see any improvement in the human rights conditions since he took the position...What he says varies from one place to another. He says one thing before he comes to Burma, but he changes it when he arrives in Rangoon. And when he leaves Rangoon and holds a press conference in Bangkok, his statement is different again."¹³⁵

Pinheiro's mandate is to assess the situation of human rights, but he has also engaged in policy recommendations to the international community. Pinheiro 'continues to urge the international community to engage with Myanmar even before the SPDC introduces democratic reforms' and to 'acknowledge and evaluate the ongoing effects of incremental change which have taken place...to see the nuclei of change.' He indicates that the people of Burma have been 'held hostage to political transition.'¹³⁶ The nuclei of change proved to be an illusion on May 30th. It is regretful that Professor Pinheiro has not realized that it is the regime that holds the people of Burma hostage and they will not be set free until there is political transition.

A Different Tune

In April 2003, after the bugging incident, Pinheiro commented on the status of 'advancement on substantial human rights issues' saying 'progress

¹³⁴ United Nations Commission on Human Rights (31 Mar 03) 59th Session: Statement by Mr. Paulo Sergio Pinheiro Special Rapporteur on the situation of human rights in Myanmar

¹³⁵ Irrawaddy (19 Mar 03) Human Rights Envoy Under Fire

¹³⁶ United Nations Commission on Human Rights (31 Mar 03) 59th Session: Statement by Mr. Paulo Sergio Pinheiro Special Rapporteur on the situation of human rights in Myanmar

50 Special Report: Ready, Aim, Sanction!

has been very limited and not at the pace or level that I had expected.”¹³⁷ He said genuine progress towards reconciliation is needed to honor human rights in Burma. He threatened that if ‘action taken by the authorities [about the bugging incident] prove inadequate, I will be obliged to reassess my commitment to this mandate.’¹³⁸ The SPDC has responded that they are eager for Pinheiro to continue his missions.

Just as Pinheiro has taken a firm stance when his mission was compromised by the SPDC, he should take a firm stance with the SPDC’s lack of substantive progress on respecting human rights.

UNDERMINING ITSELF

Despite the UN’s tough words on Burma, specialized UN agencies are increasingly ignoring the UNGA and UNCHR’s annual resolutions. In recent years, the Food and Agriculture Organization and UNESCO both held major conferences with the SPDC in Rangoon, and in August 2003, the World Health Organization held a regional HIV/AIDS meeting, thus giving international legitimacy to the junta.¹³⁹

The UN, UN agencies, and member countries need to work in conjunction to actively encourage positive developments in Burma. After Daw Suu was released from house arrest in May 2002, Razali called on the U.N. to “make the military beholden to those commitments” of turning a ‘new page.’¹⁴⁰

¹³⁷ United Nations Commission on Human Rights (31 Mar 03) 59th Session: Statement by Mr. Paulo Sergio Pinheiro Special Rapporteur on the situation of human rights in Myanmar

¹³⁸ United Nations Commission on Human Rights (31 Mar 03) 59th Session: Statement by Mr. Paulo Sergio Pinheiro Special Rapporteur on the situation of human rights in Myanmar

¹³⁹ Foreign Policy in Focus (Sept 2000) In Focus: U.S. Policy Regarding Burma: Philip S. Robertson

¹⁴⁰ AP (16 May 02) U.N. Seeks Democracy in Myanmar

RECOMMENDED ACTIONS & SANCTIONS

'RECIPE FOR RECONCILIATION'

1. Develop the recipe in consultation with all key stakeholders
2. Assemble ingredients and team together
3. Implement the plan

A high-level, multilateral diplomatic team under the mandate of the UN should be convened to create, facilitate, and accelerate a 'recipe for reconciliation' for Burma. This could provide more incentive for the SPDC to genuinely engage in beginning this process. It will end the SPDC's game of playing various stakeholders off of each other and coordinating the international community's approach to dealing with Burma. This would complement and build on the efforts of Special Envoy Razali Ismail, providing more leverage of persuasion. As Razali said, "I see no reason why it should be only me that should be doing it."¹⁴¹ The Burma recipe should be built on reciprocity, comprehensiveness, multilateralism, and achievement of specific end goals.¹⁴²

PRINCIPLED ENGAGEMENT

As 'constructive engagement' has been used in the past as a euphemism for 'business above everything else' engagement, the international community, including the diplomatic squad, should use principled engagement in planning a 'recipe' and dealing with the regime.

According to veteran Burma journalist, Larry Jagan, principled engagement in regards to Burma means "stepping up pressure on Rangoon while showing the generals it is in their interest to cooperate fully with Ms. Aung San Suu Kyi."¹⁴³ Since the regime has demonstrated that for the most part they respond to concerted pressure that is reinforced by the willingness to apply consequences if they fail to deliver positive developments, sanctions are a useful tool to weigh in with (see Sanctions For Change).

Sanctions are a component of principled engagement. Sanctions can increase the international and domestic commitment to the realization of political and economic reforms in Burma. Sanctions will make associating

¹⁴¹ AP (20 May 03) U.N. envoy to Myanmar admits to frustration, but says reconciliation is still possible

¹⁴² International Crisis Group (2 May 03) A Middle East Roadmap to Where?

¹⁴³ Wall Street Journal Online (May 5 2003) Deadlock in Burma

52 Special Report: Ready, Aim, Sanction!

with the generals an unpopular measure and ensure that key regional governments will pressure the SPDC to reform. The use or threat of sanctions increases the level of dialogue between the various actors and the regime. Principled engagement can also utilize the tactic of 'good cop, bad cop' where there are actors threatening unfavorable consequences (bad cop) and other actors serving as a 'voice of reason' (good cop) both mutually reinforcing a potential solution. The threat of consequence is needed to advance the process. [see Sanctions For Change p164]

Lines of communication also need to be maintained and/or enhanced, but principles for reform should not be compromised or delayed in the name of communication. The various actors involved and/or affected by the misrule in Burma have different roles to play, but those roles must complement each other. [see Myth & Reality 8, p139]

Nominations for the Burma Diplomatic Squad:

- ◆ UN Special Envoy,

mandated by the UNGA and UNSC to facilitate dialogue and irreversible political and economic reforms in Burma, and working with the particular support and cooperation of representatives from

- ◆ China
- ◆ EU
- ◆ India
- ◆ Indonesia (as chair of ASEAN)
- ◆ Japan
- ◆ Thailand
- ◆ U.S.

in consultation and negotiation with

- ◆ Ethnic Nationality groups of Burma
- ◆ NLD
- ◆ SPDC

Components of the Recipe:

- ◆ Clear timelines, phases, target dates
- ◆ Defined benchmarks
- ◆ General agreement on principles of action
- ◆ Broad understanding and agreement on phases of reconciliation
- ◆ Defined carrots
- ◆ Clearly defined and willingness to use enforcement actions

The carrots and enforcement actions described in this report are suitable for use in the context of this type of negotiation. The SPDC has demonstrated that without substantial, calculable pressure it is unlikely to take any substantial steps forward. [see Flawed Implementation p3 & Lose-Lose Situation p170] This method can make use of the roles various actors play in a more comprehensive, complementary manner to end the SPDC's game of playing various stakeholders off of each other.

This method should appeal to the various actors in the international community as Burma's situation is undesirable due to human rights violations, failure to honor democratic elections, adverse economic situation, and regional 'spillovers' of refugees, migrants, HIV/AIDS and narcotics. In addition, it would be highly embarrassing for ASEAN if Burma is still being ruled a military dictatorship when it assumes the ASEAN chair in 2006. These factors should increase the 'level of importance' Burma plays in international foreign policy and concern.

Reconstruction of Burma

Speaking to a long-term interest in the development of Burma, embedded in U.S. legislation is the requirement for the drafting of a report '*identifying* resources that will be necessary for the reconstruction of Burma, after the SPDC is removed from power.' The U.S. Congress also sponsored an Independent Task Force of international business, law, media, academic, public health, human rights advocacy officials and others, which published recommendations for ways in which the U.S. can support democratic reforms in Burma.¹⁴⁴

The reconstruction report will address:

¹⁴⁴ U.S. Council on Foreign Relations Independent Task Force (2003) Burma: A Time For Change http://www.cfr.org/pdf/Burma_TF.pdf

54 Special Report: Ready, Aim, Sanction!

- ◆ The formation of democratic institutions
- ◆ Establishing the rule of law
- ◆ Establishing freedom of the press
- ◆ Providing for the successful reintegration of military officers and personnel into Burmese society
- ◆ Providing health, educational, and economic development

NO MORE TOYS FOR THE BAD BOYS

A comprehensive and carefully implemented international arms embargo would hit a key pressure point of the regime. The United Nations Security Council can implement such a measure, however this can be done informally through diplomatic channels as well. Several countries that already adhere to the arms embargo should make a concerted effort to lobby other governments to subscribe to the embargo or to place a moratorium on arms sales through government and private sales. The loss of revenue from these sales will be minimal, but the impact on the regime will be great.

In efforts to strengthen the existing arms embargo, there needs to be greater oversight to ensure that companies are not violating the embargo through subsidiary or third country sales. Countries and companies that continue to supply the regime with these weapons of oppression should come under scrutiny and be subject to public condemnation. Civil society and advocacy organizations should launch a public relations campaign against those countries and companies that sell weapons to the regime.¹⁴⁵ [see Current Sanctions: Arms Embargo p30 & UNSC: Military p117 for more details]

Watchdog: China North Industries Corp (Norinco) one of China's largest arms manufacturers hosted one day of the SPDC's August 2003 trip to China. In May 2003, the US imposed sanctions on Norinco for allegedly contributing to Iran's missile program.¹⁴⁶

WIDEN BAN ON REMITTANCES TO BURMA

The U.S. hit a key pressure point of the regime when it enacted a ban on remittances to Burma. [see Current Sanctions: Ban on Remittances p26] The regime is clearly feeling the pinch and is looking for coping

¹⁴⁵ For further reading see Selth, Andrew (2000) Burma's Secret Military Partners

¹⁴⁶ Financial Times (27 Aug 03) Irrepressible

mechanisms to ease the blow. It was reported that most trade was conducted in US dollars and Burma's international transactions and money transfers were largely cleared through US banks. The regime reportedly instructed all government organizations and private businesses to use the Euro for import and export, although the Japanese yen and Singaporean dollar may be used if trading partners agree.¹⁴⁷

In order to optimize the effectiveness of the pressure of the U.S. ban on remittances, the EU, Japan and Singapore should commit to placing a ban on remittances to Burma if substantial reforms are not made in a specified period of time, perhaps 60 days. [see Sanctions For Change p164]

IMPORT BAN ON GOODS FROM BURMA

Most export-related business in Burma is connected to the regime. [see Tentacles p79] Economist Alfred Oehlers wrote that it may reasonably be presumed that 'the negative consequences arising from sanctions will have [the] greatest impact on the military regime and its closest associates.'¹⁴⁸ Since the late 1980s the regime has used privatization and divestment of the economy to bolster the economy in a way that has allowed the military to 're-assert ownership and control over formal sector enterprises'. This ownership is being done in private forms of business organizations, where often times the main beneficiaries are not the state, but the regime's top officers, family members, allies and close business associates.¹⁴⁹ The SPDC also continues to create ministries and civil organizations, such as the USDA, which are involved in investment and trade.

The formal sector is concentrated in lucrative sectors such as logging, mining, petroleum, manufacturing, tourism, banking, etc and has a significantly higher level of exposure to external markets than the informal sector. An example of this is, since 1989 the Directorate of Ordnance has taken over the management of many state-owned enterprises from the Ministry of Industry, including garment, textile and other factories. Maung Aung Myoe asserted that, "these industries generate some income for the Tatmadaw (Burmese army), and also provide jobs for many families of the

¹⁴⁷ BBC (15 Aug 03) Burma favours euros over dollars

¹⁴⁸ Oehlers, Alfred. Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003

¹⁴⁹ Oehlers, Alfred. Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003

56 Special Report: Ready, Aim, Sanction!

Tatmadaw rank-and-file.”¹⁵⁰ An article in the Irrawaddy Magazine asserted that, “Increasingly, the garment industry has become the investment of choice for distributors of narcotic substances, as it provides not only a profitable industry for laundering ill-gotten gains, but also the ideal cover for large shipments of drugs.¹⁵¹ It is widely known that some of the world’s most notorious drug kingpins, including Khun Sa and Lo Hsing Han, are key business partners of the regime and are also involved in the garment industry. Lo Hsing Han owns Ever Green Garment and is believed to own Myanmar Charles Michel. The link between Burma’s exportation of apparel and export of drugs was clearly drawn after a shipment of heroin was discovered in a shipment of cotton towels in 2001.¹⁵² The state has a monopoly on exports of rice, teak, petroleum, natural gas, gems, jade, pearls and other items. Exports of such items are controlled by the relevant government ministries.¹⁵³ [see Myth & Reality 10 p142]

Given the pervasive presence of the regime and its affiliates in the export-related economy, a full import ban is necessary. The new U.S. legislation should be emulated as it made it clear that the target of the import ban was the regime and its associates.

- ◆ the SPDC, any ministry of the SPDC, a member of the SPDC or an immediate family member of such member;
- ◆ known narcotics traffickers from Burma or an immediate family member of such narcotics trafficker;
- ◆ the Union of Myanmar Economics Holdings Incorporated (UMEHI/UMEHL/UMEH) or any company in which the UMEHI has a fiduciary interest;
- ◆ the Myanmar Economic Corporation (MEC) or any company in which the MEC has a fiduciary interest;
- ◆ the Union Solidarity and Development Association (USDA); and
- ◆ any successor entity for the SPDC, UMEHI, MEC, or USDA

¹⁵⁰ Selth, Andrew. (2002) Burma’s Armed Forces: Power Without Glory quoting US Embassy Rangoon (1996) Foreign Economic Trends Report: Burma

¹⁵¹ Irrawaddy (March-April 2001) Duds n’ Drugs

¹⁵² Irrawaddy (March-April 2001) Duds n’ Drugs

¹⁵³ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

Between 1995 and 2001 Burmese exports to the EU, U.S., Australia and Canada increased by an average of 435%.¹⁵⁴ Exports to Thailand, under Prime Minister Thaksin's pro-business policy, from 2000 to 2001 increased about 315%. This emphasis on exports eased the impact of the U.S. ban on new investment and the general decline of foreign direct investment (FDI) due to the unfavorable business climate created by the SPDC. In 2001, about 35% or US\$ 963 million of Burma's exports went to the U.S., EU, Canada, Australia, South Korea and Poland.¹⁵⁵ As Burma is becoming more reliant upon exports, due to the drastically declining FDI, countries that hold more than a third stake in Burma's export market have substantial bargaining power with the regime.

According to the Economist Intelligence Unit, Burma's top export destinations are the U.S., Thailand, India and Singapore, accounting for 62% of Burma's total exports. If the EU member countries are included, the percentage is raised to 71%. While the SPDC is making concerted efforts to develop trade regionally, it would be difficult at best to replace these major markets. Pressure needs to be placed on these receiving countries to ban or reduce imports from Burma in an effort to promote reforms in Burma.

A plan to apply an import ban on goods made in Burma if specific, concrete actions are not taken by the SPDC within a prescribed amount of time would dramatically increase pressure on the regime and make the maintenance of their dictatorship more expensive, in the same way that apartheid became too expensive to maintain in South Africa. [see South Africa p176]

10% of Exports Profits Directly Fund the Regime

According to the U.S. Department of Commerce, the SPDC Ministry of Finance and Revenue have placed a 10% tax on exports in foreign exchange.¹⁵⁶ This calculates into hundreds of millions of dollars annually directly to the regime.

It could therefore be estimated that export taxes in 2001 could have directly provided the SPDC with US\$ 230 million.

¹⁵⁴ International Monetary Fund (2002) Direction of Trade Statistics Yearbook: Myanmar

¹⁵⁵ International Monetary Fund (2002) Direction of Trade Statistics Yearbook: Myanmar

¹⁵⁶ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

Country	US\$ mil	Country	US\$ mil	Country	US\$ mil
Thailand	73.5	China	12.2	South Korea	4.6
U.S.	45.6	Singapore	10.2	Canada	4.1
EU countries	40.4	Japan	9.3	Australia	1.1
India	28.9	Malaysia	7.1	Total	230

BAN ON CONFLICT RESOURCES

Take unilateral, bilateral or multilateral action to make it illegal to import conflict timber and timber that has been logged, transported or traded illegally and to punish those companies and individuals involved. The country where the timber was logged should be clearly labeled; this should include processed wood products.
 ~Global Witness, 2003¹⁵⁷

In October 2003, Global Witness released a report entitled, "A Conflict of Interest: The uncertain future of Burma's forests". The report states that, "Burma's natural resources, in particular the forests, have been inextricably linked to over 50 years of conflict as access to, and control of, these resources have been fought over...Such unsustainable exploitation has already led to environmental destruction and undermines prospects for future sustainable development, whilst the underlying political grievances, which have not been adequately addressed, remain or will become worse."

Not only is Burma's timber a conflict resource, but also Burma's high-quality gems and mineral resources. This ban should include products originating from Burma that may have been processed in a second country. In addition, the United Nations Security Council should recognize conflict resources as natural resources that should be banned from international trade.

¹⁵⁷ Global Witness calls for the cessation of Burma's 'conflict resources'. They do caution that ending the trade 'could undermine just causes, where the insurgents feel that they have no option but to resort to armed struggle.' However, they support the call for ending the trade with the notion that the ban is not an answer to the end of the conflict and that the international community should take an active role to help facilitate this in a genuine and sustainable way.

Not only does the regime profit directly from this trade, but these valuable resources often color the policies of other nations towards Burma, particularly Thailand and China. The regime has repeatedly used and manipulated this 'resource diplomacy' to strengthen its rule by coercing ethnic resistance groups into dubious ceasefire agreements and delegate resources and power to potentially pit ethnic nationality groups against each other.

Burma has about 60% of the world's natural reserves of teak and is the biggest exporter, exporting about 75% of all internationally traded teak. The majority of timber is transported to Thailand and China before being processed and resold worldwide.¹⁵⁸ Since most of the timber is processed in a second country, current import bans do not prevent the importation of these goods. To shield themselves from boycott campaigns, many businesses either do not label the country of origin or deceitfully declare the timber.

SPDC Involvement

**"The involvement of the military in this trade is systematic."
~ Global Witness, 2003**

SPDC army units are involved in some logging operations, transporting illegal timber, using forced labor for logging and logging projects, giving permission to log, and taxing legal and illegal log cutting and transportation. The regime as a central unit is involved largely through the Ministry of Forestry, which is staffed primarily by retired military officers and has full jurisdiction over forest conservation and exploitation.

Under the Ministry of Forestry is the Myanmar Timber Enterprise (MTE). MTE supposedly has a monopoly on the harvesting, processing and marketing of teak, with the private sector operating only in the non-teak hardwood processing industry.¹⁵⁹ In 1997, MTE operated 38 extraction and rafting agencies.¹⁶⁰ The Forestry Department reported that there are 83 state-controlled hardwood sawmills producing timber for domestic markets and 8 for export.¹⁶¹

¹⁵⁸ Global Witness quoting Xinhua (5 Aug 02) Myanmar's timber exports down in 2001-2002 & Third Regional Seminar on Teak (2000) Seminar paper presented by TEAKNET

¹⁵⁹ FAO/Ministry of Forestry (1997) Asia-Pacific Forestry Sector Outlook Study: Country Report – Union of Myanmar: Working Paper

¹⁶⁰ Mehm Ko Ko Gyi and Saw Win. Sustainable Forest Management. In Savage V. and Kong L. (eds) Environmental stakes: Myanmar. 1997

¹⁶¹ Global Witness quoting Forest Department, Rangoon (2000) Forestry in Myanmar

60 Special Report: Ready, Aim, Sanction!

MTE runs at least 4 plywood factories, 5 furniture factories, 2 molding factories and a flooring and molding factory. It is widely known that the logging rate of the MTE is based largely upon the foreign exchange need of the regime, with gross disregard for the principle of sustainability.. In 2000, a UN Food and Agriculture (FAO) representative said, “The MTE largely exceeds what it should cut, and there is no balance between timber production and the forest base.”

MTE contracts some work to private logging and timber processing companies, which mostly have close relations with high-level military authorities. MTE also subcontracts some logging operations, however, they are required to provide the MTE with a certain amount of timber at a price, which is often too low to make a profit.

In 2001, logging, mostly teak, accounted for 11% of legal foreign exchange, US\$280 million. However, in 1999-2000, Burma’s official timber exports totaled 806,000m, but importing countries reported 1.72 million m³, which indicates that ‘unofficial’ exports are approximately equal to official exports.¹⁶²

Examples of SPDC ‘unofficial’ involvement in logging

The SPDC generates significant profits from the official or legal logging trade. However, many local SPDC organizations or military battalions also depend on or at least profit from involvement in the official and unofficial logging trade. This serves to strengthen the military in Burma as well as drawing military involvement in areas of the country they previously were not stationed in.

- ◆ Military trucks often receive substantial payment for the transportation of illegal timber.
- ◆ The Forestry Department often levies ‘gate fees’ at checkpoints and Military Police checkpoints demand fees for trucks passing through.
- ◆ Trucks carrying illegal timber are often escorted by personnel from Military Intelligence units. Specifically noted for this was the Thone Pwint Saing Co (TPS) from sawmills in Thayawaddy and Minhla townships to Rangoon.
- ◆ Sometimes logging companies must give the SPDC timber for military buildings. For example, in Mong Yang, Shan State in 2001.

¹⁶² Global Witness quoting CIA (2002) World Factbook

- ◆ In 2000, it was reported that, "Loggers have to pay the Military Intelligence Unit 9 in Lashio for a logging permit that allows them to ignore the local forestry officials."¹⁶³
- ◆ Logging in Southern Wa State is controlled by the Ministry for Progress of Border Areas and National Races and Development Affairs (NATALA).
- ◆ In 2001, Chinese loggers working in Kachin State, opposite the Yingjiang area of Dehong, were kidnapped and held to ransom by SPDC frontline troops. The ransom was paid.

Local Communities – Logging often hurts more than it helps

Kachin State is "very possibly the most bio-diverse, rich, temperate area on earth"¹⁶⁴ and also the area of heaviest logging in Burma. Yet oftentimes the local population does not benefit from the investment and trade.

Unsustainable logging is leading to increased poverty due to its resulting environmental destruction, which is severely reducing many people's main subsistence income of agriculture and hunting, and by creating natural disasters, which will obstruct economic development.

Poverty rates are further exacerbated as many workers employed by foreign companies are 'imported' from Thailand and China and not from the local communities and by the regime's use of forced labor in the logging industry, which interferes with the ability to tend to crops or maintain a job.

Gems

The regime is attempting to dramatically increase the production and profit from gems and mineral extraction and trade, but owing to poor infrastructure, high corruption and a self-created bad investment climate, the industry has not taken off as quickly the regime would have hoped. Burma has nine types of gem deposits: ruby, diamond, cat's eye, emerald, topaz, pearl, sapphire, coral and garnet. There are three extremely valuable gem lands in Burma located in Mogok in Mandalay Division, Mongshu in Shan State and Hpakant in Kachin State.¹⁶⁵ Kachin State also has significant

¹⁶³ Global Witness quoting SHAN (28 Apr 00) Teakwood Going to China Despite Rangoon's Restrictions

¹⁶⁴ Global Witness quoting Howell, K.K. Stroll through a Chinese painting. California Academy of Sciences

¹⁶⁵ Xinhua (2 Sept 03) Myanmar to hold mid-year gems emporium

62 Special Report: Ready, Aim, Sanction!

deposits of gold, copper, platinum group metals, chromium, molybdenum, iron and magnesium.

The regime usually sponsors gem emporiums twice annually, which is an important source of revenue and foreign exchange for the regime, and known to be an avenue for money laundering. At the Mid-Year Gems Emporium in October 2003, more than 176 foreign companies attended and Burma made nearly US\$18 million.¹⁶⁶

In April 2000, the regime started mining gems and jade in joint ventures with 10 private companies on a profit sharing basis. In August 2002, the regime solicited tenders for 42 new mining concessions, including 23 for gold prospecting in Kachin State. Retrieving information from these areas is extremely difficult but there is evidence to demonstrate the regime's entrenched involvement in the trade through the regime-controlled Union of Myanmar Economic Holdings (UMEH) and the Union Solidarity and Development Association (USDA). [see Tentacles p79]

In addition to direct or joint ownership, the UMEH gets 55-60% of total proceeds from the sale of gems from companies it leases out to. A slightly different example is UMEH's sub-contract agreement with Shan Yoma Gem Enterprises in which the Eastern (military) Command receives 10% of the profits, the Shan Yoma Company receives 45%, and thus the UMEH seemingly receives 45%. In many jade subcontracts the Northern (military) Command receives 5% of the total proceeds. In subcontracts the regime also earns additional revenue from the millions of kyat for licensing fees.

Environmental Destruction

By the estimates of the UN's Food and Agricultural Organization, Burma's deforestation rate, along with the Philippines, is the highest rate in Southeast Asia, the region with the highest rate of deforestation in the world. Unsustainable logging can lead natural disasters such as landslides, droughts, and floods, which severely restrict social and economic development in the region.¹⁶⁷ An example of how serious these disasters can be is the 1998 flooding of the Yangtze River which affected 1/5 of China's population in 29 provinces, killing more than 3,600 people, and destroying about 5 million hectares of crops, totaling economic losses of

¹⁶⁶ Xinhua General News Service (23 Oct 03) Myanmar fetches over 17 mln dollars from gem sale

¹⁶⁷ Global Witness quoting the Tourism Board of Yunnan (1999) The magnificent Sanjiang region

more than US\$36 billion.¹⁶⁸ Soil erosion caused by the logging, led to the mass deposit of sediment into the river, which was the major cause of the flooding.¹⁶⁹ The Chinese government has since outlawed logging.

Employment

Global Witness found that many of the workers in the logging industry are not from Burma. Reportedly, hundreds of sawmills in Burma's Myawaddy District along the Thailand-Burma border are mostly operated by Thais and employ mainly Thai workers. They also found that many Chinese laborers are brought into Burma for logging. There are currently believed to be over 20,000 Chinese working as loggers and road builders in Kachin State.

Forced Labor

Sometimes local people are forced by the military to cut, transport and process timber.¹⁷⁰ They are also forced to build and maintain logging roads for military camps, replant areas for greening projects and for future commercial use by the military or forcibly relocated away from military logging areas. In November 2000, it was reported that 450 people and 32 vehicles were conscripted by the military in Kun Hing Township to rebuild a logging road.¹⁷¹ The Karen National Union reported that in March 2002, Light Infantry Battalion 402 forced villagers and their elephants to transport felled trees to military run sawmills. The villagers receive no payment.¹⁷²

Ethnic Nationalities – Between A Rock & A Hard Place

Ethnic groups are often caught between a rock and a hard place – they need the income for their communities and sometimes to fund resistance movements, and some believe that if they do not extract the resources, someone else will and then they will doubly lose out. However, the trade off is environmental destruction which may lead to increased poverty, often increased SPDC presence in their area and roads and businesses that allow the regime to assert more control in the areas.

¹⁶⁸ Global Witness quoting China Economic Review (26 Jul 01) The environment – A great green wall & World Bank (1999) China

¹⁶⁹ Global Witness quoting Xinhua (17 Aug 98) Causes of Yangtze Flooding

¹⁷⁰ Global Witness quoting ERI (2001) More of the same: forced labor continues in Burma

¹⁷¹ Global Witness quoting SHAN (2000) Human rights in Shan State

¹⁷² Global Witness quoting KNU (Mar 2002) Forced Labor (Tenasserim Division), Mergui-Tavoy District Information Department

64 Special Report: Ready, Aim, Sanction!

The SPDC's Ministry for Progress of Border Areas and National Races and Development Affairs spends 65% of their budget for roads and bridges and very little for health and education.¹⁷³ These roads allow the regime more control over the border and ethnic areas and allow for fast deployment of troops and more efficient ways to exploit resources.

Prior to their ceasefire deal, the Kachin Independence Organization (KIO) and Kachin Independence Army's (KIA) insurgent economy was based on jade. Before the ceasefire the regime undermined the KIO/KIA by fighting for influence in the jade mines in the Hpakant area, which weakened the KIO/KIA revenue base significantly. After the SPDC took over many of the jade mines they gave other cease-fire groups, namely the Wa and Pa-O, large interests in them. Therefore, if the KIO/KIA tries to regain the mines, they will be pitted against other cease-fire groups. The regime is using logging to expand its presence in Kachin areas as increasingly, little logging takes place in KIA areas without local SPDC units being paid off.

The SPDC often uses business opportunities to reward or punish ethnic organizations or groups or to undermine their source of income and thus coerce them into ceasefire deals. In 1997 the SPDC reneged a logging deal to punish the Mon ceasefire group for signing the Mae Hta Raw Hta agreement, in which they pledged to "dismantle the military dictatorship and join hands with the pro-democracy forces led by Aung San Suu Kyi." The New Mon State Party subsequently lost US\$ 1.4 million.

In contested land areas, particularly by the Karen and Kachin, logging creates further undesirable conditions for ethnic resistance or governing forces. The logging reduces forest cover, the roads built to facilitate logging allow the rapid deployment of SPDC troops, and sometimes logging companies become directly involved by providing combatants with intelligence and transportation.

For example, logging directly contributed to the vulnerability of the Karen National Union, which led to major bases being overrun. President of Thai company, Sirin Technology Co., Boonchu Treethong, (also a Thai MP), said the regime asked Thai logging companies to contribute to "the building of a strategic border road that would facilitate Rangoon's military drive against ethnic rebels."¹⁷⁴ In 1990, logging trucks owned by Sia Hook (a powerful Sino-Thai businessman) were used to transport Burmese troops

¹⁷³ Global Witness quoting Curtis W. Lambrecht (1999) *Destruction and violation: Burma's border development policies*

¹⁷⁴ Global Witness quoting Nation (8 Nov 91) *SLORC presses loggers to fund security road*

into battle through Thailand. Off-duty Burmese soldiers, employed by Sia Hook' logging company, were armed to attack insurgent positions from behind. Ten to twenty thousand Mon refugees fled to Thailand following the sabotage.

Drugs, HIV/AIDS & Money Laundering

Logging also contributes to the growth of the international trade of narcotics and HIV/AIDS. On the Chinese-Burma border logging and the opium trade are inextricably linked. Logging has been used as a cover for the transportation of narcotics and large-scale money laundering.

Logs have been hollowed out to conceal drugs during a shipment. In November 2001, police officers in Yunnan Province, China, found 651 blocks of heroin inside two logs that were brought from Burma. According to Minister of Public Security, Jia Chunwang, "it is the largest case of its kind ever recorded in Asia."¹⁷⁵ Not only is Burma's narcotics trade strongly associated with the spread of HIV/AIDS, but so are Burma's logging and mining industries, especially on the China-Burma border.

Drug traffickers often use logging to launder money. Major drug dealers have been known to invest heavily in logging businesses as a means of laundering drug money.¹⁷⁶ A few illustrative examples:

1. In late 2002, the world's largest drug trafficking cartel, the United Wa State Army reportedly used an SPDC-sponsored gems auction to launder hundreds of thousands of dollars of drug money.¹⁷⁷
2. Asia World is thought to be the second largest exporter of timber from Burma, after Woodlands. Managing Director of Asia World Company is Steven Law, the son of the 'godfather of heroin' Lo Hsing Han. Steven Law is on the United States' suspected drug trafficker list and is barred from entering the country.
3. Kyaw Win, a known drug lord and Founder and Chairman of the Myanmar Mayflower Bank is thought to be the Chairman of Pathumthani Sawmills and Chin-Su Mayflower Plywood Industry.¹⁷⁸

¹⁷⁵ Global Witness quoting Xinhua (5 Jan 02) Yunnan police seize 672.9kg of heroin

¹⁷⁶ Lintner, Bertil. *Drugs and Economic Growth in Burma Today*. In M. Pederson, E. Rudland, & R..J. May (Eds) *Burma-Myanmar: Strong Regime, Weak State?* 2000.

¹⁷⁷ Bangkok Post (4 Nov 02) Wa launder proceeds at gem auction

¹⁷⁸ Global Witness quoting Irrawaddy (July 2000) *Burmese Tycoons Part II*

66 Special Report: Ready, Aim, Sanction!

Mayflower Bank holds the zinc mining concession in Mawchi Town located opposite Thailand's Tak Province.¹⁷⁹

4. Business tycoon Sia Hook's employees have been linked to the supplying of drug precursors to groups allegedly including the 'Red Wa' in Burma.¹⁸⁰
5. Some of UMEH's gem camps that were previously 100% state-owned are thought to have been turned over to narcotics traffickers.
6. In 1999/2000, Wa authorities, earned about US\$500,000 from the logging trade.

Thailand and China are the two countries most heavily invested in Burma's natural resource extraction trade. These two countries are also both effected by and very concerned about Burma's narcotics trade. However, by being heavily involved with the narcotics-associated companies that monopolize Burma's extraction sector, it appears that Thai and Chinese companies are actually helping to fund narcotics traffickers in Burma.

Drug eradication schemes have also been used to justify large-scale logging. However, since most of the logging profits are not invested in local communities, and unsustainable logging results in ecological problems, this will negatively affect agricultural capacity and food security. Global Witness asserts that the ecological devastation that forests destruction causes directly leads to the conditions that force people to grow opium as a reliable cash crop. In Kachin State there are examples of how drug eradication schemes are used to justify large-scale logging. In Wa State, logging has seriously undermined the UNCDP opium substitution projects.

Resource Diplomacy

The junta, Thai and Chinese governments have extensively engaged in resource-based diplomacy that has served to undermine sustainable economic development and genuine reconciliation in Burma.

In 1988, when the regime's economic situation was desperate, Global Witness asserts that it was logging and fishing concessions that provided the regime with crucial foreign exchange it needed to survive. The logging concessions, granted to Thai companies on the Thailand-Burma border after General Chavalit's visit to Rangoon in December 1988, brought in

¹⁷⁹ Global Witness quoting Mining Journal (9 Oct 98) Myanmar Exploration

¹⁸⁰ Global Witness quoting Bangkok Post (13 Jan 01) Officer among four suspects shot in Burma

over US\$112 million a year, which made timber Burma's single largest earner of legal foreign exchange.¹⁸¹ General Chavalit, while posted as Commander in Chief of the Thai armed forces, was also granted a valuable concession.

Currently, logging activities and the cross border trade in timber near the Moei River on the Thailand-Burma border is largely controlled by leading Thai figures in the provincial administration, Thai politicians and in particular by Suthorn Ratsameeruekset, otherwise known as Sia Hook.¹⁸²

In exchange for resource concessions, Thailand and China often refrain from taking a hard-line on Burma's political affairs. Currently the Royal Thai Government is increasingly willing to take steps to make life difficult for asylum seekers, democratic opposition and resistance groups in Thailand and even to actually protect the generals in the international arena. In 1997, a western aid workers asserted that "The push to repatriate the refugees in this area of the Thailand-Burma border [KNU 4th Brigade Area, opposite Kanchanaburi and Ratchaburi] as quickly as possible is perhaps related to massive business interests involving logging, road construction and the development of Tavoy as a deep sea port for Thai exports."

Global Witness Recommendation: Make money earmarked for forest conservation and rehabilitation projects in China and Thailand contingent upon the cessation of destructive logging practices by Chinese and Thai companies in other countries.

In attempt to cope with the lack of foreign exchange, due to the regime's own gross economic mismanagement and sanctions, the SPDC is trying to use barter trade. The regime is known to have used barter deals of teak, fish or rice to acquire supplies from Russia, including 10 Mig-29 fighter jets, arms, and possibly a nuclear reactor. One of the regime's other highly-valued commodities is imported oil. The regime is sensitive to this not only for business and transportation needs, but also because they ration oil, which causes unrest among the public and business sector periodically. [see Recommendation: Restriction on Fuel Sales to Burma p71] In May 2002, the SPDC sent a trade delegation to Iraq to reportedly barter oil for teak.¹⁸³

¹⁸¹ Global Witness quoting Smith, Martin (1994) "Paradise Lost? The suppression of environmental rights and freedom of expression in Burma

¹⁸² Global Witness quoting Bangkok Post (13 Jan 01) Officer among four suspects shot in Burma

¹⁸³ Global Witness quoting Economist Intelligence Unit (May 2002) Myanmar (Burma) country report

68 Special Report: Ready, Aim, Sanction!

In July 2002, it was reported that a "...significant volume of teak log supply is...currently being diverted by the Myanmar authorities to supply a big contract from the Iraqi government."¹⁸⁴ The regime has also done barter deals with Vietnam, teak for oil.

Who's Operating?

While the regime formally ended concession granting in 1993, Global Witness reports that many are often referred to as concessions and run as such. Most contracts are given to companies with close contacts with Burma's military elites. Examples of such national businesses are Asia World, Shwe Than Lwin, Dagon, Htoo Company, Billion Group, Kayah Phu and the Woodlands Group of Companies.

More than 200 companies export some timber from Rangoon each month. Most of these companies use their name to acquire an official export permit, which is then sold back to the larger companies at a profit. Many companies operate legally and illegally. Some legal companies are a front for illegal activities and sometimes they operate illegally because it is not possible to buy enough timber from the MTE, so they use the black market to maintain their operations.

Some of the Big Boys

In 2001, more than 100 companies were exporting timber under the name of Woodlands. Asia World is thought to be the largest single exporter of timber from Burma, excluding Woodlands.

Htoo Trading Company owner U Teza has close relations with Sr-Gen Than Shwe and is widely suspected of being one the regime's main sources of arms and ammunitions.¹⁸⁵ He is Vice Chairman of the Myanmar Billion Group Co Ltd, a national entrepreneur group involved in logging, and other natural resource based businesses.¹⁸⁶ Most of the logging projects work with the MTE throughout Burma, and its representatives and subcontractors. However, the subcontractors report that they profit little

¹⁸⁴ Global Witness quoting Hardwood Markets (July 2002) Hardwoodmarkets.com

¹⁸⁵ Global Witness quoting Irrawaddy (2003) Online Intelligence Information

¹⁸⁶ Global Witness quoting New Light of Myanmar (18 Apr 99) Senior General Than Shwe inspects Magway-Minbu Ayeyawady River Bridge Project, agriculture projects & Nation (6 Jul 95) Offensives continue against Karenni in face of peace move by SLORC & New Light of Myanmar (15 Jun 99) Secretary 2 inspects reclamation of fallow and virgin lands in Magway Division & New Light of Myanmar (16 Jul 01) Secretary 1 inspects Mone Creek Multi-purpose Dam Project in Sedoktara Township

from it, but that 'the major benefactors are companies and the MTE'.¹⁸⁷ The Htoo Company also logs in some brown areas or areas contested by the KNU. The logging permits are provided by SPDC officers Brig-Gen Tin Aye and his second officer Col Maung Ni.¹⁸⁸

Thone Pwint Saing Co (TPS) is thought to be a joint venture between a Chinese company and the USDA. TPS can also supply the necessary official papers to facilitate illegal timber exports by other companies. TPS company director is U Min Thein, son of the current Minister for Livestock, Animal Husbandry and Fisheries Ministry, General Muang Maung Thein. Investors in the company are said to be current ministers.

Three particularly large companies with over US\$1,250,000 of investment are working on the Chinese-Burma border. De Long Forest Resource Co. Ltd, Jinxin Co. [Pian Ma Enterprises Department] (one of several Jinxin depots along the border) and Hong Sen Company.

Jinxin Company is the largest logging company operating in Kachin State, which is said to negotiate deals through the SPDC consulate in Kunming.

De Long is thought to be a joint venture between Japanese and Taiwanese companies. Known to sell concessions to smaller logging companies.

Nu Jian Hong Ta Chang Quing wood factory is a major investment company. It is a joint venture between a Malaysian company and a Chinese state-owned company Hong Ta Group. They purchase most of their timber from the De Long company in Pian Ma. Much of the processed timber goes to Korea.

American company, Kingsley Bate is in the trade and according to the website of the Myanmar Embassy in France, KB has entered into joint production ventures with the MTE for making teak garden furniture in MTE factories.

Business tycoon Sia Hook has MTE logging concessions in Burma and is possibly operating under the name Kanchanaburi Sawmill Company.

In 2001, Myanmar M-I Co. was exported significant amounts of timber from Rangoon.

¹⁸⁷ Global Witness quoting Karen NGO, KESAN (2001) Unpublished research

¹⁸⁸ Global Witness quoting Karen NGO, KESAN (2001) Unpublished research

70 Special Report: Ready, Aim, Sanction!

In March 2002, Polpana, B&F Goodrich, SA Pharmaceutical and Thai-Korean War Veterans Welfare Co. were in negotiations with the MTE.¹⁸⁹

The Yunnan-Tengchong Company, based near Houqiao, is one of the largest wood processing factories along the border. It is Malaysian owned and exports to Malaysia and Japan.

Heng Huat Company, is from the Malaysian group of companies that are owned by Tan Soo Bing. Most of its companies are registered in Malaysia, but some are registered in China, Hong Kong and Indonesia. One of its Indonesian-registered companies, PT Sarpindo Graha Sawit Tani, is involved in oil palm plantations and other cash crops. It is 25% owned by Macmahon Holdings, a large company listed on the Australian Stock Exchange.

BAN ON NATURAL GAS IMPORTS FROM BURMA

Burma's Rate of Natural Gas Export^{190*}

1997	1998	1999	2000	2001	2002	2003*	2004*
US\$ 0	\$0.75 million	\$5 million	\$112 million	\$523 million	\$846 million	\$937 million	\$1218 million

At the current rate of production, Burma's natural gas will be profitable for the next 157 years.¹⁹¹ The majority of Burma's natural gas is exported to Thailand. Reportedly, Thailand agreed to purchase surplus gas in apparent efforts to assist the regime's financial woes. Profit is expected to peak from the Yadana pipeline project in 2005-06.¹⁹²

If managed correctly, this valuable income can be an asset for development of Burma. However, the mismanagement of this profitable resource can also empower the current regime.

In 2001, the SPDC purchased 10 MiG 29 fighters from Russia. The US\$40 million down payment was reported the same week Burma received a

¹⁸⁹ Global Witness quoting Bangkok Post (10 Aug 00) Plodprasop issues debate challenge & Bangkok Post (23 Mar 02) Timber firms look to Burma

¹⁹⁰ Economist Intelligence Unit (1 Apr 03) EIU Country Risk Service: Myanmar External Trade *EIU projected estimates & Xinhua (28 Apr 03) Myanmar achieves first-ever foreign trade surplus –according to Burma's Central Statistical Organization

¹⁹¹ Xinhua (28 Apr 03) Myanmar achieves first-ever foreign trade surplus –according to Burma's Central Statistical Organization

¹⁹² Oil & Gas Journal (28 Apr 03) Rebel group KNU claims responsibility for Myanmar gas pipeline explosions

US\$100 million payment from Thailand's state oil company in royalties for gas from fields in the Gulf of Martaban (operated by Premier Oil UK, TotalFineElf and Unocal).¹⁹³ According to Robert Karniol, Asia editor of Jane's Defense Weekly, the Russians were unwilling to sell aircraft to Burma until revenue began to flow from the Martaban gas-field.¹⁹⁴

RESTRICTION ON FUEL SALES TO BURMA

Burma is reliant on imported petroleum and diesel fuels, which would make them a strong pressure point on the regime.¹⁹⁵ Imports are necessary to meet transportation, electricity and production demands. This is especially necessary due to the poor state of many of Burma's hydroelectric power plants.¹⁹⁶ The regime rations oil, which causes unrest among the public and business sector periodically. Burma imports more than US\$230 million in crude oil and US\$84 million in diesel fuel yearly.¹⁹⁷

In early 2003, Thailand's PTT signed contracts worth nearly US\$24 million with an SPDC state-owned company, Myanmar Petroleum Product Enterprise (MPPE) to provide Burma with gasoline, diesel and lubricant fuels.¹⁹⁸ PTT contracts with MPPE are usually reconsidered annually.

PTT is a major fuel supplier to Burma, but it accounts for less than a third of Burma's imported fuel. In 1995-96 Japan's Mitsui & Co had an exclusive contract with the regime to supply 10,000 barrels of crude oil per day for US\$70 million.¹⁹⁹ It is unknown if Mitsui & Co still retains a contract with the SPDC or where the rest of Burma's fuel imports come from.

The regime also uses or has attempted to use bartering deals to finance oil imports. In May 2002, the regime sent a trade delegation to Iraq, reportedly to barter oil for teak and in July 2002, it was reported that a "...significant volume of teak log supply is...currently being diverted by the Myanmar

¹⁹³ Jane's Defense Weekly listed on BurmaNet News Service (13 Jul 01)

¹⁹⁴ Burma Campaign UK (March 2002) Burma Sanctions Coalition Briefing

¹⁹⁵ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

¹⁹⁶ Economist Intelligence Unit (1 Apr 03) EIU Country Risk Service: Myanmar Outlook for 2003-04 External Sector

¹⁹⁷ Economist Intelligence Unit (1 Apr 03) EIU Country Risk Service: Myanmar Outlook for 2003-04 External Sector & Asian Tribune (16 Jan 03) Myanmar: Production jump puts more fuel on market – quoting the Myanmar Times

¹⁹⁸ Asian Tribune (18 Feb 03) PTT signs fuel distribution deal with Myanmar

¹⁹⁹ AP-Dow Jones (29 Aug 95) Japan's Mitsui & Co has started an exclusive contract

authorities to supply a big contract from the Iraqi government.”²⁰⁰ The regime has also used teak to barter deals with Vietnam for oil.²⁰¹

BAN ON OIL & GAS FOREIGN DIRECT INVESTMENT (FDI)

Oil & Gas

In addition to being the largest export, the oil and gas industry is Burma's largest sector for foreign direct investment. Between 1988-2001, the industry had 51 projects valued at US\$2.4 billion. Companies from France, U.S., UK, Thailand, Malaysia, Japan and Burma are the major investors in the Yadana and Yetagun pipelines. Despite the U.S. and EU's strong words and actions against the uncompromising regime, companies from these countries are the major players in the Yadana pipeline, the largest foreign investment in Burma!²⁰² Companies from the Yadana pipeline are involved in several international court cases for complicity in and profiting from human rights abuses, namely forced labor and forced relocations. In late 2002, after substantial consumer pressure, UK-based Premier announced they would pull out, however the process is still incomplete.

All pipeline contracts are partners with Myanmar Oil and Gas Enterprise, which channel money directly to the regime. Companies from the Bahamas, Cyprus, China, and Britain are operating in Burma's inland oil fields.²⁰³ The major FDI from the Yadana and Yetagun pipelines are drawing to a close.²⁰⁴ However, the discovery of large offshore gas fields near Sittwe, Arakan State in late 2002 has re-energized the prospects for new FDI. Countries such as India, Malaysia, Singapore, and Bangladesh are vying for contracts to explore or build new oil and gas pipelines.

²⁰⁰ Global Witness (Oct 2003) A Conflict of Interest: The uncertain future of Burma's forests quoting Economist Intelligence Unit (May 2002) Myanmar (Burma) country report & Hardwood Markets (July 2002) Hardwoodmarkets.com

²⁰¹ Global Witness (Oct 2003) A Conflict of Interest: The uncertain future of Burma's forests

²⁰² US Department of Commerce (2002) Burma Country Commercial Guide FY2002

²⁰³ Xinhua (26 Dec 02) Myanmar's crude oil reserve reaches over 3 bln barrels

²⁰⁴ Burma Economic Watch (June 2001) Foreign Direct Investment and the Garments Industry in Burma

Known companies associated with Burma's oil and gas sector:

Company name	Country
Myanmar Oil and Gas Enterprise (MOGE)	Burma
China National Petroleum Corp	China
Total	France
Gas Authority of India Ltd (GAIL)	India
ONGC Videsh Ltd	India
Pertamina	Indonesia
Mitsui & Co.	Japan
Nippon Oil	Japan
Petronas	Malaysia
Singapore Petroleum	Singapore
KOGAS	South Korea
Daewoo International	South Korea
Oiltools International	Thailand
Petroleum Authority of Thailand (PTT)	Thailand
ChevronTexaco	USA
Halliburton	USA
Unocal	USA

New Pipeline Proposal

A consortium has been created to drill a test well in November 2003 at the large natural gas reserve off Sittwe, Arakan State. The companies involved are: South Korea's Daewoo International, India's Oil and Natural Gas, the Gas Authority of India, South Korea's KOGAS, and SPDC's MOGE. India will be the primary or sole recipient of the gas if the pipeline construction is approved. The pipeline would connect Burma and India, likely crossing through Bangladesh.²⁰⁵ It would cost an estimate of US\$1 billion.²⁰⁶

Yadana Partners Strike Again

TotalFinaElf, Unocal, PTT and Myanma Oil & Gas Enterprise plan to further develop gas reserves in Burma to expand the natural gas deliveries

²⁰⁵ Myanmar Times (5-11 May 03) Bilateral talks on pipeline & World Markets Research Centre (17 Jul 02) Bangladesh Mulls Myanmar-India Gas Pipeline Proposal

²⁰⁶ Kaladan News (20 Dec 02) \$1B Gas pipeline project proposed

74 Special Report: Ready, Aim, Sanction!

from the Yadana field. The proposal is to drill 4 wells in Badamayar (adjacent to the Yadana field in the Andaman Sea offshore Burma) and 2 wells in Sein fields (about 6 miles south of the Yadana field), including pipelines and a platform over the next 4-5 years.²⁰⁷ Unocal included this project in their 1997 agreement, so U.S. anti-investment policy will not apply to them, again.

Greater Mekong Subregion Project

One of the goals of the Greater Mekong Subregion (GMS) project is to have an integrated regional market of gas, energy, and electricity. GMS projects and cooperation with Burma should be suspended in response to the absence of core labor standards, failure to consult all stakeholders and as a way to encourage the regime to honor their promise for democratic progress in Burma. [see Recommendation: Withhold Assistance From IFI/MDBs p98]

FULL INVESTMENT BAN

“If businessmen do not care that our workers are exposed to exploitation, they should at least be concerned that a dissatisfied labor force will eventually mean social unrest and economic instability. To observe businessmen who come to Burma with the intention of enriching themselves is somewhat like watching passers-by in an orchard roughly stripping off blossoms for their fragile beauty, blind to the ugliness of the despoiled branches.”
~ Daw Aung San Suu Kyi

In such an authoritarian state as Burma where the economy is largely controlled by state-run enterprises and private companies run by ‘government’ officials, business investment will mainly benefit the regime as an institution and as individuals. This is what occurred in Indonesia where the Suharto regime manipulated foreign investment being made under the guise of ‘constructive engagement’ to increase their own wealth and power.²⁰⁸ [see Tentacles p79]

A reduction in foreign direct investment (FDI) would decrease one major source of profit for the regime. Narrowing existing sources of income can make the regime more responsive to international pressure. More FDI bans need to be placed on the regime, especially in the oil and gas sector, and

²⁰⁷ Oil & Gas Journal (28 Apr 03) TotalFinaElf group to develop Sein, Badamayar fields off Myanmar

²⁰⁸ Legal Issues on Burma Journal (7 Dec 00) Constructive Engagement: A Critical Evaluation

other sectors of resource extraction (gems, logging, mining, etc) which could likely revitalize FDI with the proposal of new pipelines.

"If investment comes in, all the wealth will go to the generals," said U Tin Oo, NLD deputy chairman. "The majority of Burmese people are farmers, so they are not affected by sanctions." April 1998

Major FDI Players

It is a common misconception that Asians are the largest investors in Burma. According to the Federation of Trade Unions of Burma, during the 1990-2000 period "western countries *disbursed* more than 80% of investments that they committed, accounting for about 65% of actual FDI. ASEAN countries contributed only about 31% of committed investment, accounting for [about] 35% of total FDI. Such figures dispel the myth...that investment from Western countries does not have an important role. Given that Western countries are responsible for the most significant share of investment, their withdrawal will have the most significant impact on the regime."²⁰⁹

Since 1988, Burma's 10 biggest foreign investors rank as Singapore, Britain, Thailand, Malaysia, U.S., France, Indonesia, the Netherlands, Japan and South Korea, with China officially ranking 15th.²¹⁰

Percentage of Approved and Actual FDI by Region 1990-2000²¹¹

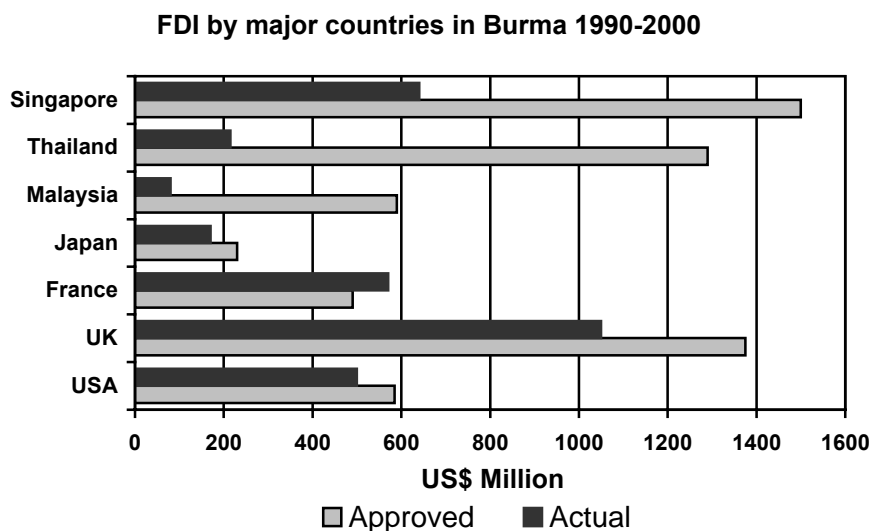
	% of Approved FDI	% of Actual FDI
Asian Countries	59.3% (US\$4.26billion) ²¹²	36.0 % (US\$1.31billion)
Western Countries	40.25% (\$2.89billion)	64.84 % (\$2.36billion)

²⁰⁹ Federation of Trade Unions of Burma (June 2002) Economic Report on Burma

²¹⁰ Federation of Trade Unions of Burma (June 2002) Economic Report on Burma

²¹¹ Reprinted from: Burma Economic Watch (2001) Foreign Direct Investment and the Garments Industry in Burma

²¹² Some countries outside the region, notably Israel, committed funds for investment.



FDI 2001-2002

Foreign direct investment in Burma is drastically declining. It was reported that FDI dropped by 70% in 2001 from the previous year.²¹³ In 2002, FDI fell 16.5% from 2001 and about 75% from 2000.²¹⁴ In 2002, only 4 countries invested in Burma, as opposed to 10 countries in 2001. The decline is largely due to the completion of the pipeline projects, but new gas projects are expected to provide a revitalizing injection of FDI. [see Recommendation: Ban on Oil & Gas FDI p72]

In 2002 Burma's top FDI came from²¹⁵:

Sector	Investment Value	Investing Country
Oil and Gas	US\$ 44 million	Malaysia
Mining	US\$ 3.38 million	Switzerland
Manufacturing	US\$ 1.82 million	Hong Kong & S. Korea

²¹³ Xinhua (11 Jun 02) Foreign Investment in Myanmar Down in 2001

²¹⁴ Xinhua (10 Apr 03) Foreign Investment in Myanmar Declines in 2002 – according to Burma's Central Statistical Organization

²¹⁵ Xinhua (10 Apr 03) Foreign Investment in Myanmar Declines in 2002 – according to Burma's Central Statistical Organization

These three sectors, with hotels and tourism ranking 4th, have traditionally been the most lucrative FDI sources for Burma. Burma is extremely reliant upon the oil and gas industry. In 2001, Burma received about US\$59 million from the industry. The reliance on the oil and gas industry and the current decline in this and all sectors of FDI could make the SPDC more susceptible to pressure.

Logging is also a significant, but under-reported form of FDI in Burma. It is estimated that only half of logging projects and exports are formally listed in the regime's statistics but the regime relies on both formal and informal logging as an important source of foreign exchange. [see Recommendation: Ban on Conflict Resources p58]

Trade Fairs

Burma is host to numerous trade fairs each year, which provides the regime and their ally business partners opportunities for greater business contracts. Thailand, India, and Bangladesh have some of the largest exhibitions in Burma and also play host to Burma at exhibitions held in their countries.

Most notably, business ties have strengthened between the SPDC and Thailand and India in recent years. The Confederation of Indian Industry plans to hold an industrial exhibition in Rangoon in early 2004 and in May 2003 Thailand held its 7th trade fair since 1998.²¹⁶ In 2003, Burma's annual gems emporium attracted 246 companies from 18 countries and regions in which Burma immediately earned US\$23.32 million and was reportedly also used as a money laundering venue for the Wa.²¹⁷ [see Implement FATF Recommendations p95]

FDI Exposure to Money Laundering

Investing in Burma also runs a serious risk of being linked to illicit funding from drug trafficking and money laundering. Brian Joyce asserts that, "Proceeds of drug trafficking have become a critical component of the economic composition, funneling profits...into commercial enterprises throughout both the country and the region, intertwining criminal proceeds with legitimate infrastructure and economic development."²¹⁸ [see Implement FATF Recommendations p95]

²¹⁶ Xinhua (4 Jun 03) Indian firm to hold industrial exhibition in Myanmar & Xinhua News (29 April 03) Thai trade exhibition to be held in Myanmar

²¹⁷ Xinhua (24 Mar 03) Myanmar fetches 23 mln dlrs from gem sale

²¹⁸ Joyce, Brian. Dynamics and Deficiencies of Anti-Money Laundering Efforts in Myanmar. *Journal of Money Laundering Control*, 6 (1), 2002

78 Special Report: Ready, Aim, Sanction!

A clear example, is business by the 'godfather of heroin' Lo Hsing Han and his son Mr. Steven Law (Htun Myint Naing), who reportedly controls Rangoon's main port. Steven Law is the managing director of Asia World Company, which operates in joint ventures with the SPDC and has infused more than US\$200 million into construction projects around Rangoon.²¹⁹ There are also many links to money laundering in the Burma's logging trade. [see Recommendation: Ban on Conflict Resources - Drugs & HIV/AIDS & Money Laundering p65]

What About the Workers?

In Burma there is no evidence to support the argument that investment provides better working conditions. The regime forbids labor unions and has been condemned by the International Labor Organization for its lack of acceptable labor standards.

In the case of logging, many foreign companies import Thai and Chinese workers. The local communities rarely receive reinvestment of the wealth from logging in their areas, often they are not employed in the sector, and suffer from the negative consequences of current unsustainable logging practices. [see Myth & Reality 12, p151]

In fact, as it is nearly impossible to do business in Burma without funding the regime, these jobs are a double-edged sword because they are funding the continued oppression of the people of Burma and thus delaying the development of good governance that can promote and sustain genuine economic reforms.

²¹⁹ Joyce, Brian. Dynamics and Deficiencies of Anti-Money Laundering Efforts in Myanmar. *Journal of Money Laundering Control*, 6 (1), 2002

**SPECIAL FOCUS:
TENTACLES – SPDC'S HOLD ON THE FORMAL ECONOMY**

The Burmese regime has manipulated the development of the economic system so that it has 'tentacles' reaching all throughout the economy, making it almost impossible to do business in or with Burma without directly profiting the regime. The economy is largely controlled by state-run enterprises and private companies run by regime officials. Business investment mainly benefits the regime as an institution and as individuals.

Since the late 1980s the regime has pursued a process of 'privatization' to manipulate the economy in a way that has allowed the military to 're-assert ownership and control over formal sector enterprises'.

This ownership occurs via private business organizations, where often times the main beneficiaries are not directly the state, but the regime's top officers, family members, allies and close business associates.²²⁰

The SPDC continues to create ministries and civil organizations under its control to extend its control over and profit from investment and trade, notably the USDA and Na Sa Ka.

The regime's business ownership is pervasive, but it is also important to recognize that these enterprises often dominate the various business sectors. Andrew Selth argues, "It is now very difficult to establish any major business in Burma without the support of senior military officers, many of whom have their own interests in private companies throughout the country.... It must be assumed that a high percentage of the profits of the joint venture deals embarked upon to date must eventually return in one form or another to the armed forces."²²¹

One insider said that through the UMEH and Myanmar Economic Corporation (MEC), the SPDC 'will be able to maintain its hold on various sectors of the economy.'²²²

Gen Maung Aye holds a lot of influence over Burma's economic policies. He is chairman of the National Industrial Development Committee, the National Agricultural and Economic Development Committee and the National Trade Committee, which oversees cross-border trade.²²³

²²⁰ Oehlers, Alfred. Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003

²²¹ Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory

²²² Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory

²²³ Irrawaddy (18 Aug 03) Junta Seeks China's Help

80 Special Report: Ready, Aim, Sanction!

Although it is not technically a state-owned enterprise Khin Nyunt reportedly attends the plenary meetings of the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI).

- ◆ The State-Owned Economic Enterprise Law of 1989 gives the 'government' the right to control 12 key areas of economic enterprises.²²⁴
- ◆ The Burmese Army controls a 'wide range' of industrial, commercial, and financial enterprises, which are used to support 'off-budget expenditures.'²²⁵
- ◆ Foreign businessmen report that to do business one must 'make a deal' with a state-owned firm, a firm controlled by a senior military officer or pay at least 5% commission to a uniformed officer.²²⁶
- ◆ Traders report that private companies can only export under the authorization of Union of Myanmar Economic Holdings Ltd (UMEH) or Myanmar Agriculture Produce Trading (MAPT), which receive an 11% commission on transactions.²²⁷
- ◆ A 10% tax is applied to all repatriation transfers.²²⁸
- ◆ According to a U.S. embassy report, more than 7% of Burma's GNP comes from forced labor.²²⁹
- ◆ Rice exporters must now pay a 10% tax, with the remainder divided equally between the exporter and government.²³⁰

²²⁴ Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory

²²⁵ Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory quoting Mya Maung (Aug 1991) The Burma Road to Poverty & Thuang. Army's Accumulation of Economic Power in Burma, 1940-1990. Burma Review, Oct 1990

²²⁶ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-updated May 2003, quoting Washington Post, 18 May 97

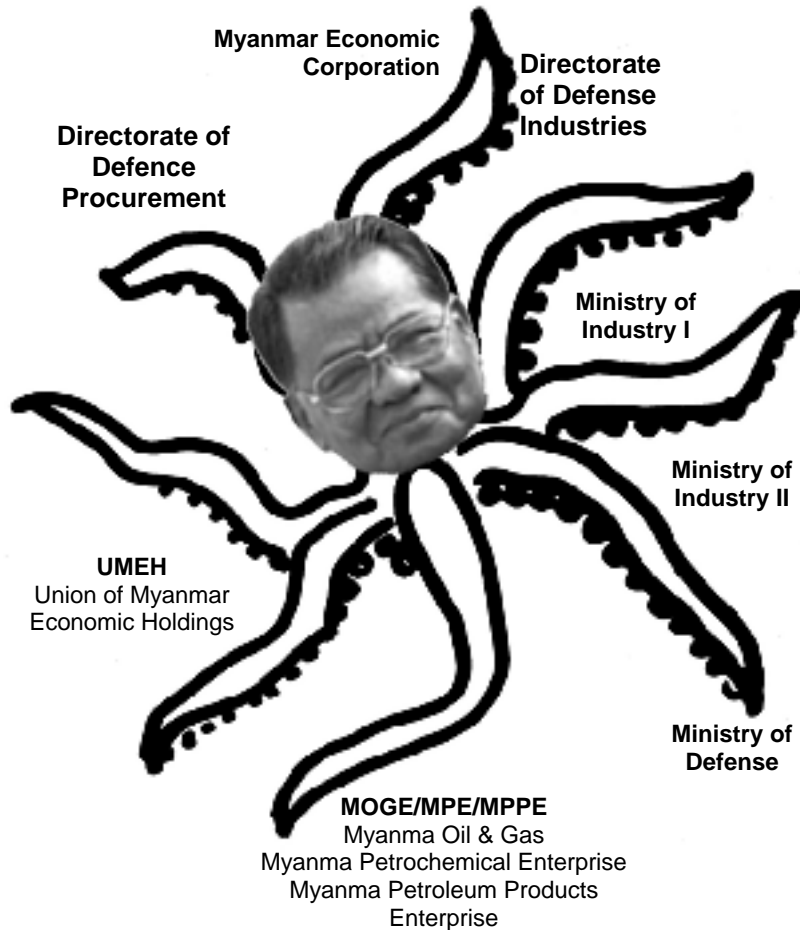
²²⁷ US Department of Commerce (2002) Burma Country Commercial Guide FY2002
www.usatrade.gov

²²⁸ Heritage Foundation (2003) 2003 Index of Economic Freedom: Burma

²²⁹ Stumberg, R. Trade Sanctions & Selective Purchasing Laws: A Briefing and Debate. Burma Debate, Summer 1999

²³⁰ Bangkok Post (16 Sept 03) Orders up for Burma's rice

The BIG Tentacles²³¹
(a snapshot!)



²³¹ US Embassy Rangoon (1997) Economic Trends Report; American Center for International Labor Solidarity (Nov 2000) Connections Between Garment Manufacturing and Military Interests in Burma; Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory; Ministry of Industry 1 webpage <http://www.myanmar.com/Ministry/MOI-1/index.htm> ; Ministry of Industry 2 webpage <http://www.myanmar.com/Ministry/moi2>; US Embassy Rangoon (1996) Foreign Economic Trends Report: Burma; US Department of Commerce (2002) Burma Country Commercial Guide FY2002 www.usatrade.gov

Ministry of Defense

Either having ownership, benefiting from, or having influence over all state enterprises and most ministries.

DDP: Directorate of Defense Procurement

- ◆ Imports weapons other than small arms & finished goods for the military.
- ◆ In addition to UMEH, there are at least 8 other state-operated joint ventures in agriculture, fisheries, trade, construction, hotels & medicine. They are operated by serving or retired military officers.
- ◆ Owns 40% shares of UMEH

DDI: Directorate of Defense Industries

- ◆ Operates complexes of factories in and around Rangoon & Malun.
- ◆ Controls 12 distinct "defense industries" that make products ranging from weapons to sports balls.
- ◆ Makes weapons for the military.

MEC: Myanmar Economic Corporation

- ◆ Private shares can only be held by active-duty military personnel.
- ◆ Branch of UMEH.
- ◆ Extensively engaged in the manufacturing sector, agriculture and commodity trading, banking and finance, natural gas and petroleum exploration, transport services and telecommunications, and gems and tourism.
- ◆ Exerts increasing influence over business activity.
- ◆ Formed Myanmar International Insurance & Myanmar International Insurance Service Group.
- ◆ Only non-fully state-owned life & general insurance company given a permit to operate.
- ◆ Set up Myanmar Brewery which led to nationalization of Mandalay Brewery – see Mandalay Brewery: A Cautionary Tale pg 154)

UMEH (UMEHL): Union of Myanmar Economic Holdings

- ◆ Under the control of Adjutant General's Office.
- ◆ All major foreign investors enter into joint ventures with UMEH.
- ◆ Extensively engaged in the manufacturing sector.
- ◆ Exert increasing influence over business activity.

MOGE/MPE/MPPE

- ◆ The petrochemical and petroleum sector in Burma (excluding indigenous fuels such as charcoal) is entirely state-owned.
- ◆ Myanmar Oil and Gas Enterprise (MOGE), Myanmar Petrochemical Enterprise (MPE) and Myanmar Petroleum Products Enterprise (MPPE) all hold exclusive rights to explore, develop and produce petroleum in Burma.
- ◆ All foreign enterprises are in joint ventures.
- ◆ Provides Defense Ministry with the lions share of the fuel at steep discounts.

Ministry of Industry I

- ◆ Has 5 industrial zones.
- ◆ Part or full ownership of more than 75 factories.
- ◆ Its industries include: Textiles, Pharmaceuticals, Paper and Chemicals, Ceramics, and General and Maintenance Industries.

Ministry of Industry II

- ◆ Heavy industry plants.
- ◆ Produces weapons.
- ◆ Joint ventures e.g.: Suzuki, Daewoo Electronics, Fritz Warner Industry, Daewoo Motor, and Ikarat Co.
- ◆ Departments & enterprises in: Industrial planning; engine production; agricultural production; machine equipment and electrical goods; rubber production; factories and buildings construction.
- ◆ Myanmar Industrial Development Bank – 'helped' in establishing 17 industry zones.

Myanmar Agricultural Produce Trading (MAPT)

- ◆ Defense Ministry receives a large amount of rice far below market rates from MAPT.
- ◆ Villagers report being forced to sell rice to MAPT at below market prices.

Myanmar Timber Enterprise (MTE)

- ◆ Controlled under the Ministry of Forestry, which is staffed primarily by retired military officers and has full jurisdiction over forest conservation and exploitation.
- ◆ Reportedly has a monopoly on the harvesting, processing and marketing of teak.
- ◆ In 1997, MTE operated 38 extraction and rafting agencies.
- ◆ Runs at least 4 plywood factories, 5 furniture factories, 2 molding factories and a flooring and molding factory.
- ◆ The logging rate of the MTE is based largely upon the foreign exchange need of the regime, and not on the principle of sustainability.
- ◆ Contracts some work to private logging and timber processing companies, which mostly have close relations with high-level military authorities.
- ◆ Subcontracts some logging operations, however, subcontractors are required to provide the MTE with a certain amount of timber at a price, which is often too low to make a profit.
- ◆ [For further discussion on the regimes' involvement in logging see Recommendation: Ban on Conflict Resources]

Myanmar Export-Import Services (MEIS)

- ◆ A 'parastatal state enterprise' that monopolizes rice exports.

Ministry of Post and Telegraphs (MPT)

- ◆ Took over all email services in Burma in 2001.

Ministry of Hotels & Tourism

- ◆ Many of the large hotels, airlines, and tourist attractions are fully or jointly owned by the regime or are private businesses owned by regime members. Western diplomats in Rangoon have said that the list of owners of the hotel plots at the newest beach resort, Ngwesaung, reads like 'a Who's Who of generals and their cronies.'²³²
- ◆ Myanmar Hotels & Tourism Services (MHTS) manages state-owned hotels and tour operations including Myanmar Travels & Tours.
- ◆ Minister for Hotels and Tourism, Maj-Gen Saw Lwin, admitted that 12% of the earnings of private tourist enterprises fund the regime.²³³ ILO reports in early 2003 cite the army as one of the major abusers of forced labor.

Myanmar Electric Power Enterprise (MEPE)

- ◆ Controls Burma's power generation, which is necessary for all economic activity.

Directorate of Ordnance

- ◆ Manages many state-owned enterprises in the Ministry of Industry 1, including garment, textile and other factories.
- ◆ Maung Aung Myoe asserted that, "these industries generate some income for the Tatmadaw, and also provide jobs for many families of the Tatmadaw rank-and-file."²³⁴

State-Owned/Controlled Banks

The banking system is monopolized by the regime. The state-run Myanmar Foreign Trade Bank, Myanmar Investment and Commercial Bank, and the Myanmar Economic Bank are the only institutions that handle foreign

²³² The Guardian (4 Aug 03) Pressure on Burma Tours

²³³ Burma Campaign Austria (30 Jan 03) Burma-Boycott: Campaign Against Aua-Lauda Air & Myanmar Times (12-18 Aug 02) Minister says tourism earning estimated at \$1 million a year

²³⁴ Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory quoting US Embassy Rangoon (1996) Foreign Economic Trends Report: Burma

86 Special Report: Ready, Aim, Sanction!

exchange transactions in Burma.²³⁵ Although there are some private banks half of them are owned or controlled by members of the military clique.²³⁶

Innwa Bank	Owned by UMEH
Myawaddy Bank	Owned by UMEH
Myanmar Insurance Corporation	
Myanma Agricultural and Rural Development Bank	
Myanma Economic Bank (MEB)	Primary deposit-taking and general banking institution
Myanma Foreign Trade Bank	Foreign exchange transactions and shares its foreign exchange monopoly with the MICB
Myanma Investment and Commercial Bank (MICB)	Corporate and investment banking carved out of the Myanma Economic Bank (MEB)
Central Bank of Myanmar	Regulates the financial institutions both State and private owned
Myanma Small Loans Enterprise	Type of state-owned 'pawn shop' carved out of the Myanma Economic Bank (MEB)

A CLOSER LOOK: UNION OF MYANMAR ECONOMIC HOLDINGS LTD (UMEH/UMEHL/UMEHI)

The way the regime's tentacles work can be exemplified through taking a closer look at UMEH. Since 1990, Union of Myanmar Economic Holdings (UMEH) has become one of the largest firms in Burma, with substantial control over foreign investment.

The Defense Ministry's Directorate of Procurement, whose main function is to import arms, owns 40% of UMEH. Active and retired military officers, army-owned business enterprises and friendship societies, including veteran groups, hold the other 60%.²³⁷

²³⁵ Irrawaddy (7 Aug 03) Foreign Banks Refuse Letter of Credit

²³⁶ Turnell, Sean. Reforming the Banking System in Burma: A Survey of the Problems and Possibilities Economics Academic Group, Economics Department, Macquarie University, Sept 2002, quoting World Bank, 1999

²³⁷ Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory

Non-military options to support Burma's democratization 87

The UMEH is extensively engaged in joint ventures with foreign firms including gems production, garment manufacturing, food and beverage trading, timber industries, supermarkets, banks, hotels, tourism, bus lines, steel production, airlines and telecommunications.²³⁸ There is no public reporting of UMEH finances.

Gems²³⁹

One of UMEH's most lucrative enterprises is the gems sector. The UMEH gained ownership of the Mongshu gems tract in 1994. UMEH has ownership of many gem mining camps including:

Nga Yant Inn Camp	
Yadanakadekada Camp	leased out to Mila Yoma Company
Shwe Pyi Aye Camp	leased out to Asia Precious Gems Co Ltd
Thurein Hill Camp	leased out to Myanmar Sithu Yadana Co
Pan Lin Camp	leased out to Myanmar Sithu Yadana Co
Lin Young Chi Camp	leased out to Zaw & Zaw Co

The UMEH usually gets 60% of total proceeds from the sale of gems from companies it leases out to. It sub-contracted Shan Yoma Gem Enterprises of which the Eastern (military) Command receives 10% of the profits, the Shan Yoma Company receives 45%, and thus the UMEH seemingly receives 45%.

Some of UMEH's gem camps that were previously 100% state-owned are thought to have been turned over to narcotics traffickers.

²³⁸ Selth, Andrew. (2002) *Burma's Armed Forces: Power Without Glory* quoting Government of the Union of Myanmar, Ministry of Trade (19 Feb 90) Notification No. 7/90 & Maung Aung Myoe (1999) *The Tatmadaw in Myanmar Since 1988* & ; Oehlers, A. & Zarni (Dec 2002) *The Military and Business in Burma*. *Sudostasien*, 18 (4)

²³⁹ American Center for International Labor Solidarity (Nov 2000) *Connections Between Garment Manufacturing and Military Interests in Burma* citing a report on the Union of Myanmar Economic Holdings Ltd for FY 1995-96

88 Special Report: Ready, Aim, Sanction!

Jade²⁴⁰

Many UMEH jade camps have also been subcontracted to private companies. However, the regime earns additional revenue from the millions of kyat from licensing fees in addition to the 55% of production that is handed over to UMEH and the 5% handed over to the Northern (military) Command.

UMEH has ownership of many jade camps including:

Sama Camp	subcontracted to Share Family Co Ltd
Karamgam Camp	subcontracted to Share Family Co Ltd
Khaingkyin Camp	subcontracted to Gold Jade Gems Co
Nathmaw Camp	subcontracted to Nilar Yoma Co Ltd

UMEH Business Ventures²⁴¹

Examples of businesses known or thought to be fully-owned by/ joint ventures with /subsidiaries of /affiliated with /linked with or have project financing by UMEH:

BAT subsidiary, Rothmans Pall Mall Myanmar Private Ltd	owns a cigarette factory in a military-owned industrial estate in Mingaladon township. (British)
Myanmar Hwa Fuh International Ltd	rents land and buildings owned by UMEH and manufacture garments. UMEH receives an additional 5% commission on local sales. (Hong Kong)

²⁴⁰ American Center for International Labor Solidarity (Nov 2000) Connections Between Garment Manufacturing and Military Interests in Burma citing a report on the Union of Myanmar Economic Holdings Ltd for FY 1995-96

²⁴¹ Report of the Union of Myanmar Economic Holdings 2001-2002; International Confederation of Free Trade Unions (31 Oct 02) New Database Lists Over 325 Corporations with Burmese Business Links; American Center for International Labor Solidarity (Nov 2000) Connections Between Garment Manufacturing and Military Interests in Burma citing a report on the Union of Myanmar Economic Holdings Ltd for FY 1995-96; Ministry of Industry 1 webpage <http://www.myanmar.com/Ministry/MOI-1/index.htm> ; Ministry of Industry 2 webpage <http://www.myanmar.com/Ministry/moi2>;

Myanmar Macau Hotels and Travels Ltd (Central Hotel)	UMEH owned 40% and later bought 25% of the other party. The hotel is scheduled to be transferred to UMEH after 30 years of operation.
Shin Corporation	telecom group linked to the family of Thai Prime Minister. (Thailand)
Myanmar Nouveau Co Ltd	producing finished gem products. (Thailand)
Suzuki	sizeable investment in Burma making cars and motorcycles.
Myanmar Segye International Ltd	garments for export. (Hong Kong)
Myanmar Daewoo International Ltd	garments for export. (South Korea)
Myanmar Unimix International Ltd	garments for export. (Hong Kong)
Korean Gas Company with Daewoo	gas. (South Korea)
Austrian Airlines	airline. (Austria)
Myanmar Mamee Double Decker Ltd	noodles. (Malaysia – Mamee Double Decker Bhd.)
Myanmar Brewery	various beer for domestic consumption. (Singapore – Fraser & Neave & set up by MEC)
Myanmar Posko Steel Co	iron and steel. (South Korea – Pohon Iron and Steel Co.)
Berger Paints Manufacturing Ltd	paint production. (Singapore – Berger International)
First Automotive Co.	Isuzu vehicles. (Japan – Mitsugi Corp.)
Myanmar Jade International	selling jade. (Hong Kong)
Myanmar Cement Co.	cement. (Indonesia – P.T. Semen Cibniong & P.T. Prima Comexindo)

Myanmar Forward Support Co.	trading and freight forwarding. (Singapore – SKS Marketing Pte.)
NTCY Fair Price Cooperative, Ltd	supermarket and goods import. (Singapore)
Myanmar Hotel & Cruises Ltd	hotels and cruises. (British)
Myanmar Tokiwa Corporation	pencils. (Japan)
Kurosawa Trust Co.	gems. (Japan)
Hanthawaddy Golf Club	golf club. (Japan – Nikko Shoji Co.)
Myanmar Samgong Industrial Co.	inflatable rubber boats. (South Korea – Samgong Industrial Co.)
Myawaddy Trading	trading. (Singapore)
Innwa Bank	Banking.
Myawaddy Bank	Banking.
Myawaddy Travels and Tours Ltd	Tourism.
PVC Pipe Factory	PVC pipes.
Hyundai	Automobiles and motorcycles.

Keeping It In The Family: Industrial Estates

Despite the supposed decrease in fully state-owned businesses, the regime remains heavily involved in business through alternative means including ownership of industrial estates that host a significant number of factories and businesses. There are 18 industrial zones in 9 states and divisions. The Ministry of Industry 1 controls 5 industrial estates - Thanlyin, Hmawbi, Daik-U, Bago, and Sagaing Industrial Estates and has part or full ownership of more than 75 factories.²⁴²

A 1994 U.S. State Department report estimated that the regime forcibly relocated more than 500,000 residents from Rangoon to new satellite settlements, better described as slums, which are on the outskirts of the

²⁴² American Center for International Labor Solidarity (Nov 2000) Connections Between Garment Manufacturing and Military Interests in Burma

city.²⁴³ Much of the land has been used for commercial purposes and industrial estates. Many of the key industrial estates built in and around Rangoon are built by the Department of Human Settlement and Housing Development (DHSHD), which is under the regime's Ministry of Construction. DHSHD has allegedly played a significant role in those forced relocations.²⁴⁴

The Myanmar Industrial & Commercial Directory 2000 stated the DHSHD "is developing industrial zones in Yangon (Rangoon) division for the local investors as well as the foreign investors."²⁴⁵

DHSHD developed Shwe Paukan, Dagon, Dagon Seikkan Township, Hlaing Thayar and Shwe Pyi Thar Industrial Zones.²⁴⁶

- ◆ Hlaing Thayar Industrial Zone – 17 garment factories, including Myanmar Yes, Apolo Garment, and Jong Lih backpack factory, which were all reported to have violated labor and human rights.
- ◆ Shwe Pyi Thar Industrial Zone – 9 garment factories

According to public directories, the factories in these two industrial zones account for 20-30% of garment factories.

The regime-controlled Union of Myanmar Economic Holdings (UMEH) has close connections with industrial zones and many major garment factories in Burma. The UMEH fully owns Pyinmapin (Bhinmarpin) Industrial Zone that also has many garment factories. Construction crews using child laborers upgraded the zone in 1996.²⁴⁷ A UMEH joint venture with Myanmar Land & Development Ltd does a lot of the construction of industrial estates in Burma.

The UMEH is in joint ventures with Daewoo, Unimix, Segye, and with Triumph before they were pressured out of Burma. In addition UMEH did project financing for Daewoo and Segye.

²⁴³ Burma Ethnic Research Group [BERG] (July 1999) Internal Displacement in Myanmar

²⁴⁴ American Center for International Labor Solidarity (Nov 2000) Connections Between Garment Manufacturing and Military Interests in Burma

²⁴⁵ American Center for International Labor Solidarity (Nov 2000) Connections Between Garment Manufacturing and Military Interests in Burma

²⁴⁶ American Center for International Labor Solidarity (Nov 2000) Connections Between Garment Manufacturing and Military Interests in Burma

²⁴⁷ Burma Campaign UK and Federation of Trade Unions – Burma (12Nov 02) Campaigners Target BAT over Burma Factory

It Gets Worse

About 650 acres was leased from the army regiment in Mingaladon for the Pyinmapin Industrial Zone. Pyinmapin is military designated area. While UMEH profits from joint ventures, the army and gets money for providing the resources: electricity, water, land rental, etc, just as DHSHD and Ministry of Industry 1 get revenue for those resources from the business ventures that operate on the industrial zones it operates.²⁴⁸

In a BBC hidden-camera investigation of Burma's apparel industry, an SPDC official asserted that the regime controls "all the [garment] factories."²⁴⁹ It has been reported that 95% of the factories represented by Myanmar Garment Manufacturers' Association are state-owned. The Association reported that 75% of their goods were imported by the U.S. and 25% by the EU.²⁵⁰

Prior to their withdrawal in January 2002, Triumph International's factory was located on military owned land, which was upgraded with forced labor, including child labor. Triumph, which exported nearly all its production, paid 5% tax to the regime on all its exports and in addition paid rent and commercial taxes directly to the UMEH.²⁵¹

British American Tobacco's (BAT), Burmese subsidiary is Rothmans of Pall Mall Myanmar, is in a 60/40 joint venture with UMEH and is located in Pyinmapin Industrial Zone, which was upgraded with child labor. The Myawaddy Trading Co, a subsidiary of UMEH, distributes BAT cigarettes.²⁵²

2000-01 profits from the British American Tobacco (BAT) factory in Burma were US\$1.06 million. If split 60-40 then the factory earns the regime and its cronies US\$400,000 a year. This is enough to buy 20,000 AK47 assault rifles. Around 20% of the cigarettes are for export to neighboring countries. The regime earns a further 10% export tax on these cigarette exports. ~Burma Campaign UK

²⁴⁸ American Center for International Labor Solidarity (Nov 2000) Connections Between Garment Manufacturing and Military Interests in Burma

²⁴⁹ BBC Night News 1997

²⁵⁰ AP (8 May 03) Myanmar garment manufacturers call for end to U.S. ban

²⁵¹ Burma Campaign UK (28 Jan 02) Campaigners force Triumph International's withdrawal from Burma

²⁵² Guardian (12 Nov 02) Clarke embarrassed as attack on Burma goes up in smoke

Six Degrees Of Separation

The SPDC uses 'civilian' organizations and military militias to expand its control, including its economic monopoly. The USDA and Na Sa Ka are two of the most notorious.

Union Solidarity and Development Association (USDA)

The USDA, chaired by Sr-Gen Than Shwe, is a civilian front for the regime, though technically it is not a political party but a social organization under the Ministry of Home Affairs. USDA membership is mandatory for all government employees and sometimes even for school enrollment.²⁵³ USDA members are given basic military training, including the use of infantry weapons. USDA is notorious for: harassment of NLD, forcing civilians to attend political rallies, and propagating the SPDC's 'national causes'.²⁵⁴ As David Steinberg said, "USDA is clearly a means to extend and perpetuate the influence of the Tatmadaw [SPDC armed forces]."²⁵⁵ It would be a major error for the international community to regard the USDA as divorced from state authority or as an autonomous organization.

USDA is engaged in many economic ventures at the national and divisional/state level, namely the lucrative gem and logging trades.²⁵⁶

USDA business interests:
 Gems, logging, local markets, railways, construction, fisheries, agriculture, rice, car parts, rice mills, prawn farms, well drilling companies, hotels, karaoke shops & toll collection.

At the national level, they control at least the Myan Gone Myint Company, northern Bin Lon Yadana Market, 11 sections of Theingyi market, and 11 plots of land in Hlaing and Kama Yout townships.²⁵⁷ They are also reportedly involved in the lucrative and budding gems trade at the national level.²⁵⁸

²⁵³ International Crisis Group Asia (21 Dec 00) Burma/Myanmar: How Strong is the Military Regime?

²⁵⁴ On Daw Suu's trip to Kachin State in May 2003, about 300 USDA members, armed with catapults, attempted to block her movement – an increased level of harassment then on previous trips. AFP (16 May 03) Myanmar's Suu Kyi encounters "most serious" protest

²⁵⁵ Steinberg, David. The Union Solidarity and Development Association. Burma Debate (Jan/Feb 97)

²⁵⁶ Heritage Foundation (2003) 2003 Index of Economic Freedom: Burma

²⁵⁷ NDD (May 2003) Personal Communication

²⁵⁸ Steinberg, David. The Union Solidarity and Development Association. Burma Debate (Jan/Feb 97)

94 Special Report: Ready, Aim, Sanction!

In Sagaing, Tenasserim, Pegu, Magwe, Rangoon and Irrawaddy Divisions as well as Mon, Arakan and Shan States, the USDA has extensive businesses. Business interests include railway lines, construction companies, fisheries, agriculture business, alternative firewood, summer rice paddy harvests, car part imports from Thailand, rice mills, prawn farms, well drilling companies, hotels, and karaoke shops. USDA is also heavily involved in taxation systems on vehicles entering towns or crossing bridges, river transportation, and market shops.²⁵⁹

Na Sa Ka: Making Human Rights Violations Profitable

The powerful Na Sa Ka, which is commonly known as SPDC's border security forces, is technically listed as a separate paramilitary organization. However, it appears to be an extension of the SPDC Army, and also linked with immigration, customs, and police officers and is closely associated with SPDC intelligence.²⁶⁰

While Na Sa Ka forces are found on all of Burma's international borders, they are most notorious in Arakan State.²⁶¹ Na Sa Ka is notorious for extortion, use of forced labor, land confiscation, rape, forced relocations, restricting movement, interference with NGO work, physical abuse, seizing goods, and laying landmines.

In Burma's western areas, Na Sa Ka has control over most of the local economies. Their businesses are known to include: taxation of border trade, taxation of local businesses, taxation of vehicle and human transportation, selling business licenses and overseeing new village construction. In Arakan State, the Na Sa Ka is reported to tax Rohingya Muslims extensively.

In Arakan State, almost all economic activities are controlled through a monopoly system, which forbids any free enterprise. All agriculture, fishing, prawn breeding, bamboo, timber, firewood cutting, animal selling, and trade (rice, fuel, oil, fertilizers, etc) are under a monopoly license system that allows for outrageous taxation. SPDC ministries or local Na Sa Ka reportedly sells the license to a 'rich and influential' person, who then controls the market by vendor selection and taxation. The ministries and Na Sa Ka continue to benefit from this practice, as the 'monopoly license' must be repurchased each year.²⁶² [see Myth & Reality 10, p142]

²⁵⁹ NDD (May 2003) Personal Communication

²⁶⁰ Selth, Andrew (2002) *Burma's Armed Forces: Power Without Glory*

²⁶¹ Selth, Andrew (2002) *Burma's Armed Forces: Power Without Glory*

²⁶² Chris Lewa, Forum-Asia - Arakan Project

WIDEN THE ASSETS FREEZE

The regime, its agencies, individual members, and related associations have significant control over and ownership of economic enterprises throughout Burma. These agencies and its members are also implicated in committing human rights abuses, disregarding the rule of law and corruption. The SPDC, Union Solidarity and Development Association (USDA), and Na Sa Ka border security forces are the three major entities that are using business to empower their organizations and increase their own wealth and power. The EU and U.S. policies call for the freezing of assets for individuals with leadership positions in the SPDC and USDA. [see Current Sanctions Assets Freeze p33] However, the assets freeze should be expanded to include the brutal Na Sa Ka organization and its leadership and the leadership and business entities of the regime such as the Union of Myanmar Economic Holdings Ltd, Myanmar Economic Corporation, Ministry of Industry 1 and Ministry of Industry 2 leadership including its joint ventures, subsidiaries, and affiliated companies. [see Tentacles p79]

Although it is not known where all their assets are, most are thought to be in countries in the region. The EU and U.S. also need to strongly encourage Burma's Asian neighbors to freeze assets, a measure they should support under the auspices of the UN Security Council. This is consistent with international anti-money laundering procedures that seek to cut-off funds belonging to actors involved in the perpetuation of criminal activities and the narcotics trade. [see: Recommendation: Implement FATF Recommendations p95]

IMPLEMENT FINANCIAL ACTION TASK FORCE (FATF) RECOMMENDATIONS

In June 2001, Burma was placed on the FATF's list of non-cooperative countries and territories (NCCT) in combating money laundering. The FATF can take action against countries on this list if they do not take real action to combat money laundering. Given this level of threat, in June 2002, the SPDC created a patchy anti-money laundering law. There has been no indication of enforcement or a halt on what is suspected to be an extensive money-laundering climate in Burma. In March 2003, FATF renewed Burma's position on the list along with 9 other countries.²⁶³ FATF regulations have been updated and will be enforced to greater reflect other anti money laundering positions.

²⁶³ FATF (13 Mar 03) Non-Cooperative Countries and Territories

96 Special Report: Ready, Aim, Sanction!

Some of the actions that FATF recommends its members take towards non-compliant countries:

- ◆ Pay special attention to business relations and transactions with persons, companies and financial institutions from that country.
- ◆ Warn non-financial sector businesses that transactions with entities in that country may expose them to risk associated with money laundering.
- ◆ Enhance reporting mechanisms and systematic reporting of financial transactions with that country.

Having issued a warning in its October 2003 meeting for Burma to “introduce mutual legal assistance legislation and issue comprehensive implementing rules and regulations for anti-money laundering,” in November the FATF further called upon its members to apply countermeasures to Burma a month later. In its statement, the FATF called for countermeasures since “Myanmar has still not addressed major deficiencies in its anti-money laundering regime. In particular, Myanmar has failed to establish a framework to engage in effective international cooperation in the fight against money laundering, and its anti-money laundering law continues to lack the implementing regulations necessary to make it enforceable.”²⁶⁴

Counter-measures include the possibility of *enhanced surveillance and reporting of financial transactions* in considering requests for approving the establishment in FATF member countries of subsidiaries or branches or representative offices of banks, taking into account the fact that the relevant bank is from a non-complying country. Relevant actions include:

- ◆ Stringent requirements for identifying clients and enhancement of advisories, including jurisdiction-specific financial advisories, to financial institutions for identification of the beneficial owners before business relationships are established with individuals or companies from Burma;
- ◆ Enhanced relevant reporting mechanisms or systematic reporting of financial transactions on the basis that financial transactions with Burma are more likely to be suspicious;

²⁶⁴ Financial Action Task Force on Money Laundering (3 Nov 03) FATF decides to impose counter-measures on Myanmar

- ◆ Warning non-financial sector businesses that transactions with entities within the Burma might run the risk of money laundering.

The FATF will review this position at its next Plenary meeting in February 2004.

An article in the *Journal of Money Laundering Control* asserted that the SPDC's anti-money laundering efforts suffer from 'numerous flaws and inefficiencies.' It further describes, "The lack of internationally accepted money laundering provisions, weak law enforcement capacity, and under-regulated banking system and proliferation of drug trafficking activity combine to form a haven for easy incorporation of illicit proceeds into the mainstream Myanmar economy."²⁶⁵ Foreign Direct Investment in Burma and in particular Burma's logging and gem extraction sectors are vulnerable to money laundering. [see Recommendation: Ban on Conflict Resources - Drugs & HIV/AIDS & Money Laundering & Recommendation: Full Investment Ban – FDI Exposure to Money Laundering, p65 & p77]

In late 2002, The United Wa State Army reportedly used the regime-sponsored gems auction to launder hundreds of thousands of dollars of drug money.²⁶⁶ Money laundering is clearly a major issue in Burma as a report by the US Embassy in Rangoon found that the total figure for money that could not be accounted for in FY1995-96 was US\$600 million, a large amount for the Burmese economy which was only officially exporting US\$1 billion in goods.²⁶⁷

Businesses and moneylenders, such as the ADB, as well as FATF members should take note of this pervasive problem and make serious responses. The FATF has 31 members which include, among others: Singapore*, Australia, Canada, European Commission, many EU countries, Hong Kong, Japan, the Russian Federation, Netherlands, UK and U.S.

* It is widely believed that a substantial amount of assets belonging to SPDC officials and their cronies are held in Singapore.

²⁶⁵ Joyce, Brian. Dynamics and Deficiencies of Anti-Money Laundering Efforts in Myanmar. *Journal of Money Laundering Control*, 6 (1), 2002

²⁶⁶ Bangkok Post (4 Nov 02) Wa launder proceeds at gem auction

²⁶⁷ Lintner, Bertil. Drugs and Economic Growth in Burma Today. In M. Pederson, E. Rudland, & R.J. May (Eds) *Burma/Myanmar Strong Regime Weak State?* 2000

WITHHOLD ASSISTANCE FROM IFI/MDBS

Burma's outstanding external debt exceeds US\$5.6 billion.²⁶⁸ The World Bank and Asian Development Bank (ADB) have ceased providing loans and technical assistance to the regime. The SPDC has not paid on their World Bank loans since 1987, and has more than US\$25 million in overdue payments as of June 1999. ADB provided 32 loans worth US\$530.9 million. The regime has not made any repayments since 1998 and has more than US\$30 million in overdue payments.²⁶⁹

Burma is a member of:

- ◆ Asian Development Bank (ADB)
- ◆ International Monetary Fund (IMF)
- ◆ World Bank Group which includes the World Bank and:
- ◆ International Bank for Reconstruction and Development
- ◆ International Development Association
- ◆ International Financial Corporation

Despite the current position of the ADB, IMF, and World Bank, the policies of the U.S., EU, and Canada all require their members to veto any proposals for assistance from these institutions to Burma, of which the US holds veto power in the IMF and World Bank. [see Current Sanctions: Suspension of MDB/IFI Assistance p37] It is critical to put these government policies in place independent of the IFI/MDBs policy. If the SPDC begins cooperating with these institutions, it is possible that there could be a resumption of funding without reforms in governance. This concern is highlighted with the ADB. Frank Black, a former director of the ADB criticized the fund for, "pushing too actively and too hard for re-engagement in Burma."²⁷⁰

For example, after Daw Aung San Suu Kyi was released from house arrest in 2002, a drug control program was proposed for the entire GMS region,

²⁶⁸ Asian Development Bank (2002) Outlook: Myanmar

²⁶⁹ Asian Development Bank (2001) Annual Report Myanmar & US Department of Commerce (2002) Burma Country Commercial Guide FY2002

²⁷⁰ Financial Times (17 Sept 03) Ex-director lashes out at ADB's 'lack of direction'

in which a large amount would have gone to Burma. This project was almost approved by the ADB.²⁷¹

Without reforms in governance, this type of large-scale funding could significantly strengthen the military's rule. Burma's place as one of 10 countries/territories that is listed as being non-compliant in anti-money laundering efforts should reinforce the creation of official policies to withhold funding from Burma. [see Recommendation: Implement FATF Recommendations p95]

Greater Mekong Subregion (GMS) ²⁷²

While Burma is not currently eligible for assistance through ADB directly, Burma is a member of the Greater Mekong Subregion (GMS), which ADB strongly supports and funds. The GMS focuses on regional economic integration, largely by conducting infrastructure projects. Some of the major GMS proposed projects including Burma are construction of regional highways, railroads, and power interconnections. In addition, GMS funds projects dealing with environmental issues, social issues, and drug trafficking.

A few of the current projects include:

- ◆ East-West Economic Corridor Project from Burma to Vietnam
- ◆ West East Corridor
- ◆ Cross-Border Agreement for transportation infrastructure
- ◆ Lashio-Loilem-Kengtung Road Improvement Project
- ◆ Kunming-Lashio Road System Improvement Project
- ◆ Chiang Rai-Kunming Road Improvement Project via Burma and Lao PDR
- ◆ Yunnan Province-Burma Railway Project
- ◆ Thailand-Burma Railway Project
- ◆ Burma Airports Improvement Projects
- ◆ Burma-Thailand #1 & #2 Optical Fiber Cable Links
- ◆ Thailand-Burma-Yunnan Province Optical Fiber Cable Link

²⁷¹ Bank Information Center (15 Jul 03) Burma's Status in the Multilateral Development Banks

²⁷² GMS includes: Cambodia, Laos, Burma, Thailand, Viet Nam, and Yunnan Province in China

East-West Economic Corridor (EWEC)

One of the GMS 'flagship initiatives' is called the "East-West Economic Corridor," (EWEC). The EWEC was identified by the ADB and will establish a land route connecting the Andaman Sea and the South China Sea.²⁷³ Some projects at the western end of the corridor are in Burma, including a deep-sea port at Moulmein (Mawlamyine).

Burma submitted a proposal to do a feasibility study for a deep-sea port at Moulmein, along with two other EWEC-related projects. The SPDC claims that the projects have been unanimously recommended at a meeting of a 'well-established working group,' the West-East Corridor Working Group.²⁷⁴ Currently, the ADB is not funding projects in Burma, but the funding could come from other sources, including bilateral assistance.

Note: While the East-West Economic Corridor and West-East Corridor projects are separate, sometimes projects overlap.²⁷⁵

Power Trade Operating Agreement (PTOA)

One of GMS's major schemes is the PTOA. GMS is creating a 'Master Plan on Power Interconnection in the GMS,' in which Burma's Tasang Dam (located in southern Shan State on the Salween River) is included. This will pave the way for the powerful 'Inter-Governmental Agreement on Regional Power Trade' (IGA).²⁷⁶ Note: The Tasang Dam will provide hard currency to the regime, through the sale of the majority of its electricity to Thailand.²⁷⁷

Technical Assistance

The ADB has provided GMS with technical assistance (TA) grants, which essentially helps facilitate the process for GMS projects. As Burma should not be eligible for funding for GMS projects, it should not receive funding that helps facilitate them.

²⁷³ Bank Information Center (15 Jul 03) Burma's Status in the Multilateral Development Banks

²⁷⁴ Myanmar Times (25-31 Aug 03) Proposed regional road network recommended

²⁷⁵ Bank Information Center (2 Sept 03) Proposed regional road network recommended

²⁷⁶ Asian Development Bank (8 Mar 00) Regional Indicative Master Plan on Power Interconnection in the GMS

²⁷⁷ Mekong Watch (Japan) (8 Dec 00) Stop Japanese Government Involvement in the Tasang Dam Project

Examples of Technical Assistance ADB is providing to the GMS

- ◆ US\$850,000 for the Power Trade Operating Agreement (begins Oct 03 – ends Dec 05)²⁷⁸
- ◆ US\$800,000 Measuring Environmental Performance in the GMS²⁷⁹
- ◆ US\$300,000 Promoting Partnerships to Accelerate Agriculture Development and Poverty Reduction in the GMS²⁸⁰

Withhold GMS Funding For Projects In Burma

The funding for GMS projects can be in the form of grants and loans. Burma is unable to repay the loans it has already acquired and should not be provided with more grants when the regime remains uncommitted to accountability, transparency, independent monitoring and consultation with all key stakeholders.

Funding governments, institutions such as the International Labor Organization (ILO), and private actors should in principle oppose the funding of GMS projects that include Burma, based on Burma's lack of core labor standards, as documented by the ILO. Alternatively, funding approval for a project must include a system of guarantees, accountable to an independent monitoring team, that no human rights abuses are being committed in direct or indirect connection with the project, especially forced labor and forced relocation.

If a system of guarantees is not established, the funding could serve to empower the regime. The Federation of Trade Unions of Burma (FTUB) has taken a stronger position, requesting the ILO to ask international financial organizations to stop funding the Program for the Greater Mekong Sub-region.²⁸¹

Regional countries should be reminded that it is in their own interest to see economic reforms in Burma. This type of action based on a system of guarantees or withdrawal of funding can spur regional countries to pressure

²⁷⁸ Asian Development Bank (8 Mar 00) Regional Indicative Master Plan on Power Interconnection in the GMS

²⁷⁹ Asian Development Bank (4 Mar 03) Measuring Environmental Performance in the GMS

²⁸⁰ Asian Development Bank (June 2003) Technical Assistance for Promoting Partnerships to Accelerate Agriculture Development and Poverty Reduction in the Greater Mekong Subregion

²⁸¹ International Confederation of Free Trade Unions Online (26 Mar 03) Spotlight interview with Maung Maung, General Secretary of the Federation of Trade Unions of Burma

102 Special Report: Ready, Aim, Sanction!

the SPDC to make genuine reforms. In this way, the GMS project, being important to the region and Burma, can use its projects as incentives to support concrete political changes in Burma, which will promote good governance to responsibly oversee the projects.

GMS funding comes from the ADB, individual country contributors, which have previously included Australia, Finland, France, Japan, Norway, Singapore, Sweden, and Switzerland, and multilateral and bilateral organizations, including the World Bank and ASEAN. Forums such as the Working Group on the West East Corridor and the Working Group on the East West Economic Corridor often evaluate proposals and likely assist in coordinating funding. The East West Corridor is supported by the ADB.

ADB raises funds through bonds issued on the world's capital markets but mainly relies on member contributions. The Japanese Government also provides a "Japan Special Fund" in addition to its member contribution. ADB has 61 member governments and Japan usually retains the presidential seat.

As of December 2001, the major shareholders in ADB are approximately:

16% each	Japan & USA
6% each	India, China, Australia
4-5% each	Canada, Germany, South Korea and Indonesia

EU Member States, associated countries and members of the European Economic Area (which all adhere to the EU Common Position on Burma) and the U.S. together hold 30.95% of the shares of the ADB. If Norway, Canada, Australia and New Zealand are included, these states hold 44% of the shares.

SUSPEND JAPAN'S OFFICIAL DEVELOPMENT ASSISTANCE (ODA) TO BURMA²⁸²

Japan has officially suspended all *new* bilateral aid in the wake of the May 30 Black Friday attack and the ongoing detention of NLD leaders. However, there is no official policy on aid projects commenced prior to May 30 and no indication of what would herald a resumption of aid. It is important that Japan's use of aid to 'reward' the regime is contingent on genuine, irreversible reforms instead of token gestures.

²⁸² All conversions done at current yen rate.

Non-military options to support Burma's democratization 103

Burma receives limited development assistance from a few countries and some under the guise of 'humanitarian aid', but Japan remains Burma's largest direct supplier of ODA, prior to the suspension of new bilateral aid in June 2003. In 2000, Burma was Japan's 27th largest recipient of ODA, 13th in 2001, 9th in 2002 and Burma is slated to receive even more aid in 2003.

Japanese Grants & Technical Assistance in US\$ for FYs:²⁸³

2003 ²⁸⁴	2002	2001	2000	1999
20,000,000	18,565,510	9,239,903	7,268,869	9,300,617
1998	1997	1996	1995	1994
16,225,664	5,454,904	4,215,153	20,726,589	12,314,003
1993	1992	1991	1990 & Before (total)	
2,770,532	3,497,348	3,317,267	966,002,132	

In addition, Japan also gave about US\$103 million in Grassroots Grants Assistance to SPDC agencies, NGOs, and Japanese NGOs working in Burma, between 1990-2000.²⁸⁵ It is unclear what amount of grassroots grants assistance has been distributed post 2000.

In May 2002, the Japanese government said, "Should it be the case that the democratization process is further accelerated, the Government of Japan will support the efforts towards nation-building in a more active manner."²⁸⁶ However, their policy seems to be irrelevant to this statement, as in FY2003-04, Japan planned to increase ODA to Burma despite the lack of progress in democratization.

Japan should withhold all aid that is not administered in a system of accountability, transparency and consultation with all stakeholders, to

²⁸³ Converted at yen/US\$ rate in 2003. Does not include Grassroots Grant Assistance or funds given directly to UN agencies for specific projects. UNICEF received grants in 2002 (US\$5 million) & 2000 (US\$5.7 million).

²⁸⁴ Xinhua (10 Feb 03) Japan to fund Myanmar's education sector

²⁸⁵ The Ministry of Foreign Affairs of Japan (Oct 2001) Evaluation Study on the Grassroots Grant Programme

²⁸⁶ The Ministry of Foreign Affairs of Japan (7 May 02) Press Conference: Statement concerning the situation in the Union of Myanmar and the lifting of restrictions on the movements of Daw Aung San Suu Kyi

104 Special Report: Ready, Aim, Sanction!

ensure it is promoting the social, political, and economic development of the country. Without democratic practices and economic reforms, the long-term effectiveness of Japan's well-intentioned aid will be trivial and possibly damage the struggle for democracy and national reconciliation. The U.S. Task Force on Burma recommended that the U.S. should 'strongly discourage' Japan from providing non-humanitarian aid to Burma, which includes infrastructure projects such as dams and airport renovations.²⁸⁷

Until 2002, Japan had a Grant Aid for Debt Relief scheme where Burma made a debt payment to Japan in return for a further grant approximately equal in amount. This means that the regime could have received up to US\$533 million in grant aid for debt relief between 1991-2002. This is a large amount of income for a country with a GDP of US\$6.7 billion.²⁸⁸ In April 2003, Japan changed this program to debt cancellation (no return grants) for some of the most heavily indebted countries, including Burma. Burma still owes Japan more than US\$2 billion.²⁸⁹

Debt Relief in US\$ for FYs:²⁹⁰

2003	2002	2001	2000	1999
Cancellation \$ unknown	649,385	15,572,672	15,227,873	13,590,628

1998	1997	1996	1995	1994
34,173,973	34,173,973	68,343,839	119,597,842	102,512,436

1993	1992	1991	1990
52,964,875	34,171,711	42,719,817	not specified

Japan should require a monitoring mechanism for their debt cancellation for Burma. Japan uses Poverty Reduction Strategy Plans, usually created with World Bank loans to monitor other countries to ensure the debt

²⁸⁷ U.S. Council on Foreign Relations Independent Task Force (2003) Burma: A Time For Change

²⁸⁸ Heritage Foundation (2003) 2003 Index of Economic Freedom: Burma

²⁸⁹ Mekong Watch (27 Dec 02) Japanese Policy News: New Debt Cancellation Plan Announced. Burma's Debt Included

²⁹⁰ The Ministry of Foreign Affairs of Japan (2003) Grant/Aid Loan List: List of Exchange of Notes & Mekong Watch, Japan (15 Dec 01) Development, Environment and Human Rights in Burma/Myanmar: Examining the Impacts of ODA and Investment

cancellation contributes to improvement in social sectors, benefiting civil society and social needs. Burma does not engage with the World Bank and does not have a mechanism that can be used to monitor and ensure that debt cancellation will not serve to encourage the military regime.

Options

- ◆ Japan should require the SPDC to redistribute funds from defense to social sectors such as health and education in order to receive assistance.
- ◆ Another scheme that has been proposed is instead of canceling debt, requiring Burma to repay its debt and that money would be set aside and returned when there is a transition to democracy. [However, the regime may see less incentive in this option.]

PRESSURE ON JAPAN

It is possible to influence the position of the Japanese Government on Burma. U.S. State Department sources believe that in 1988 Japan made the decision to withhold assistance “reluctantly only after considerable pressure from Washington.”²⁹¹ Japanese NGOs and solidarity groups have also been instrumental in pressuring the government to take a stronger position with the regime. It has also been rumored that Japan's move post-Black Friday to put a moratorium on bilateral aid, was also strongly encouraged by the U.S. government and Japanese NGOs. Japan is a key, influential regional actor so it is vital that the Japanese Government is encouraged to adopt policies that are complementary to the democracy movement.

BOYCOTT AND DIVESTMENT CAMPAIGNS

In recent years a steady stream of companies have divested from Burma citing reasons of: difficulties in working with the regime, a bad business environment, consumer boycotts, damage to company reputation, or incompatibility with corporate values. [see *Myth & Reality* 13, p153] These companies now include amongst many others: Levi Strauss, Pepsi, Ericsson, Heineken, Carlsberg, British Home Stores, Burton, River Island, Apple, Best Western, Reebok and Compaq.²⁹²

Consumer boycotts, divestment campaigns, shareholder resolutions and the application of international and domestic law have been gaining steam to

²⁹¹ *Journal of Burma Studies* (1999) *The North Wind and the Sun: Japan's Response to the Political Crisis in Burma 1988-1998*

²⁹² *Burma Campaign UK* (March 2002) *Burma Sanctions Coalition Briefing*

106 Special Report: Ready, Aim, Sanction!

step in where governments have hesitated or failed to take action in response to the lack of progress and repeated broken promises by the SPDC and those who are aiding them. The U.S.-based Free Burma Coalition (FBC) has been successful in persuading 40 U.S. retailers to stop selling garments and other products made in Burma. According to the U.S. Department of Commerce in 2002, clothing imports to the U.S. from Burma declined by 27%, which appears to be directly linked to these successful consumer boycott campaigns. The 600-member leading U.S. apparel group, American Apparel & Footwear Association, has called for a ban on imports from Burma due to 'government sanctioned forced and [bad] child labor practices'.²⁹³

Burma Campaign UK has launched a divestment campaign against British American Tobacco (BAT). BAT's Burmese subsidiary is Rothmans of Pall Mall Myanmar, which is a 60/40 joint venture with the regime-controlled

We, too, are concerned about the working conditions in the world's factories and are specifically concerned about factories in Myanmar. -Perry Ellis International 2001

UMEH. [see Tentacles, p79] In 1996, the industrial zone where the BAT factory is located was upgraded under the direction of military authorities using child labor.²⁹⁴ Despite frequent claims that foreign business provides better labor standards, BAT employees would have to work 24 hours overtime per week to earn what would only be sufficient to feed their families, but not to meet any other living costs.²⁹⁵ The Myawaddy Trading Co, a subsidiary of UMEH, distributes BAT cigarettes. 77 Members of the UK Parliament from 7 political parties signed an Early Day Motion calling for BAT to close its factory in Burma and in early July the British Government publicly called for BAT's withdrawal.²⁹⁶

In January 2002, Burma Campaign UK celebrated Triumph International's withdrawal from Burma. Triumph's factory was located on military owned land, which was upgraded with forced labor, including child labor. In addition to rent and commercial taxes which are paid directly to the UMEH, a military owned company, Triumph, which exported nearly all its

²⁹³ American Apparel & Footwear Association (15 Apr 03) Policy Statement on Burma

²⁹⁴ Guardian (12 Nov 02) Clarke embarrassed as attack on Burma goes up in smoke

²⁹⁵ SRI Media (7 May 03) BAT under attack from activists

²⁹⁶ Burma Campaign UK (14 Apr 03) 77 MPs Tell BAT to Get Out of Burma & AFX (2 Jul 03) BAT mulling withdrawal of investment from Burma on UK govt's request

production, paid 5% tax to the regime on all its exports.²⁹⁷ [see Tentacles p79]

In October 2002, the International Confederation of Free Trade Unions (ICFTU) published a list of 330 corporations that either operate in Burma, have business relations with Burma, have been in direct contact with SPDC officials or promote tourism in the country²⁹⁸. Burma Campaign UK created a 'dirty list' of 79 British or foreign companies with ties to Burma, most of which are involved in the tourism sector.²⁹⁹ Forced labor has been used to build some infrastructure for the tourism industry³⁰⁰.

With the slogan of "Heave-Ho Ivanhoe," Canadian Friends of Burma has mounted a campaign to push Ivanhoe Mines, a copper mine company in a 50/50 partnership with the SPDC, to divest from Burma. The main power source to the mine was built using thousands of forced laborers and like Triumph, the company also pays rent and royalties to the regime.³⁰¹ The Canadian Labor Congress and the International Federation of Chemical, Energy, Mines and General Worker's Union has called on Ivanhoe to leave Burma. In June 2003, 5 major Canadian Unions have called for full sanctions on investments in Burma.³⁰²

Shareholder resolutions and letters of concern have been successfully used to pressure companies including Marriott and Premier Oil, to divest from Burma. US-based Unocal came under pressure at its shareholder meeting in May 2003 to reconsider their gas pipeline project in Burma, with shareholders saying it is a financial liability and a drag on the stock price. The New York State Comptroller and 10 investment funds including the California Public Employees' Retirement System and the California State Teachers' Retirement System, owning more than 4.5 million shares (1.6% of the stock) presented the letter and requested a meeting with Unocal's chief executive, Charles Williamson.³⁰³

Legal accountability: Doing business with military dictators is a risky business and companies who are complicit in or benefit from the regime's

²⁹⁷ Burma Campaign UK (28 Jan 02) Campaigners force Triumph International's withdrawal from Burma

²⁹⁸ Details online at <http://www.global-unions.org/burma/>

²⁹⁹ Guardian (18 Dec 02) Rights activists put 70 firms on Burma 'dirty list'

³⁰⁰ Details online at http://www.burmacampaign.org.uk/dirty_list/dirty_list.html

³⁰¹ Canadian Friends of Burma (March/April 2002) Ivanhoe gets the OI' Heave'Ho!

³⁰² Canadian Friends of Burma (4 Jun 03) Canadian Labor Unions Calling for Sanctions

³⁰³ Los Angeles Times (20 May 03) Stockholders Press Unocal on Myanmar

108 Special Report: Ready, Aim, Sanction!

ruthless practices are being held accountable to the laws that govern them. Unocal is involved in a case in the US Federal Court in California by victims seeking reparation for human rights abuses, including forced labor, forced relocation, rape, torture and murder, associated with the Burmese pipeline project that Unocal is involved with. A US federal district court concluded that “the evidence does suggest that Unocal knew that forced labor was being utilized and that [Unocal and Total] benefited from the practice.” The trial will begin in the Superior Court of California in the summer of 2003.³⁰⁴

These types of consumer boycotts and state and civil society actions were particularly effective in mounting pressure against the South African regime and pressure for governments to take more decisive action. It is clear that there is a lot of room for civil society to take action where governments and international agencies are failing to.

DELAY TOURISM

Benefiting Whom?

The majority of Burma’s population lives in rural areas and do not benefit from current forms of tourism. The Burma Campaign UK says, “In fact because of the widespread human rights abuses linked to tourism the high cost for the vast majority of ordinary Burmese of tourism development currently outweighs any benefits.”

The tourism industry attracts revenue from tourists and foreign direct investment. The United Nation’s International Labor Organization reports that, “The practice of forced labor [by the military] is to encourage private investment in infrastructure development, public sector works and tourism projects.” Singapore is the largest investor in hotels, accounting for a third of Singapore’s total investment in Burma.³⁰⁵

Tourism revenue puts money directly in the regime’s pockets. There is a requirement for independent tourists to buy US\$200 worth of foreign exchange certificates (FECs) from the authorities upon arrival at the official exchange rate 6kyat/US\$1, while the market rate is about 1000kyat/US\$1. Many of the large hotels, airlines, and tourist attractions are fully or jointly owned by the regime or are private businesses owned by regime members. Western diplomats in Rangoon have said that the list of owners of the hotel plots at the newest beach resort, Ngwesaung, reads like a ‘Who’s Who of

³⁰⁴ EarthRights International (3 Jun 03) Doe v. Unocal

³⁰⁵ Singapore Business Times (22 Feb 03) S’pore firms in Myanmar mount a crisis watch

generals and their cronies.³⁰⁶ In 2001-2002, just two of Burma's top tourist attractions generated more than US\$1.3 million in entrance fees.³⁰⁷ The SPDC is actively trying to promote tourism and the development of more tourist sites in ethnic nationality areas such as Kachin, Chin, and Shan States.³⁰⁸

**Minister for Hotels and Tourism, Maj-Gen Saw Lwin admitted that 12% of the earnings of private tourist enterprises fund the regime.³⁰⁹
ILO reports in early 2003 cite the army as one of the major abusers of forced labor.**

Tourism continues to increase, but consumer boycotts are having a substantial impact in the regime's ability to increase the profit from this sector. Tourism and tourism-related investment should be discouraged based on the lack of labor standards and the continued widespread use of forced labor in Burma, as well as to deny the SPDC easy access to foreign capital.

WATCHDOG - Thailand has announced it will be actively promoting tourism to Burma through the Economic Cooperation Strategy (ECS). The ECS is an economic promotion scheme between Thailand, Burma, Laos and Cambodia. Thai Foreign Minister Surakiart Sathirathai said that the ECS will try to bypass the effects of anti-tourism campaigns to Burma by offering package tours to the 4 countries.³¹⁰

ASEAN TO TAKE RESPONSIBILITY

In 1997, Burma was formally admitted into the Association of Southeast Asian Nations (ASEAN), mostly because of Malaysia's support. Burma's entrance into ASEAN was supposed to accelerate economic growth and provide a 'family approach to constructive engagement' to dealing with Burma's disorder.³¹¹

³⁰⁶ The Guardian (4 Aug 03) Pressure on Burma Tours

³⁰⁷ Myanmar Times (5-11 May 03) Shwedagon remains top tourist attraction

³⁰⁸ Myanmar Times (12-18 Aug 02) Minister says tourism earning estimated at \$1 million a year

³⁰⁹ Burma Campaign Austria (30 Jan 03) Burma-Boycott: Campaign Against Aua-Lauda Air & Myanmar Times (12-18 Aug 02) Minister says tourism earning estimated at \$1 million a year

³¹⁰ Xinhua (1 Aug 03) Thailand, Myanmar, Laos, Cambodia pledge to develop "Economic Cooperation Strategy"

³¹¹ Lintner, Bertil. Paper Tiger. Far Eastern Economic Review, Aug 97

110 Special Report: Ready, Aim, Sanction!

FOOLED: Malaysian Prime Minister Mahathir Mohammed said, “if it [Burma] is outside, it is free to behave like a rogue or a pariah, while if it is inside, it would be subject to certain norms of behavior.”³¹²

While the U.S. strongly opposed Burma’s entrance, Japan supported it, but warned that ‘ASEAN membership should not provide a smokescreen for oppression in Myanmar ’and ‘hopes that ASEAN will handle the membership issue in such a manner as to contribute to the improvement of the domestic situation in Myanmar.’³¹³

The Reality

“When the ASEAN was considering Burma as a permanent member, we made two points. One was that admitting Burma as a member would make the regime more repressive, because they would think that their policies have been endorsed...or, at least, as a sign that the ASEAN countries didn’t mind about the human rights record of the military regime. And the second thing we said was that Burma under this military regime was not going to be an asset to the organization. And I think we can claim that both these views have been vindicated.”³¹⁴ ~ Daw Aung San Suu Kyi, 1999

Burma’s membership in ASEAN has not persuaded it to make any reforms, but has instead served as a shield for the SPDC’s heinous actions. Zaw Oo, the Coordinator for the Technical Advisory Network of Burma said, “Arguably, ASEAN’s constructive engagement, which tends to engage selectively with the government and its preferred groups of business friends, has unwittingly brought the public image of crony capitalism of the regime into sharper focus.”³¹⁵

Credibility on the Line

In the post-Black Friday reality, Burma has become an impediment to the advancement of ASEAN. The international community, led by the U.S., has let ASEAN know that its credibility is riding on its handling of Burma. UN Special Envoy Razali supported the notion of greater intervention by ASEAN by saying, “In the context of ASEAN, we must begin to impose the norms and principles that govern ASEAN countries. Otherwise, we will

³¹² Agence France Presse (1 May 97) ASEAN stands firm on Burma’s entry despite Western pressure

³¹³ Ministry of Foreign Affairs of Japan (March 1997) Japan’s Position Regarding the Situation in Myanmar

³¹⁴ Asiaweek, Special Online Edition (11 Jun 99) Interview with Daw Aung San Suu Kyi

³¹⁵ Technical Advisory Network of Burma (TAN) (Sept 1999) International reactions towards democratic struggle in Burma: Exploration on inside/outside linkages: TAN Coordinator Zaw Oo

not be reflecting regionally what are the principles that govern us as a region.»³¹⁶

In 2006 Burma will assume the chair of ASEAN. It would be highly embarrassing for ASEAN if Burma is still ruled by a military dictatorship then. A major goal of ASEAN is to boost regional trade, with tariff reductions and to create a single regional market by 2020. Burma lags far behind in preparations for any of these economic objectives, which will drag down the association. ASEAN must recognize and push not only for economic reforms, but also for better governance that can implement and sustain such economic reforms.

It is also in ASEAN's interest to effectively promote reforms in Burma, as it is a threat to regional stability. Burma is the top regional producer of amphetamines and the world's second largest producer of heroin, which find a majority of its markets on the streets of Asia. The region is also plagued by Burma's rampant HIV/AIDS infection rate, displacement of millions of civilians, and the second largest military in Southeast Asia.

ASEAN has begun to move in the right direction, by formally putting Burma on the agenda at the Asian Regional Forum in June 2003 and its proposal to send a troika to Burma to assist with democratization. However, their efforts need to be intensified and conducted in cooperation with the UN process.

INCREASE PRESSURE ON THE REGIME'S KEY PARTNERS

This report has demonstrated that actions taken by only a limited number of countries and/or institutions can have a substantial impact and can be effective. However, a unified approach by the international community will create the optimal environment for genuine change in Burma. China, India, Thailand, Japan and ASEAN countries have often undermined or refused to support efforts to put pressure on the regime, with some countries having attempted 'engagement' policies that have been ineffective. [see Lose-Lose Situation p170] Pressure needs to be placed not only on the regime, but also on those that aid and protect it. One of the most notable examples is India, which is vigorously increasing cooperation with and assistance to the SPDC in the form of trade, development assistance and military cooperation.

³¹⁶ Utusan Online (21 May 03) Razali Ismail confident of bringing national reconciliation in Myanmar; quoted from 'Bernama'

112 Special Report: Ready, Aim, Sanction!

Australia, which refuses to use pressure on the regime, made a strange symbolic statement on August 8, 2003 (the 15th anniversary of 8888) when the new Ambassador, Paul Grigson, presented his credentials to the SPDC.³¹⁷

Thai Prime Minister Thaksin has attempted to moderate and lead the international response to Burma. Thailand has consistently defended and protected Burma's generals, called for more patience, and hailed their efforts on the 'sham roadmap' for democratization. Thailand's resource diplomacy and business approach to Burma appears to be driving its actions in the international arena, bilateral relations, and the increasing crackdown on Burmese pro-democracy activists staying in Thailand.

U.S. Senator Mitch McConnell said that "The junta's relationship with China, India, Japan and Thailand pose challenges in creating a united front against the SPDC. America must engage these countries on Burma – as U.S. President George W. Bush did during Thai Prime Minister Thaksin Shinawatra's recent visit to Washington."³¹⁸ The U.S. Task Force on Burma echoed the call for the U.S. to increase efforts with China, Japan, and ASEAN countries, especially Thailand, Singapore and Malaysia, individually and within the ASEAN Regional Forum (ARF).

At the June 2003 ARF, U.S. Secretary of State Colin Powell clearly indicated to ASEAN member states that they need to take a more engaged approach to dealing with Burma. This was a firm stance, which needs to be maintained and followed-up on in order to be effective. It is essential for the EU to increase their diplomacy with these countries and regions, particularly ASEAN, which the EU is a key trading partner.

Civil society organizations also have an important role to play in lobbying their governments to adopt policies or positions that will complement the efforts of the Burmese democracy movement. [see Myth 10 and Democracy Movement's Support for Sanctions, p158 & 181]

SPORTS EMBARGO

Since 1999, the Federation of International Football Associations (FIFA) has been granting Burma US\$250,000 per year for training, construction and renovations.³¹⁹ The aid to and promotion of this international business

³¹⁷ The Canberra Times (13 Aug 03) Parliamentarians Unite in plea for Burma human rights action

³¹⁸ Asia Wall Street Journal (16 Jun 03) Sanction Burma

³¹⁹ Myanmar Times (3-9 Mar 03) FIFA funds work on Mandalay stadium

should be suspended until there are genuine democratic reforms in Burma. The use of sporting and cultural sanctions was one of the tactics used in South Africa that was valuable in creating frustration among the elite class who then put pressure on the regime for reforms.

OFFICIAL RECOGNITION FOR THE CRPP

In support and recognition of the will of the Burmese people, as embodied in the 1990 democratic elections, the international community should officially recognize the Committee Representing the People's Parliament (CRPP) as the people's representation. The CRPP was founded in 1998 as the SPDC refused to recognize the results of the 1990 elections. The CRPP is supported by the NLD and several ethnic nationality political parties.

Recognition would give a moral boost to the people of Burma and sends a strong political message to the regime. On April 24, 2003, the United States reiterated their official recognition of the NLD as the legitimate representative of the Burmese people as determined by the 1990 election.

As the official representation, high-ranking elected CRPP representatives should be granted participant status, or at least observer status, at bilateral and multilateral international and diplomatic meetings and should be consulted in all matters of aid and trade.

INCREASE CAPACITY OF THE DEMOCRATIC MOVEMENT

It is essential to not only pressure the SPDC, but to encourage empowerment of the people of Burma's movement for democracy. The movement for democracy and national reconciliation in Burma has grown substantially over the past 15 years. However, the capacity and potential is not being realized due in part to insufficient funding, deficient logistical cooperation, increasing security problems, and unmet training needs to meet the demands for specialized information and actions.

More assistance is needed to continue and increase:

- ◆ Broadcasting independent, multilingual news information into Burma
- ◆ Distributing literature and messages to civilians, activists and leaders inside Burma
- ◆ Collecting information from inside to get information the international community cannot obtain
- ◆ Producing reports & briefings for the international community
- ◆ Develop strategies for dialogue and future transition

114 Special Report: Ready, Aim, Sanction!

- ◆ Provide security for Burma's democracy and human rights defenders
- ◆ Training for specialized skills
- ◆ Training for the growth of the 'new generation' of Burma's human rights defenders

PUT SPDC ON PROBATION

“Conditioning access to the system of peaceful cooperative development on the observance of civilized rules of behavior can be an effective inducement for the prevention of conflict.” Paul Schroeder has described this process as ‘association-exclusion,’ contrasting it with traditional ‘compellence-deterrence.’³²⁰

Until the SPDC takes irreversible steps towards democratization and reconciliation, Burma's membership should be put on probation for a specified period of time in international forums such as, the UN, ILO, ARF, CEDAW, WTO, and ASEAN, with the possibility of ejection or downgraded membership if concrete steps are not taken.

TAKE BURMA TO THE UNITED NATIONS SECURITY COUNCIL (UNSC)

Since 1988, the regime has not made any substantial efforts to comply with UN resolutions and standards. The UNGA, UNCHR, and UN Secretary General have all consistently called for democratic reforms. [see United Nations p44] The SPDC is a threat to the people of Burma and increasingly a regional risk to security and development.

The UNSC can act to:

- ◆ Maintain international peace and security in accordance with the principles and purposes of the United Nations
- ◆ Investigate any dispute or situation that might lead to international friction & recommend methods of settlement
- ◆ Expel a Member State that has persistently violated the principles of the UN Charter

Increasingly, under Article 39 of the United Nations Charter, the UNSC has evaluated several ‘internal situations’ as a ‘threat to international peace and security’.

³²⁰ Schroeder, Paul. *The New World Order: A Historical Perspective*. The Washington Quarterly, Spring 1994

The Security Council recognizes the following elements as constituting (at least in part) threats to international peace and security³²¹:

- ◆ Internal conflicts
- ◆ Violation of fundamental norms of international law (i.e.: human rights, humanitarian law, humanitarian crisis)
- ◆ Disruption to democracy

Article 39: The Security Council shall determine the existence of any threat to the peace, breach of the peace or act of aggression and shall make recommendations, or decide what measures shall be taken in accordance with Articles 41 and 42, to maintain or restore international peace and security.”

Since 1992 the Security Council has been involved with numerous ‘internal conflicts’ including Somalia, Liberia, Rwanda, Burundi, Zaire, Albania, the Central African Republic, Sierra Leone, and East Timor. In some cases the Council referenced transboundary consequences and concerns of regional stability, the view of the Council was founded on the internal situation.³²²

Case Examples³²³:

IRAQ, 1991: The Iraqi military forced up to 2 million Iraqi Kurds to flee into neighboring territories. The Council stated that the repression of the civilian population, particularly the Kurdish population, “led to a massive flow of refugees towards and across international frontiers and to cross-border incursions, which threaten international peace and security in the region.”

SOMALIA, 1992: The Council stated that “the magnitude of the human tragedy caused by the conflict in Somalia...constitutes a threat to international peace and security.” This was the first time the UNSC intervened for solely humanitarian purposes.

ANGOLA, 1993: An armed movement refused to accept and honor the results of the 1992 multi-party elections. Continuing hostilities and a

³²¹ Burma UN Service Office & the Burma Fund (Sept 2003) Burma: It is Time to Put the Situation in Burma on the Security Council's Agenda

³²² Burma UN Service Office & the Burma Fund (Sept 2003) Burma: It is Time to Put the Situation in Burma on the Security Council's Agenda

³²³ Burma UN Service Office & the Burma Fund (Sept 2003) Burma: It is Time to Put the Situation in Burma on the Security Council's Agenda quoting Security Council Resolutions & Chesterman, Simon (2001) Just War or Just Peace? Humanitarian Intervention and International Law

116 Special Report: Ready, Aim, Sanction!

humanitarian disaster led the UNSC to determine that the situation in the country constituted a threat to international peace and security and imposed a mandatory oil and arms embargo against the rebels.

HAITI, 1993 & 1994: The UNSC stated that Haiti's failure to reinstate an overthrown democratically elected government and the resulting social and economic crisis was a threat to international peace.

ALBANIA, 1997: The UNSC intervened after the collapse of many officially sanctioned pyramid investment schemes in which thousands of people lost their life savings and chaos erupted.

SIERRA LEONE, 1997: The Council took measures to force the military junta to return to constitutional, democratic order and to accept the return of the government-in-exile. Civil warfare was a significant issue in the country as well as a grave humanitarian situation and a high exodus of asylum seekers.

Article 99: The Secretary General may bring to the attention of the Security Council any matter which in his opinion may threaten the maintenance of international peace and security.

In 1999, the UNSC discussed its role in preventing armed conflicts, in which the Secretary General's role was also discussed.

Malaysia said, "there should be greater recourse to the use of preventive diplomacy...The Secretary General is well placed to bring to the attention of the Council early evidence of threats to international peace and security, genocide and other manifestations of systematic and widespread human rights violations and other developments affecting international peace and security for its consideration and appropriate action."³²⁴

BURMA, 2003: Burma should be formally brought before the UNSC as Burma, under the control of the SPDC, is a threat to regional security. The SPDC:

- ◆ is aggressively enlarging its military capacity,
- ◆ will have the largest army in Southeast Asia (at the current rate of expansion),
- ◆ continues to force civilians to act as porters for its army leading to and in conflicts,

³²⁴ Burma UN Service Office & the Burma Fund (Sept 2003) Burma: It is Time to Put the Situation in Burma on the Security Council's Agenda

- ◆ has the largest amount of child soldiers in the world,
- ◆ enables a flourishing environment for narcotics production and trafficking,
- ◆ wages civil war against ethnic nationalities,
- ◆ causes mass displacement of civilians,
- ◆ commits systematic human rights violations,
- ◆ refuses to hand over power to democratically elected leaders.

For the first time, on July 16, 2003, Burma was informally discussed at a meeting of the UN Security Council. The meeting was chaired by Spain while the U.S., UK, and France spoke out against the oppression perpetuated by Burma's military regime. The Chinese representative did not speak during this session.³²⁵

Mediation efforts in Burma should be brought under the regulation of the UNSC. This will strengthen diplomatic efforts, since they will be reinforced by the willingness to use enforcement actions in the absence of satisfactory outcomes.

RECOMMENDATIONS FOR THE UNSC: Arms embargo, assets freeze, visa ban [see Recommendation: No More Toys for the Bad Boys, Assets freeze, Ban on Conflict Resources and Current Sanctions: Visa Ban]

Rampant Military Growth

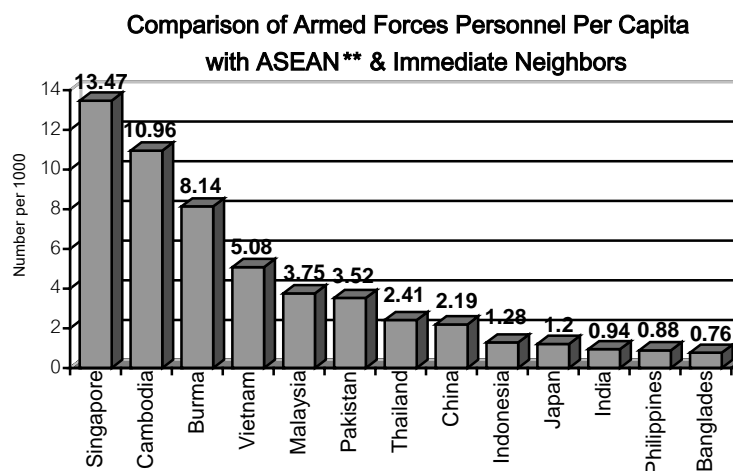
Burma has no external enemies, yet has the second largest military force in Southeast Asia (behind Vietnam) and one of the largest per capita ratios of armed forces in Asia! According to the 1998 World Military Expenditures and Arms Transfers, the SPDC military is the 15th largest in the world. The SPDC has been aggressively pursuing the goal of expanding forces and increasing arms and capabilities. Arms imports between 1973-1987 averaged US\$20 million a year.³²⁶ However, between 1988-1999 arms imports averaged US\$146 million – a growth of over 700%.³²⁷ Both India and Thailand have said they improved their own military capabilities in reaction to Burma's arms procurements.³²⁸

³²⁵ NCGUB (18 Jul 03) NewsDesk: UN Security Council hears Burma situation

³²⁶ Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory

³²⁷ ACDA (1998) World Military Expenditures and Arms Transfers & SIPRI Yearbook (2002) Transfers of major conventional weapons

³²⁸ Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory



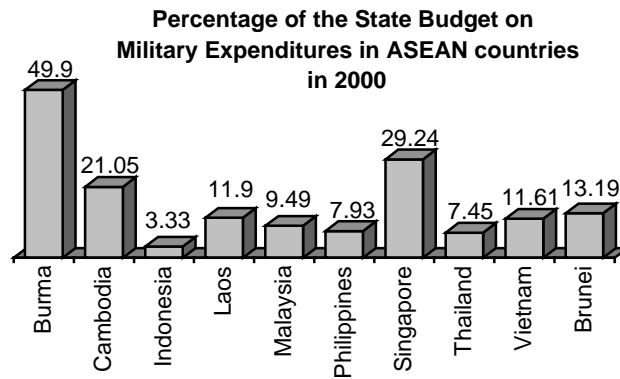
*Source: NationMaster.com citing International Institute for Strategic Studies, 2001& The Military Balance 2001-2002. Oxford: Oxford University Press.
 **Information for Laos and Brunei was unavailable.

In 1988 the regime had about 180,000 military personnel, in 2003 it is estimated at 370,000. Since May 2003, the regime has dramatically increased forced conscription for military training and membership in the army and militia groups for boys, women and men throughout Burma.

It was reported that on July 21, the SPDC ordered all states and divisions to conduct basic military training. Conscription and forced military training has been reported in Shan State, Arakan State, Chin State, Karen State, Mon State, Mandalay Division, Sagaing Division and Tenasserim Division.

The conscription is so widespread in some areas that there are no men left in villages and civilians are trying to flee. On August 21, it was reported that the SPDC army strategic commands will supervise civil servants and villagers who have recently completed forced military training. The trainees will be forced to volunteer on a rotational basis to assist military operations, including launching military offensives.³²⁹

³²⁹ Independent Mon News Agency (21 Aug 03) Forced Volunteers for Burma Army; ³²⁹ Narinjara (18 Jun 03) Increased Conscripts in the Burmese Army; SHAN (13 May 03) Burmese Refugee on the rise: Unfortunately Thailand does not recognise Shans as refugees; Mizzima, posted on SHAN-EU Group Weekly Digest, No. 55 (1 - 7 August 2003); Narinjara (17 July 03) Forced Conscription in Western Burma; DVB News (6 August 2003);



Source: FTUB (June 2002) Economic Report on Burma

Andrew Selth asserts that there has been “extraordinary growth and modernization of the Burmese armed forces” since 1988.³³⁰ The SPDC has refused to provide detailed or accurate information on defense expenditures and arms purchases. SPDC’s failure to produce a white paper on defense has been generating concern about the military’s actual status.³³¹

Selected Percentages of Central Government Expenditure (CGE) 1989-1999

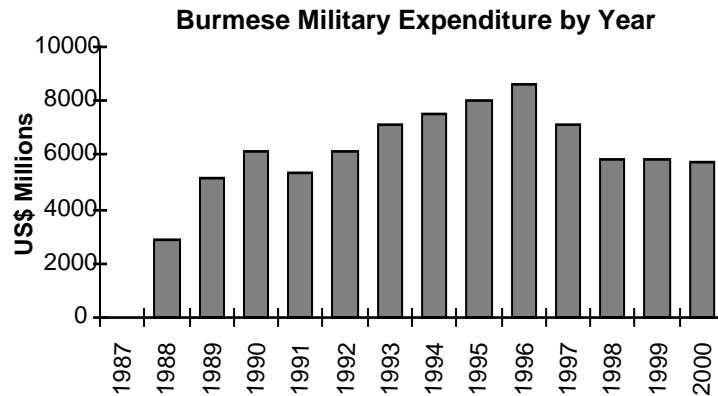
Year	% of CGE on Education & Health	% of CGE on Defense
1989	17.65	24.7
1995	15.53	37.5
1999	8.99	49.9

Source: FTUB (June 2002) Economic Report on Burma

NCGUB – Human Rights Documentation Unit (HRDU) (14 Aug 03) Military Training in Mandalay; Mergui-Tavoy Information Department, Karen National Union (June 03) Monthly Human Rights Situation Report, Tenasserim Division; Mergui-Tavoy Information Department, Karen National Union (July 03) Monthly Human Rights Situation Report, Tenasserim Division; Kao Wao (22 June-7 July 03) No. 47, Counter insurgency expands in Ye (Bop Htaw, Thai-Burma Border, 22 June 03); Independent Mon News Agency and Kao-Wao (4 July 03) Life in Mon State; NCGUB-Human Rights Documentation Unit (HRDU) (18 Sept 03) Forced Conscriptioin in Mon and Karen State; Network Media Group (30 Jul 03) Youth in Burma given militia training

³³⁰ Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory

³³¹ Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory



Source: Stockholm International Peace Research Institute (SIPRI) Yearbook 2002

In 1993 & 1999, defense spending was at its highest at nearly 50% of the state budget.³³² The current economic situation (due to the regime's mismanagement and the deprivation of foreign capital and military supplies because of some sanctions) has slowed the growth of the military and its defense capabilities. This leaves the unanswered question of how strong the SPDC would be without these measures and how would the SPDC have used this power in reaction to disputes with their neighbors?³³³

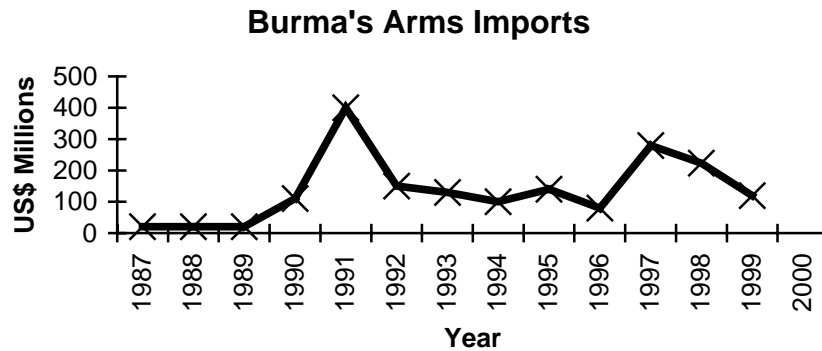
SPDC's military campaigns against the people of Burma are a threat to regional security [see below] and an increase in military capabilities and campaigns by the SPDC will further exacerbate this threat.

Defense expenditure figures vary as obtaining conclusive information is impossible. It is widely agreed that Burma's defense spending is higher than published estimates as they do not take into account what the US Embassy in Rangoon called "hidden subsidies to the Ministry of Defense from other parts of the public sector, in the form of costless or below-cost provision of goods and services," nor defense-substitution imports or military deals that are omitted from official records.³³⁴

³³² Selth, Andrew (2002) *Burma's Armed Forces: Power Without Glory*

³³³ Selth, Andrew (2002) *Burma's Armed Forces: Power Without Glory*

³³⁴ Selth, Andrew (2002) *Burma's Armed Forces: Power Without Glory* quoting US Embassy, Rangoon (1996) *Foreign Economic Trends Report: Burma*



Source: SIPRI Yearbook (2002) Transfers of major conventional weapons & US Arms Control and Disarmament Agency (1997) World Military Expenditures and Arms Transfers quoted in Andrew Selth (2002) Burma's Armed Forces: Power Without Glory

Known weapons procurement during 2001-July 2003

- ◆ 50 Type 72 tanks were purchased from Ukraine for the armored personnel division. This appears to be the first time Ukraine has sold weapons to Burma.³³⁵
- ◆ 10 MiG-29s were purchased from Russia at the reported price of US\$150 million³³⁶
- ◆ At least 4 arms shipments from China were reported including artillery battery, gun carriages, communication equipment, radar warships, guided missile launchers, and anti-aircraft guns³³⁷
- ◆ Israel reportedly delivered air-to-air missiles, listening airborne infra-red navigation and targeting pods, laser-guided bombs, artillery and upgrades of ships and F-7 jets³³⁸

³³⁵ Democratic Voice of Burma (29 Jul 03) 50 tanks that the SPDC bought from Ukraine arrive in Burma

³³⁶ Stratford Global Intelligence Update (21 Aug 01) Moscow Courting Myanmar With MiG-29s

³³⁷ Arms Trade Newswire (26 Dec 01) China ships arms to Burma & Democratic Voice of Burma (6 Feb 02) Warships Ordered From China Arrive

³³⁸ Globes Online (12 Nov 02) Jaffee Center: Israel supplied UAVs to Indonesia

122 Special Report: Ready, Aim, Sanction!

- ◆ Naval bases at Munaung, Haingyi, Katan Island, Zadaiki Island and Mergui are reportedly being upgraded by China with more than US\$2 billion³³⁹
- ◆ 100 Gimlet surface to air missiles from Russia.³⁴⁰
- ◆ 200 Chinese six-wheelers for military use³⁴¹
- ◆ 30 truckloads of signaling devices and ammunition from India³⁴²
- ◆ 80 Indian-made 75mm mountain guns³⁴³

During 2003 a nuclear reactor from Russia is due to be delivered at the cost of US\$25 million.³⁴⁴ Although Burma has signed the Non-Proliferation Treaty, the regime's history of noncompliance with international agreements validates concerns about this acquirement. Reportedly, the SPDC now has its sights set on new submarines.³⁴⁵ Pakistani, Indian, South Korean, Thai and reportedly Indian naval vessels have all paid visits to Burma in recent years.³⁴⁶

There is also substantial evidence that Burma's "already extensive network of arms and ammunition factories is being modernized and expanded."³⁴⁷ In 1995, it was reported that the regime officials repeatedly asked China to enter into a joint venture to set up arsenals in Burma to produce weapons for defense and for export. China apparently 'agreed in principle to consider the request.'³⁴⁸ It is not known what the current status of this venture is, but it is extremely concerning that the SPDC is eager to become a weapons exporter. There has also been speculation that Burma and China

³³⁹ International Crisis Group (27 Sept 02) Myanmar: The Future of the Armed Forces

³⁴⁰ Shan-EU (17 - 23 Aug 03) Independence Weekly quoting Jane's Defense Weekly

³⁴¹ SHAN (12 Nov 02) Triple X comes to Burma & Democratic Voice of Burma (23 Nov 02) Over 200 Military Trucks Brought From China Arrives Mu-Se

³⁴² Asian Tribune (17 Dec 02) Myanmar gets low-calibre Indian artillery

³⁴³ PakTribune News Wire (12 May 03) India actively exporting arms to Burma

³⁴⁴ Science, Vienna (1 Feb 02) Planned Reactor Ruffles Global Feathers, Vol. 295

³⁴⁵ South China Morning Post (11 May 03) Aung San Suu Kyi is Myanmar's only hope for democracy, but the generals refuse to budge

³⁴⁶ Xinhua (12 May 03) South Korean maritime vessel visits Myanmar

³⁴⁷ International Crisis Group (27 Sept 02) Myanmar: The Future of the Armed Forces, quoting Selth, Andrew. Burma's Defence Expenditure and Arms Industries. Contemporary Security Policy, Aug 1998

³⁴⁸ Selth, Andrew – quoting FEER and 'Chinese-language newspaper published in Thailand' and interviews in Rangoon

have intelligence-sharing arrangements and that China has naval and air based facilities in Burma.³⁴⁹

[see Current Sanctions: Arms Embargo for a listing of arms dealers p31]

Civilian Military Porters

A 1998 ILO report said, "The Tatmadaw cannot reach its own logistic demands without forcing civilians to carry a large part of the burden on an involuntary basis" and further said that the treatment of the porters is brutal.³⁵⁰ Yet, as of March 2003, little had changed. ILO liaison officer Hong-Trang Perret-Nguyen said, "It is the army which mainly enforces forced labor. The situation in areas near to the Thai border...as well as in northern Rakhine (Arakan) State is particularly serious and appears to have changed little."³⁵¹ Therefore, until the SPDC military is intricately involved in a democratization process, this trend is likely to continue. Some of the International Confederation of Free Trade Unions (ICFTU) reports submitted to the ILO on forced labor, revealed forced portering for the army, often in combat, with frequent deaths of porters.

- ◆ In 2001& 2002, more than 30,000 cases of civilians forced to be porters for SPDC battalions or village councils were documented, thousands of whom were forced to carry weapons and were forcibly taken into conflict zones. Many of the porters were women and children.³⁵²
- ◆ There has been an increase in the use of prison porters, which gives the appearance of a lessened number of civilian porters that the military conscripts.
- ◆ There has also been an increase in porter fees being forcibly collected from villages, which allows the military to say that the porters are actually paid labor.

³⁴⁹ Selth, Andrew. Burma and Superpower Rivalries in the Asia-Pacific. Naval War College Review, Spring 2002, quoting 'numerous sources'

³⁵⁰ ILO (2 Jul 98) Forced Labour in Myanmar (Burma) , Report of the Commission of Inquiry appointed under article 26 of the Constitution of the International Labour Organization to examine the observance by Myanmar of the Forced Labour Convention, 1930 (No. 29)

³⁵¹ AFP (11 Mar 03) Myanmar plan to eliminate force labour not adequate: ILO & UN Wire (12 Mar 03) Forced labor continues, ILO representative says

³⁵² As access to Burma is extremely dangerous and limited, this represents only a small representation of what the actual number likely looks like. NCGUB Human Rights Documentation Unit (2001& 2002) Burma Human Rights Yearbooks

124 Special Report: Ready, Aim, Sanction!

- ◆ “Operation portering” occurs when SPDC mounts a major military operation. These operations involve up to 2,000 troops at a time, and on average 2 to 5 porters are required for each soldier in order to carry the required ammunition, rations, heavy weaponry and other supplies.³⁵³
- ◆ In May and June 2002, Amnesty International reported that, “...prisoners convicted of common law crimes were taken from Insein Prison and used as porters by the Myanmar Army in this offensive against the SSA-South.”³⁵⁴
- ◆ March 2003, LIB No. 273 ordered village headmen in northern Ye Phyu Township in Southern Mon State to provide people from their villages to carry ammunition and equipment at gunpoint in a military operation against Mon armed resistance group members.³⁵⁵
- ◆ In June 2002, SPDC Infantry Battalions 244 and 245 took 300 prisoners from a prison in Kengtung to Murg-Sart Township to gather 500 more prisoners. These 800 prisoners were forced to carry rations and ammunition to battle areas where the SPDC and SSA were fighting.³⁵⁶

An EarthRights International (ERI) report in June 2003 found that “almost all village heads interviewed describe incidents of portering. The majority of porters had to carry ammunitions, rations, or other supplies for the military. Some had to sweep for landmines, act as guides, and carry things directly to frontline conflict zones.”³⁵⁷

The ERI report found that orders for forced labor come from higher-ranking officers, often from the local Strategic Commander (one of the highest ranking military officers in Burma). It asserted that forced labor is methodically organized through regular meetings and written orders. This combination of evidence confirms the existence of a “systematic” practice

³⁵³ NCGUB Human Rights Documentation Unit (2001-2002) Burma Human Rights Yearbook

³⁵⁴ Amnesty International (17 Jul 02) Myanmar: Lack of Security in Counter-Insurgency Areas

³⁵⁵ Kao Wao (1 Mar 03) Army Bans Selling of Products in Villages

³⁵⁶ Shan Human Rights Foundation (Sept 2002) Monthly Report

³⁵⁷ EarthRights International (June 2003) Entrenched: An Investigative Report on the Systematic Use of Forced Labor by the Burmese Army in a Rural Area

and a “preconceived plan or policy” which are key components to demonstrating crimes against humanity.³⁵⁸

Child Soldiers

Although Burma is a signatory to the UN Convention on the Rights of the Child (CRC), it is thought to have the largest amount of child soldiers in the world.³⁵⁹ The 1990 CRC and the ‘Optional Protocol’ to the CRC of February 2002 outlaws involvement of children under 18 in any hostilities.³⁶⁰

The Coalition to Stop the Use of Child Soldiers submitted the “Child Soldiers 1379 Report” to the UNSC for inclusion in their November 2002 debate on child soldiers.³⁶¹ Of the 72 parties the report named to be in violation of UNSC Resolution 1379, 8 parties are from Burma, with the SPDC Army being the worst offender in the country.

The October 2002 Human Rights Watch Report, “My Gun was as Tall as Me: Child Soldiers in Burma” found³⁶²:

- ◆ Burma has the largest amount of child soldiers in the world and is still growing
- ◆ SPDC forcibly recruits as young as 11 years old, often in public places
- ◆ Recruiting soldiers under 15 years of age is recognized as a war crime
- ◆ 35-45% of SPDC new recruits may be children under 18 years old
- ◆ Child soldiers are frequently forced to commit human rights abuses and fight against ethnic nationality armed groups
- ◆ The United Wa State Army (largest criminal drug cartel in the world) has the largest number of child soldiers of ethnic nationality groups in Burma

In UNICEF’s report, “Adult Wars, Child Soldiers: Voices of Children Involved in Armed Conflict in the East Asia and Pacific Region,” Burma

³⁵⁸ EarthRights International (June 2003) *Entrenched: An Investigative Report on the Systematic Use of Forced Labor by the Burmese Army in a Rural Area*

³⁵⁹ Human Rights Watch (16 Oct 02) *My Gun was as Tall as Me: Child Soldiers in Burma*

³⁶⁰ Inter Press Service (16 Dec 02) *UN 'Names and Shames' Recruiters of Child Soldiers*

³⁶¹ Coalition to stop the use of child soldiers (11 Dec 02) *Action Appeal 12-2002: Myanmar (Burma)*

³⁶² Human Rights Watch (16 Oct 02) *My Gun was as Tall as Me – Child soldiers in Burma*

126 Special Report: Ready, Aim, Sanction!

was highlighted for drug use among soldiers and the systematic use of rape.³⁶³

These reports echoed similar findings and statements by the ILO, UNCHR and other groups.

Highlights of Recommendations of the “Child Soldiers 1379 Report”:

Burma should be brought to the UNSC agenda through application of Article 99 of the UN Charter

The UNSC should monitor the activities of armed groups in Burma for using child soldiers

The listed groups should be put on the list of submission to the UNSC under paragraph 16 of SC Resolution 1379

Regretfully, Burma, though one of the world’s worst offenders, was not listed by UN Secretary General Kofi Annan as one of the conflict countries that will be on the UNSC agenda on child soldiers.

Drugs

“At present *yaa baa* seems to be the most effective crop substitution program in the Golden Triangle.” ~ senior western diplomat in Rangoon, May 2003

Burma’s narcotics are a significant problem in Thailand, India, China, U.S., Australia, and often transported via Laos, Bangladesh, and China’s Yunnan Province. The SPDC is complicit in narcotic production and trafficking and individual members of SPDC are personally involved in the drug trade.

Criminalized drug groups, largely ethnic Chinese and Wa, are intimately involved in the production and trafficking of Burma’s narcotics, particularly methamphetamines. The SPDC has not taken any significant steps to combat these groups who pose a serious security and narcotics threat throughout the region. While the SPDC has flaunted lower opium yields, these statistics must take into account poor weather conditions and field relocations. There have not been any arrests of high-ranking drug lords, in fact, no SPDC military official over the rank of full colonel has been prosecuted for drug offenses.³⁶⁴ Groups intimately involved in narcotics production and trafficking, such as the DKBA and UWSA, have not been outlawed but have freedom of movement around the country, and openly

³⁶³ UNICEF (30 Oct 02) Adult Wars, Child Soldiers

³⁶⁴ U.S. Council on Foreign Relations Independent Task Force (2003) Burma: A Time For Change

set up businesses. Drug seizures remain deplorably low, the SPDC refuses to extradite wanted drug lords to the U.S. and Thailand, and refuses to redistribute the defense budget to combat narcotics.

Just as the lawlessness of Afghanistan allowed it to become a harbor for terrorism, Burma is a harbor for powerful criminal drug gangs, which are steadily gaining economic power and military strength in Burma. The United Wa State Army (UWSA) is the largest criminal drug gang in the world with nearly 25,000 in its ranks, almost double that of the Revolutionary Armed Forces of Columbia (FARC). In June 2003, the US labeled the United Wa State Army as a foreign drug kingpin under the Foreign Narcotics Kingpin Designation Act, which subjects them to sanctions.³⁶⁵ The UWSA is a known ally of the SPDC and is allowed to act with impunity. SPDC's current strategy of 'crop substitution programs' is not sufficient to address Burma's narcotics crisis in the region.

The SPDC and their allied groups have a vested interest in narcotics. Desmond Ball said that 'as much as US\$1 billion worth of Chinese weapons, vehicles and other pieces of defense equipment has probably been acquired in direct drugs-for-arms deals with PLA officers in Yunnan'.³⁶⁶ A significant amount of businesses, banks, and infrastructure have been created with revenue from drugs and money laundering of narcotics money is widespread in Burma and in the region. [see Implement FATF Recommendations p95]

After the completion of the major phase of Thailand's drug eradication campaign in early 2003, drugs are still flowing into Thailand from Burma. Thailand's Deputy Army chief Wattanachai Chaimuenwong said that despite the signing of a bilateral drugs agreement between Thailand and Burma, there is no evidence suggesting the SPDC has destroyed a single drugs factory.³⁶⁷ In August 2003, veering from his typical 'give Burma time' attitude, Thai Prime Minister Thaksin Shinawatra lashed out and said if the regime does not start destroying drug factories, "we will go there and do it ourselves."³⁶⁸

³⁶⁵ White House (2 Jun 03) Statement by the Press Secretary

³⁶⁶ Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory quoting Ball, Desmond. Burma and Drugs: The Regime's Complicity in the Global Drug Trade. Strategic and Defence Studies Centre, Australian National University, 1999

³⁶⁷ Xinhua (13 Jun 03) Thai Army urges Rangoon to destroy narcotic factories

³⁶⁸ Nation (21 Aug 03) Thaksin threatens to raid Burma drug sites

128 Special Report: Ready, Aim, Sanction!

The regime is now allowing the production and trafficking of a potent form of methamphetamine, reportedly **five times** as strong as those that have been previously produced in Burma. In September there were reports of these pills being sold in Thailand and being channeled through Laos, southern Burma and India, all of which could not be achieved without the tacit approval of the high-ranking officers within the regime. The refinery is under the protection of Ta Rong, Commander of Brigade 214, United Wa State Army.³⁶⁹

Bertil Lintner has emphasized, "...no anti-drug policy in Burma has any chance of success unless it is linked to a real political solution to the civil war and a meaningful democratic progress in Rangoon."³⁷⁰ The U.S. General Accounting Office said, "In Burma, corruption facilitates illicit trafficking and makes effective action against narcotics difficult to sustain...[and] a political settlement with the insurgents may be needed before long-term narcotics reduction can be achieved," referring to previous U.S. counter-narcotics assistance.³⁷¹

Civil War

Burma has been in turmoil and at civil war for more than 50 years. The persecution of Burma's ethnic nationality groups by the SPDC has created a pervasive climate of instability, distrust, and abuse. The SPDC rationalizes the suppression of ethnic nationality groups as necessary due to fear of what could happen to Burma if forces of ethnic, political, and religious divisions are not firmly suppressed, citing examples of the former Yugoslavia, the former Soviet Union, and Indonesia.³⁷² However, most nationality groups have pledged genuine interest in federal democracy. Domination based on threats, military strength, and bribery is poor preparation for a transition to democracy and reconciliation. Without a political solution to the situation, abuses and fragmentation will continue and Burma's 'problems' will continue to spill over its borders. Burma has more than 1 million internally displaced people due to the SPDC's civil war campaign and the number of regionally displaced people is even greater due to the regime's gross human rights and economic abuses. Thailand has

³⁶⁹ Shan Herald Agency for News (24 Sept 03) Speed II comes to town

³⁷⁰ Lintner, Bertil. Heroin and Highland Insurgency in the Golden Triangle. In Alfred W. McCoy, Alan A. Block (eds.) *War on Drugs Studies in the Failure of U.S. Narcotics Policy*. 1992

³⁷¹ U.S. General Accounting Office (Sept 1989) Drug Control: Enforcement Efforts in Burma Are Not Effective

³⁷² Selth, Andrew (2002) *Burma's Armed Forces: Power Without Glory*

offered several times, including in February 2003, to mediate between the regime and some of Burma's ethnic nationality groups, but the SPDC has repeatedly been non-responsive.

Displacement of People

Burma's neighbors are troubled by the influx of millions of people fleeing Burma as a direct result of civil war, forced relocation and eviction, land confiscation, political suppression, forced conscription, human rights abuses, and gross economic mismanagement. In Chin and Arakan States, there is limited armed resistance, yet the SPDC's ruthless tactics have caused large-scale exoduses. Until a lasting solution is found to these causes, people will continue to leave Burma and seek refuge in other countries, despite the tough policies and abuses they often face there. This pattern can create problems for these countries in terms of undocumented migrants, human trafficking, excess labor, health problems, drug trafficking, and education.

Thailand ³⁷³	Refugees in camps 110,000+ Total number of asylum seekers & migrants in Thailand is estimated at 2 million Monthly flow of 'migrants' 2,000-3,000 (24,000-36,000/year)
Bangladesh ³⁷⁴	21,500 Rohingya Muslim refugees in camps and 50 Rakhine urban refugees UNHCR will begin withdrawing in June 2003 and finish by June 2004 More than 200,000 people are staying outside of the camps without protection
India ³⁷⁵	More than 50,000 mostly Chin people have fled to India Only about 800 people, or 1.5% are recognized by UNHCR
Malaysia ³⁷⁶	5,100 UNHCR refugees 60,000-110,000 asylum seekers and migrants

³⁷³ Refugees International (24 Jan 03) Protecting Burmese Refugees in Thailand

³⁷⁴ Lewa, Chris. The Refugee Situation on the Western Borders of Burma. Forum Asia at the Canadian Friends of Burma Public Conference, 9 Oct 02

³⁷⁵ Lewa, Chris. The Refugee Situation on the Western Borders of Burma. Forum Asia at the Canadian Friends of Burma Public Conference, 9 Oct 02

³⁷⁶ NCGUB Human Rights Documentation Unit (Sept 2002) Human Rights Yearbook 2001-2002 & AFP (18 Jun 02) More Myanmar Muslims Invade UN Agency to Seek Asylum

130 Special Report: Ready, Aim, Sanction!

In efforts to deal with the impact of Burma's displacement, Thailand and Bangladesh are strengthening measures to squeeze people out and back to Burma. In 2002, Thailand deported nearly 100,000 undocumented migrants to Burma.³⁷⁷ Bangladesh has resumed forcibly repatriating people back to Burma, but the fate of these people is grim as the SPDC does not recognize most Rohingyas as citizens of Burma. Despite these measures, people return after being pushed back to Burma and more continue to flee. The forcible repatriation of people back to Burma could be the equivalent to sentencing them to death or at least forced labor and harsh treatment. SPDC law states that those found entering neighboring countries illegally could be sentenced from 6 months to 5 years in prison.³⁷⁸ A former Burmese army officer said in Burma desertion carries a 10-year prison sentence.³⁷⁹

It is estimated that there are more than a million Internally Displaced Persons (IDPs) in Burma, with more than 630,000 living directly adjacent to Thailand.³⁸⁰ The SPDC's policies of forced relocation and eviction, land confiscation and systematic human rights abuses are the major causes of Burma's massive IDP population. Between 1996-1999, almost 56,000 entire Shan villages were forcibly relocated.³⁸¹ According to the Free Burma Rangers, between January-July 2002, about 170 Karen villages were burnt down and 300 villages forcibly relocated by SPDC units.

All IDPs are potential refugees. Until the root causes of Burma's IDPs are adequately addressed, regional displacement of people from Burma will continue.

Systematic human rights abuses

The SPDC has essentially been imprisoning and torturing an entire society for 15 years. [See UN section for details on abuses p114] The international community has a duty to step up action to ensure that the basic human rights of the people of Burma are honored. To date, sectors of the UN have lacked sufficient leverage to do this.

³⁷⁷ According to statistics from Tak Immigration Office, reported at the CCSDPT Meeting (12 Feb 03)

³⁷⁸ Irrawaddy (14 Jan 03) Rapprochement Continues

³⁷⁹ Irrawaddy (10 Jan 03) Thailand Hands Over Deserters

³⁸⁰ U.S. Committee for Refugees (2002) Worldwide Refugee Information Country Report: Burma & Released by an organization in Thailand (Sept 2002) Internally Displaced People and Relocation Sites in Eastern Burma

³⁸¹ Burma Ethnic Research Group (July 1999) Internal Displacement in Myanmar

Failure to recognize democratic elections

It has been 13 years since the 1990 democratic elections in Burma and the SPDC refuses to embark on a genuine transition to democratic governance, despite repeated assurances to the UN and international community. Phil Robertson of the AFL-CIO asserted, "The U.S. should call a session of the UN Security Council to pass a resolution condemning Burma's continued failure to transfer power to the winners of the 1990 election."³⁸² The precedent was set when the UNSC convened on the case of Haiti with the goal of restoration of democracy in Haiti and the prompt return of the legitimately elected President.³⁸³

Regional Implications

If the international community does not find the political will to take Burma before the United Nations Security Council, the consequences may be great.

As the regime has demonstrated that they will not promote substantial and sustainable economic reforms, Burma will become a drag on the advancement of the ASEAN bloc. As the economy in Burma continues to deteriorate economic migrants (in addition to asylum seekers fleeing the regime's human rights abuses) will continue to pour into regional countries, regardless of official policies or deterrent tactics, leaving the region to deal with the poverty, health, and education issues such displacement presents. Criminal drug gangs in Burma will grow more powerful and will continue to increase production in the regional market. Having a neighbor that has become the stronghold of the largest criminal narcotics gang in the world presents great challenges to regional stability and safety. The flow of narcotics from Burma and the spread of HIV/AIDS have a strong correlation not only in Burma, but also in the region, which has already presented a great challenge to China. If Burma maintains its current rate of military growth it could surpass Vietnam and become the largest military in Southeast Asia.³⁸⁴

³⁸² Barry, Tom. The Progressive Response: Provocation in Burma. Foreign Policy in Focus, Sept 2000

³⁸³ United Nations Security Council (6 May 94) Resolution 917

³⁸⁴ Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory

MYTHS & REALITIES

MYTH 1: Sanctions on Burma have not worked.

REALITY 1: Sanctions are largely responsible for creating past developments in Burma.

The application of sanctions or the threat of employing sanctions was the driving force behind the SPDC:

- ◆ The release of Daw Aung San Suu Kyi from house arrest in 2002 & 1995
- ◆ Entering into ‘talks’ with Daw Aung San Suu Kyi in October 2000
- ◆ Release of some political prisoners prior to key international meetings or events
- ◆ Engagement with the ILO in eradicating forced labor, including issuing an order forbidding forced labor since November 2000
- ◆ Creation of an anti-money laundering law in June 2002
- ◆ The reopening of some NLD offices
- ◆ Diligently attempting to *appear* as combating narcotics production and trafficking since the 1999 Interpol Conference

The ILO process on the eradication of forced labor clearly demonstrates the impact the threat of substantial sanctions can have upon the regime. [see ILO p40]

Sanctions have been useful in prompting the regime to act as well as increasing the involvement from other players. The public readiness of nations to utilize sanctions have not only influenced the regime, but also impelled ‘quiet diplomacy’ actors to heighten their dialogue of persuasion with the regime to encourage progress, or at least, to ward off pending sanctions. These actors have typically been high-level officials from Thailand, Malaysia and Japan as well as UN Special Envoy Razali Ismail.

“Every time a foreign government condemns human-rights abuses in Burma, the regime loses face in front of its own population, and that’s very important.”

Not to be undervalued, sanctions also deny the SPDC access to some potential sources of income that could be used to strengthen the regime, retard their plans for military growth and prevent them from intensifying their oppression of the people of Burma. Sanctions diminish the regime’s

international credibility and legitimacy. One diplomat in Rangoon said, "Every time a foreign government condemns human-rights abuses in Burma, the regime loses face in front of its own population, and that's very important."³⁸⁵

MYTH 2: The effectiveness of sanctions is too limited to be constructive.

REALITY 2: The effectiveness of sanctions on Burma has yet to be fully exploited.

The positive results of international pressure and sanctions have been limited by the selection of sanctions and poor implementation. Most of the sanctions that have been applied to Burma have been 'preventive' or symbolic, relaying strong political messages. They have been administered with moderate accuracy, but lack the commitment to hitting key 'pressure points' of the SPDC. They mainly inhibit the SPDC from obtaining potential financial resources, easier access to weapons, and increased international legitimacy.

However, prior to the US sanctions in 2003, most sanctions have not inhibited the SPDC's current sources of income. The SPDC has shown that they are extremely concerned about the prospect of current sources of revenue being cut-off or reduced. This was clearly demonstrated with their actions surrounding the ILO and the contemplation by the U.S. of severing trade ties with Burma in 1995.

To make sanctions more effective, there is a need to explore more, well implemented, comprehensive sanctions. [see Sanctions For Change p164]

When using sanctions, it should be clearly listed what concrete, irreversible steps the SPDC needs to take in order to be assessed as cooperating with the international community. It is also necessary to stipulate further actions the international community will take if specific goals are not achieved within the allotted timeframe. It is these 'vigilant follow-up procedures' that can be the decisive factor in whether sanctions are able to achieve their goals.

Sanctions that are wisely implemented and that threaten the regime's current sources of income have the potential to be the most effective non-military interventions the international community can make to support human rights and democracy in Burma.

³⁸⁵ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-May 2003 quoting Far Eastern Economic Review, 7 & 14 June 90

134 Special Report: Ready, Aim, Sanction!

The regime is most vulnerable when it is facing substantial pressure internally, from the international community, infighting within the regime, or serious economic difficulties. If measures are implemented too slowly, there is a high risk of the SPDC developing 'coping mechanisms' to weaken the impact and thus weaken the incentive for them to cooperate in concrete negotiations and developments.

The enforcement action for non-cooperation must also be considerable, something that directly impacts the way the regime currently operates (trade sanctions, arms embargo, oil embargo) or denies the regime something they are trying to obtain and perceive as highly valuable (Greater Mekong Subregion grants). [see Recommendation: Withhold Assistance from IFI/MDBs: GMS p98]

Sanctions that are wisely implemented and that threaten the regime's current sources of income have the potential to be the most effective non-military interventions the international community can make to support human rights and democracy in Burma.

MYTH 3: The SPDC is not influenced by international pressure.

REALITY 3: Public international pressure has repeatedly elicited confirmatory responses from the SPDC in attempt to stage reforms or at least quell international furor.

History demonstrates that the SPDC is most responsive to strong, assertive positions from the international community, especially that which outlines punitive measures if discernible action is not implemented. The approach taken by the International Labor Organization (ILO) deserves to be examined as it has solicited consistent response and some action from the SPDC. [see ILO p40] This clearly demonstrates that the SPDC has been influenced by the international pressure placed upon them.

Recently, immense international outcry led to permission for U.N. Special Envoy Razali Ismail to meet with Daw Suu 10 days after Black Friday, her transfer from Insein Prison to a more 'comfortable' location, the release of up to 91 political prisoners detained soon after Black Friday, allowing ICRC to visit Daw Suu and U Tin Oo, SPDC's 'photo tour' to convince regional leaders that Daw Suu is unharmed and that the SPDC will resolve the

'issue.' As U.S. Senator Mitch McConnell said, "If the SPDC was truly immune to world public opinion," these events would not have occurred.³⁸⁶

Sanctions play a key role in increasing the level of significance of international pressure. Paul Schroeder wrote that, "Conditioning access to the system of peaceful cooperative development on the observance of civilized rules of behavior can be an effective inducement for the prevention of conflict."³⁸⁷ In this light, international pressure with non-conditional elements, such as UNGA and UNHCR resolutions, have not mounted much international pressure.

MYTH 4: Sanctions are counterproductive because they can be used as a scapegoat by the SPDC for internal policy failures.

REALITY 4: Properly applied sanctions can deny further gains to those currently benefiting from the SPDC's corrupt policies, which can then generate greater domestic pressure for economic reforms.

In the same way the regime tries to discredit the democratic opposition by labeling them as pawns of international actors, it is unlikely that many believe the regime's rhetoric that they are blameless for the abysmal state of the economy.

This myth implies that without sanctions, regime supporters would associate blame for the bad economy onto the policies of the SPDC. However, these supporters are benefiting from the corrupt practices and therefore perpetuate them in the interest of individual gain. [see Recommendation: Tentacles & Myth & Reality 10, p79 & 142] When they stop benefiting from these practices, it is likely to generate greater pressure with those in or close to the regime. Due to the SPDC-created financial/bank crisis in Burma, sources in Burma are reporting that, "The junta's cronies, like those who import and export, are getting hit and they're beginning to complain."³⁸⁸

At various times Japan, Malaysia, and Singapore have all attempted to engage the regime in discussions of economic reform, which have been fruitless and frustrating. [see Lose-Lose Situation p170]

³⁸⁶ Asia Wall Street Journal (16 Jun 03) Sanction Burma

³⁸⁷ Schroeder, Paul. The New World Order: A Historical Perspective. The Washington Quarterly, Spring 1994

³⁸⁸ Irrawaddy (Aug 03) Weighing Sanctions

136 Special Report: Ready, Aim, Sanction!

While it is important to keep the dialogue going to challenge the thought process, it is unlikely that policies will change until more supporters stop benefiting from these corrupt practices. Sanctions are a part of that process.

MYTH 5: Sanctions will alienate the ‘moderates’ in the regime.

REALITY 5: Sanctions are needed to create significant ‘moderate’ voices within the regime.

To create genuine transition, the voices and support of ‘moderates’ within the SPDC is necessary, but more moderates need to emerge. The best way to create more moderates in the regime is to make its continued support of non-reform more costly than pushing for reforms.

During the period Daw Suu was released from house arrest in 2002-2003, Sr-Gen Than Shwe promoted officials who openly opposed dialogue. It has been alleged that Sr-Gen Than Shwe is elevating the power of these officers in part to weaken the influence of Khin Nyunt and Maung Aye. In months prior to the attack, Gen Khin Nyunt told UN Rapporteur Paulo Pinheiro and UN Envoy Razali Ismail that he no longer had any power to influence political decisions within the regime.³⁸⁹ While many in the international community have placed hope on Khin Nyunt as being a flexible moderate, what keeps the regime glued together is their commitment to prolong their reign and pure self-interest. On June 8, the ‘moderate’ Khin Nyunt was quoted in the state-run newspaper saying the events surrounding May 30 would serve as “lessons” for those responsible for “disorderly and unruly acts.”

Sanctions are needed to make it in the interest of those in and close to the regime to push for reforms. The regime’s officers, family members and allies are deeply embedded in business.³⁹⁰ [see Myth & Reality 10 & Tentacles, p142 & 79] Sanctions can help reduce the ‘money pie’ from business gain and financial bribes that keeps the junta glued together. As the ‘money pie’ gets smaller, the push for reforms will grow stronger. This, in conjunction with the banking financial crisis caused by the regime’s mismanagement, is already causing distress. [see Myth & Reality 14, p156] Reportedly, “The junta’s cronies, like those who import and export, are

³⁸⁹ Wall Street Journal Online (May 5 2003) Deadlock in Burma

³⁹⁰ Oehlers, Alfred. Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003

getting hit and they're beginning to complain."³⁹¹ Another logging businessman complained, "My account of US \$30,000 is frozen."³⁹² This is indicative of the regime's influence over Burma's lucrative businesses, but more importantly the type of pressure that such sanctions can generate within the regime and its network of cronies.

For the 'moderates' that are reporting alienation in the regime, a Western diplomat in Rangoon said, "The best we can do is to allow these progressive elements [in the junta] to say, 'I told you so.'"³⁹³

MYTH 6: Sanctions take away incentives for the regime to make progress.

REALITY 6: Properly applied sanctions will create incentive for the regime to make genuine progress.

Cortright and Lopez argue that "sanctions must be perceived as a form of coercive persuasion," and that incentives should be given only as compliance improves.³⁹⁴ Incentives should include the lifting of sanctions, which was successfully used in other countries. [more details in Sanctions For Change]

Hans Morgenthau warned that, "Incentives delivered to military elites or corrupt politician leaders can weaken the standing of constituencies seeking democratic reform and undermine the long-term prospects for cooperative behavior."³⁹⁵ Ideally, sanction campaigns should be

In 2002-2003, as Japan stepped up its aid to Burma (prior to the moratorium on aid after May 30) and Thailand has started an aggressive business diplomacy program with the junta, the SPDC has become more resistant to dialogue and more oppressive in its actions.

executed similar to the ILO campaign where the stakes were raised very high so that the consequences of non-cooperation by the regime would be greater than the 'cost' of cooperation. This in turn creates progress and avoids imposing economic consequences. There is always a risk involved,

³⁹¹ Irrawaddy (Aug 03) Weighing Sanctions

³⁹² Irrawaddy (13 Aug 03) Swift Impact of Sanctions

³⁹³ Irrawaddy (Aug 03) Weighing Sanctions

³⁹⁴ Cortright, David & Lopez, George. *The Sanctions Decade: Assessing UN Strategies in the 1990s*. Carnegie Endowment for International Peace, 2000

³⁹⁵ American Political Science Review, "A Political Theory of Foreign Aid" by Hans Morgenthau, quoted in Cortright, David & Lopez, George. *Carrots, Sticks and Cooperation: Economic Tools of Statecraft*. In Barnett R. Rubin (ed.) *Cases and Strategies for Preventive Action*. 1998

138 Special Report: Ready, Aim, Sanction!

but the key is to raise the stakes high enough. This leverage must be accompanied by a clear proposal for cooperation, to kick off negotiations.

The myth that the regime is likely to make progress if incentives are dangled in front of them is dangerous. This assumption has repeatedly been proven to be false. The U.S. and EU have both pledged carrots (incentives) to the regime in response to genuine progress towards democracy and reconciliation. In addition, Thailand, Japan, China, and Singapore at various times have also provided considerable support to the SPDC, but their generosity and support has been reciprocated with unfulfilled promises of economic and democratic reforms.

In 2002-2003, as Japan stepped up its aid to Burma (prior to the moratorium on aid after May 30) and Thailand has started an aggressive business diplomacy program with the junta, the SPDC has become more resistant to dialogue and more oppressive in its actions. This has become a lose-lose situation with the initiating country pouring assistance into a bucket with a big hole while the situation in Burma continues to deteriorate.

In contrast, at times the regime has responded to the threat of sanctions, most notably with the ILO findings on forced labor. Another dramatic example was on July 10, 1995, one day before the U.S. Congress was to debate the banning of all economic contacts with Burma, Daw Aung San Suu Kyi was released from house arrest.³⁹⁶

MYTH 7: Constructive engagement would be successful in bringing reforms in Burma.

REALITY 7: Constructive engagement tried thus far has not brought sustainable reforms to Burma.

Constructive engagement has not worked to bring reforms in Burma. At various times Thailand, Singapore, Japan, Australia and Malaysia have all quietly tried constructive engagement for economic reforms and to a lesser degree political reforms, but their generosity and support have been reciprocated with broken promises and disinterest by the SPDC. [see Lose-Lose Situation p170]

³⁹⁶ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-May 2003 quoting New York Times, 22 July 1989, A2; Far Eastern Economic Review, 18 January 1990, 15; US House of Representatives 25

According to the Federation of Trade Unions of Burma, the regime has also manipulated the attempted constructive engagement of international organizations. They have allowed them to observe the situation, but delay the follow up on specific issues, therefore buying time for themselves and gaining positive publicity for allowing the organization into Burma.³⁹⁷ [see Lose-Lose Situation & Premature Action, p170 & p172]

Morton Abramowitz, a former diplomat and senior fellow at the Century Foundation said that the events surrounding the May 30th attack have made it painfully clear that constructive engagement with the SPDC is not an option for changing its ways.³⁹⁸ The regime has taken advantage of the approach by manipulating the involved actors with broken promises in order to serve their own intent to bide their time and quelling discontent. In contradiction to the official rhetoric, the regime responds to international pressure. This pressure also helps maintain the momentum and commitment from the international community, which has been absent in the process of constructive engagement.

Training, exposure, institution building, and economic assistance should all be a part of international efforts to assist in democratic transition in Burma. However, under the present circumstances, these measures are premature and could possibly undermine efforts by providing unearned legitimacy as being genuinely engaged in a democratic reform process, but should be important topics in tri-partite dialogue.

MYTH 8: Sanctions and principled engagement cannot work as complementary approaches.

REALITY 8: Sanctions should be a key component of principled engagement with Burma in order to maximize desired results.

Actions taken by a limited number of countries and/or institutions can have a substantial impact and can be effective, however, a unified approach by the international community will create the optimal environment for genuine change in Burma. A plan of action needs to be better coordinated and mobilized. Coordination of desired actions, enforcement actions and carrots should be with the UN, international governments, and international financial institutions. This can end the SPDC's game of

³⁹⁷ Federation of Trade Unions-Burma (20 Mar 03) Letter from the General Secretary of FTUB to the International Confederation of Free Trade Unions (ICFTU)

³⁹⁸ Washington Post (9 Jun 03) Time to Lean on Thailand

140 Special Report: Ready, Aim, Sanction!

playing various stakeholders off of each other and will coordinate pressure on clear, specific objectives. [see Recommendation: Recipe for Reconciliation and Recipe for Success, p51 & 179]

According to veteran Burma journalist, Larry Jagan, principled engagement in regards to Burma means “stepping up pressure on Rangoon while showing the generals it is in their interest to cooperate fully with Ms. Aung San Suu Kyi.”³⁹⁹ Since the regime has demonstrated that for the most part they respond to concerted pressure that is reinforced by the willingness to apply consequences if they fail to engage in a genuine reform process, sanctions are a useful tool to weigh that level of pressure.

Sanctions can also increase the international political commitment to the realization of political and economic reforms in Burma. This will make associating with the generals an unpopular measure and place serious pressure on key regional governments to pressure SPDC to reform. The use or threat of sanctions increases the level of dialogue between the various actors and the regime. Principled engagement can also utilize the tactic of ‘good cop, bad cop’ where there are actors threatening unfavorable consequences (bad cop) and other actors serving as a ‘voice of reason’ (good cop) in promoting a solution. The threat of consequence is needed to advance the process.

Lines of communication also need to be maintained and/or enhanced, but principles for reform should not be compromised or delayed in the name of communication. The various actors involved and/or affected by the misrule in Burma have different roles to play, but those roles must complement each other (see Sanctions for Change).

The foundation for principled engagement with Burma appears to have begun being laid in the aftermath of Black Friday. This hard hitting round of sanction measures by the U.S., EU, and Japan has also given rise to significant moves from ASEAN and Thailand to try and mediate an acceptable plan of action with the SPDC in the form of a troika and a ‘roadmap’ respectively. The concern about Black Friday in Burma turned to outrage, largely due to the response of the West, which insinuated that the credibility of ASEAN was at stake if they did not participate in a renewed effort of principled engagement with the regime.

³⁹⁹ Wall Street Journal Online (May 5 2003) Deadlock in Burma

MYTH 9: Western nations' economic stake in Burma is not large enough for sanctions to be effective.

REALITY 9: Western nations have a significant amount of economic ties with Burma for sanctions to be an effective component of principled engagement with Burma.

As Burma becomes more reliant upon income earned from exports, countries that hold more than a one third stake in Burma's export market may have greater influence with the regime. Between 1995 and 2001 Burmese exports to the EU, U.S., Australia and Canada increased by an average of 435%.⁴⁰⁰ This emphasis on exports by the regime eases the impact of the U.S. ban on new investment and the general decline of foreign direct investment (FDI) due to the unfavorable business climate created by the SPDC. In 2001, about 35% or US\$ 963 million of Burma's exports went to the U.S., EU, Canada, Australia, South Korea and Poland.⁴⁰¹ [see Recommendation: Import Ban on Goods from Burma p55]

According to the Economist Intelligence Unit, Burma's top export destinations are the U.S., Thailand, India and Singapore, accounting for 62% of Burma's total exports. If the EU member countries are included, the percentage is raised to 71%. In a BBC hidden-camera investigation of Burma's apparel industry, an SPDC official asserted that the regime controls "all the [garment] factories."⁴⁰² It has been reported that 95% of the factories represented by Myanmar Garment Manufacturers' Association are state-owned. The Association reported that 75% of their goods are imported by the U.S. and 25% by the EU.⁴⁰³ [see Myths & Realities 10 & 11, p142 & 146] While the SPDC is making concerted efforts to develop trade regionally, it would be difficult at best to replace these major markets. Pressure needs to be placed on these receiving countries to ban or reduce imports from Burma in an effort to support reforms in Burma.

According to the U.S. Department of Commerce, the SPDC Ministry of Finance and Revenue have placed a 10% tax on exports in foreign exchange.⁴⁰⁴ This calculates into hundreds of millions of dollars annually directly to the regime.

⁴⁰⁰ International Monetary Fund (2002) Direction of Trade Statistics Yearbook: Myanmar

⁴⁰¹ International Monetary Fund (2002) Direction of Trade Statistics Yearbook: Myanmar

⁴⁰² BBC Night News 1997

⁴⁰³ AP (8 May 03) Myanmar garment manufacturers call for end to U.S. ban

⁴⁰⁴ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

142 Special Report: Ready, Aim, Sanction!

It is also a common misconception that Asians are the largest investors in Burma. According to the Federation of Trade Unions of Burma, during the 1990-2000 period western countries *disbursed* more than 80% of investments that they committed, accounting for about 65% of actual foreign direct investment (FDI). Given that Western countries are responsible for the most significant share of investment, their withdrawal will have the most significant impact on the regime.”⁴⁰⁵

The oil and gas industry is Burma’s largest sector of FDI. Despite the U.S. and EU’s strong words and actions against the uncompromising regime, companies from these countries are the major players in the Yadana pipeline, the largest foreign investment in Burma!⁴⁰⁶ TotalFinaElf, Unocal, PTT and Myanma Oil & Gas Enterprise plan to further develop gas reserves in Burma to expand the natural gas deliveries from the Yadana field. Unocal included this project in their 1997 agreement, so U.S. anti-investment policy will not apply to them, again. [see Recommendation: Ban On Oil & Gas FDI p72]

While it is unclear exactly how much Burma is reliant upon remittances from the U.S., it can be said that the regime is heavily dependent upon remittances from the U.S., and in the light of U.S. ban on remittances to Burma, on remittances from the EU. [see Recommendation: Widen Ban on Remittances to Burma p54]

These countries not only have economic leverage with the regime, but sanctions can ‘motivate’ some of Burma’s Asian neighbors to take a more active involvement with Burma. [see Myth & Reality 8, p139]

MYTH 10: Sanctions will not impact the regime but will mostly hurt civilians.

REALITY 10: Well-implemented sanctions will impact the regime. It is the regime’s economic monopoly and gross economic mismanagement (in addition to directly inflicted abuses) that mostly hurts the welfare of civilians.

Since the regime opened up the economy to trade and investment in the late 1980’s, civilians seem to have actually suffered more violations, particularly of their economic, social and cultural rights. [see Myth & Reality 11 for more details, p146]

⁴⁰⁵ Federation of Trade Unions – Burma (June 2002) Economic Report on Burma

⁴⁰⁶ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

Since the late 1980s the regime pursued a process of privatization and divestment of the economy in a way that has allowed the military to 're-assert ownership and control over formal sector enterprises'. Such state enterprises and 'private' businesses mostly benefit the regime's top officers, family members, allies and close business associates.⁴⁰⁷ The SPDC also continues to create ministries and civil organizations, such as the USDA, which are involved in investment and trade. Andrew Selth wrote, "It must be assumed that a high percentage of the profits of the joint venture deals embarked upon to date must eventually return in one form or another to the armed forces."⁴⁰⁸ [see Tentacles & Import Ban, p79 & p55]

Formal and Informal Economy

Formal	Economic activity that is governed by formal rules and payments and may be open to international trade and investment.
Primary	Production of raw materials. E.g.: Agriculture, Mining, fishing, lumbering, gem extraction, etc.
Secondary	Converting resources into finished products or manufacturing.
Tertiary	Service sector of the economy. E.g.: Retailing, transportation, education, banking, etc.
Quaternary	Assembly, transmission, and processing of information and in the control of other business enterprises. E.g.: Accounting, finance, banking, insurance, education, research, media, and government.
Informal⁴⁰⁹	Small unregistered enterprises, self-employed persons who work in their own or family businesses, and people who produce goods only for their own consumption.
Family Enterprise	Predominance of own-account and self-employment work. Small scale operation with individual or family ownership. Absence of access to institutional credit or other supports and protections.
Subsistence	Products made for the family or small community, not for a market economy.

⁴⁰⁷ Oehlers, Alfred. Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003

⁴⁰⁸ Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory

⁴⁰⁹ Women in Informal Employment Globalizing and Organizing
<http://www.wiego.org/main/fact1.shtml>

144 Special Report: Ready, Aim, Sanction!

Economist Alfred Oehlers argues that when taking into account the 'structural features of the Burmese economy as well as key institutional features such as the pattern of ownership and control' it may reasonably be presumed that 'the negative consequences arising from sanctions will have [the] greatest impact on the military regime and its closest associates.'⁴¹⁰ The majority of Burma's civilian population is dependent upon the informal economic sector, which would be minimally effected by sanctions. It is the formal economic sector that sanctions will have a major impact upon. It is because there are few systematic structural links between the two sectors that one sector can retain significant damage while the other remains relatively unimpaired.⁴¹¹

Economist Alfred Oehlers argues that when taking into account the 'structural features of the Burmese economy as well as key institutional features such as the pattern of ownership and control' it may reasonably be presumed that 'the negative consequences arising from sanctions will have [the] greatest impact on the military regime and its closest associates.'

The informal sector mostly involves small and family based subsistence agriculture and small-scale cash crops and businesses. The informal sector overwhelmingly serves Burma's village markets with almost no exposure to external markets in terms of exports, investment, inputs or technology. The formal sector is concentrated in lucrative sectors such as logging, mining, petroleum, manufacturing, tourism, banking, etc and dominates exposure to external markets and large-scale domestic markets. An example of this is, since 1989 the Directorate of Ordnance has taken over the management of many state-owned enterprises from the Ministry of Industry, including garment, textile and other factories. Burmese academic Maung Aung Myoe asserted that, "these industries generate some income for the Tatmadaw (army), and also provide jobs for many families of the Tatmadaw rank-and-file."⁴¹²

The domestic formal economy is monopolized by the regime and its affiliates. For example, in Arakan State, almost all business activities are controlled through a monopoly system, which severely inhibits any free enterprise. All agriculture, fishing, prawn breeding, bamboo, timber,

⁴¹⁰ Oehlers, Alfred. Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003

⁴¹¹ Oehlers, Alfred. Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003

⁴¹² US Embassy Rangoon (1996) Foreign Economic Trends Report: Burma quoted in Selth, Andrew (2002) Burma's Armed Forces: Power Without Glory

firewood cutting, sale of livestock, and trade (rice, fuel, oil, fertilizers, etc) operate under a monopoly license system that allows for outrageous taxation. SPDC ministries or local Na Sa Ka reportedly sell licenses to a 'rich and influential' person, who then controls the market by vendor selection and taxation. The ministries and Na Sa Ka continue to benefit from this practice as the 'monopoly license' must be repurchased each year.⁴¹³

Reality Check

Most of Burma's civilian population is reliant upon the subsistence economy, but even the subsistence economy is not entirely shielded from the debilitating influence of the regime. The widespread practices of forced relocation, forced labor, land confiscation, the 4 cuts program [see Myth & Reality 11, 146] and rice procurement all severely interfere with people's right to even a subsistence livelihood. Clearing agriculture and civilian personal land to build export factories is more damaging to more people's livelihoods than the effects of an import ban. The regime and its cronies are notorious for land confiscation and forced relocation without compensating the civilian population. All the more tragic is that commercial crops grown on confiscated lands are mostly exported by state enterprises and private companies.

Jobs Lost?

While numbers of jobs potentially lost by the new U.S. sanctions have varied wildly from 180,000 – 300,000 jobs, a more reasonable estimate of jobs lost will be closer to 75,000 (including those who may have lost jobs regardless as a result of the poor investment climate and the banking crisis).

- ◆ In 2000, Cambodia exported 70% of its garment exports to the U.S. worth US\$750 million. That year, Cambodian garment factories employed about 200,000 workers.⁴¹⁴ A direct value-worker ratio would imply that 140,000 workers were employed to produce garments worth US\$750 million.
- ◆ Also, in 2000, Burma exported garments worth US\$400 million to the U.S. If a similar value-worker ratio was used as in Cambodia, this would mean that about 75,000 workers were employed in Burma to produce garments exported to the U.S.

⁴¹³ Chris Lewa, Forum-Asia - Arakan Project

⁴¹⁴ International Labor Organization (30 Nov 01) First ILO Report on Cambodian Garment Industry

146 Special Report: Ready, Aim, Sanction!

Khin Nyunt created the Office of Strategic Studies (OSS), which is responsible for studying foreign policy and spinning information to boost the regime's image. The OSS is thought to have created the figure of 300,000 workers vulnerable to unemployment if the U.S. imposed an import ban. However, veteran academic on Burma, David Steinberg estimates 180,000 jobs. Neither figure takes into account that many people have lost their jobs due to the withdrawal of foreign direct investment because of the poor investment climate the regime has created or this year's banking crisis. [see Myth & Reality 13, 153]

It would be more useful to look at the diversion of state funds from social sectors to the military to understand the causes of welfare losses and difficulties. The regime now spends less than 50% on public expenditure than in 1985 and the decline in funding for civilian public education has declined by 70% since 1990.⁴¹⁵ Regime policies forbid the formation of many independent organizations, which prevent the general population from forming self-help efforts to boost their standard of health and well-being.⁴¹⁶ Since the regime started to open the economy up, life for normal civilians in Burma has generally declined. [see Myth & Reality 11, p146]

MYTH 11: Sanctions are starving the population.

REALITY 11: The regime is responsible for Burma's socioeconomic deterioration and increasing poverty.

It is the actions and policies of the regime that has created the grave socioeconomic situation in Burma. [see Myth & Reality 10, p142] Its purposeful ignorance of funding social and poverty-reduction programs has done far more harm to the general population than sanctions could. The gap between rich and poor continues to expand. Government salaries are higher than civilian salaries, yet in 2000 they were given a 500% increase in their salaries.⁴¹⁷

- ◆ “Even though the economy has been recording positive rates of economic growth in recent years, public expenditure in Myanmar has been steadily falling.” United Nations Working Group 1998

⁴¹⁵ Than, Mya. Recent Developments in Myanmar: Impact and Implications of ASEAN Membership and Asian Crisis. In M. Pederson, E. Rudland, & R.J. May (Eds) *Burma/Myanmar Strong Regime Weak State? 2000 & All Burma Federation of Student Unions Foreign Affairs Committee (May 2003) Education Report 2002*

⁴¹⁶ U.S. Council on Foreign Relations Independent Task Force (2003) *Burma: A Time For Change* http://www.cfr.org/pdf/Burma_TF.pdf

⁴¹⁷ US Department of Commerce (2002) *Burma Country Commercial Guide FY2002*

- ◆ Public expenditure in 1985-86 was 62% of GDP, but in 1995-99, it fell to 27% of GDP.⁴¹⁸

Very Low Nutrition and Life Expectancy Rates

- ◆ 36% of children under 5 years in Burma are moderately to severely underweight.⁴¹⁹
- ◆ Life expectancy at birth is only 56 years, in comparison to Malaysia, which is 73 years old.⁴²⁰
- ◆ More children have dropped out of school
- ◆ By the late 1990s, the regime's expenditure on civilian education equaled only 1.2 % of the country's Gross National Product - compared to 3.8% for developing countries - and had declined 70% in real terms since 1990.⁴²¹
- ◆ According to the World Bank, the government only spends 28 cents a year per child in public schools.⁴²²
- ◆ Almost 40% of children never attend school.⁴²³
- ◆ Almost 75% fail to complete primary education in Burma.⁴²⁴
- ◆ 98% of schooling children have never finished basic high school.⁴²⁵

More Displacement in Ethnic and Central Areas

Since 1988 there has been more than a million Internally Displaced Persons.⁴²⁶ The SPDC's continued policies of forced relocation and

⁴¹⁸ Than, Mya. Recent Developments in Myanmar: Impact and Implications of ASEAN Membership and Asian Crisis. In M. Pederson, E. Rudland, & R.J. May (Eds) Burma/Myanmar Strong Regime Weak State? 2000

⁴¹⁹ UNICEF (4 Aug 03) At A Glance: Myanmar Statistics

⁴²⁰ UNICEF (4 Aug 03) At A Glance: Myanmar Statistics

⁴²¹ All Burma Federation of Student Unions Foreign Affairs Committee (May 2003) Education Report 2002

⁴²² Earthrights International (2001) Valued Less than a Milk Tin: Discrimination Against Ethnic Minorities in Burma by the Ruling Military Regime

⁴²³ Lwin, Thein (Sept 2000) Education in Burma (1945-2000) quoting Khin Maung Kyi et al, 2000, p.146

⁴²⁴ Lwin, Thein (Sept 2000) Education in Burma (1945-2000) quoting Khin Maung Kyi et al, 2000, p.146

⁴²⁵ All Burma Federation of Student Unions Foreign Affairs Committee (May 2003) Education Report 2002

148 Special Report: Ready, Aim, Sanction!

eviction, land confiscation, economic monopolies, and systematic human rights abuses are the major causes of Burma's massive IDP population.

Logging and Increased Poverty

The regime has repeatedly increased rates of unsustainable logging in order to gain much-needed foreign exchange to fund its rule. This unsustainable logging occurs largely in ethnic nationality areas, mostly in Kachin State, Karen State and some in Shan State. While some ethnic communities and resistance groups may benefit in the short-term, long-term benefits are less certain. Unsustainable logging is leading to increased poverty due to its environmental destruction, which is severely hindering many people's main subsistence income of agriculture and hunting, and by creating natural disasters, which will obstruct economic development. Poverty rates are further exacerbated as many workers employed by foreign companies are 'imported' from Thailand and China, and not from the local communities, and by the regime's use of forced labor in the logging industry, which interferes with the ability to tend to crops or maintain a job. [see Recommendation: Ban on Conflict Resources - Local Communities – Logging often hurts more than it helps p61]

Military Forces and Arms Procurement Have Increased

Instead of using funds for social spending and poverty-reduction programs, the regime has shamelessly led the country into poverty in order to expand its armed forces and an armory of weapons.

Arms imports between 1973-1987 averaged US\$20 million a year.⁴²⁷

Between 1988-1999 arms imports averaged US\$146 million a year - a growth of over 700%.⁴²⁸ There is also substantial evidence that Burma's "already extensive network of arms and ammunition factories is being modernized and expanded."⁴²⁹

Since 1988, the junta has placed arms orders with: China, Russia, Singapore, Pakistan, Israel, India, Yugoslavia, Poland, Portugal, Vietnam, Ukraine and has reportedly tried to make deals with the former Czechoslovakia,

⁴²⁶ Norwegian Refugee Council (1998) Internally Displaced People: A Global Survey

⁴²⁷ Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory

⁴²⁸ ACDA (1998) World Military Expenditures and Arms Transfers & SIPRI Yearbook (2002) Transfers of major conventional weapons

⁴²⁹ Selth, Andrew. Burma's Defence Expenditure and Arms Industries. Contemporary Security Policy, Aug 1998

Bulgaria, South Africa, Republic of Korea, Belgium and Chile.⁴³⁰ Recently, Ukraine sold the SPDC 50 tanks for the armored personnel division. This appears to be the first time Ukraine has sold weapons to Burma.⁴³¹

Andrew Selth asserts that there has been “extraordinary growth and modernization of the Burmese armed forces” since 1988.⁴³² In 1988 the regime had about 180,000 military personnel, in 2003 it is estimated at 450,000.

Militias including Na Sa Ka, commonly known as SPDC's border security forces, but is technically listed as a separate paramilitary organization, have enlarged significantly. [see UNSC: Military p117]

More Oppression

The UNHCR and UNGA have increasingly raised grave concern at the ongoing systematic violation of human rights, including civil and political rights. Pervasive human rights abuses translate into socioeconomic instability and violate people's right to livelihood.

For example:

- ◆ continued detention of at least 1,300 political prisoners
- ◆ arrest of at least 200 people for political activities between Jan 2002-June 2003
- ◆ death of at least 82 political prisoners while in custody since 1988
- ◆ releasing most political prisoners under the condition they cannot engage in political activities
- ◆ conscripting about 70,000 child soldiers, more than any other country in the world
- ◆ state-condoned rape of more than 625 Shan women in which 83% were committed by military officers

⁴³⁰ Selth, Andrew. (2002) *Burma's Armed Forces: Power Without Glory* quoting Boyd, 'Burma Arms Itself against Rebels in Secret'; Lintner, 'Myanmar's Chinese Connection,' *Asian Defence Journal* (Sept 92) Junta Takes Delivery of Polish Choppers, and Economist (8 Oct 94) *But Will the Flag Follow Trade?*

⁴³¹ *Democratic Voice of Burma* (29 Jul 03) 50 tanks that the SPDC bought from Ukraine arrive in Burma

⁴³² Selth, Andrew. (2002) *Burma's Armed Forces: Power Without Glory*

150 Special Report: Ready, Aim, Sanction!

- ◆ forcible relocation of millions of civilians - more than 56,000 Shan villages between 1996-1999 and more than 470 Karen villages between January-July 2002.⁴³³
- ◆ deprivation of livelihood for millions due to land confiscation, forced crop sale at below market rates, forced labor, extensive taxation system, extortion, forced evictions and relocations.
- ◆ Serious violations of the Convention on the Rights of the Child; Convention on the Elimination of All Forms of Discrimination against Women, Universal Declaration of Human Rights; the Geneva Conventions, specifically on the protection of the victims of war; International Covenant on Civil and Political Rights, International Covenant on Economic, Social, and Cultural Rights, and the ILO Conventions concerning forced labor (No. 29) and concerning freedom of association and protection of the right to organize (No. 87).

'...according to the 1954 Agricultural Land Nationalization Act, all cultivated lands of the country are owned by the State, and can be repossessed by the State.' ~ Mon Information Service, 1998

Four-Cuts Program

The regime has destroyed the livelihood of millions of Burma's ethnic nationality people. In efforts to crush ethnic armed resistance groups and the communities that identified with them, the regime practices a 'four-cuts' program. The program is designed to cut off its enemies from food, finances, communications and recruits. This includes confiscating food, destroying crops and paddy fields, burning or destroying settlements and forcibly relocating millions of villagers, often times to official relocation sites, which are typically under control of local military battalions.⁴³⁴

Mawchi Township: Impoverished by the SPDC

Mawchi Township is a classic example of the SPDC's impoverishment of a once thriving community. Mawchi, in Northwest Karenni State, was once a successful mining town, which is now in a dire economic crisis and the population has to scrounge for food, due largely to forced relocation. In 1996, the regime forced villagers from the surrounding areas to move to Mawchi, which saw an end to agriculture production and subsequently, the

⁴³³ Burma Ethnic Research Group (July 1999) Internal Displacement in Myanmar & Free Burma Rangers reports

⁴³⁴ Burma Ethnic Research Group & Friedrich Naumann Foundation (April 1998) Forgotten Victims of A Hidden War: Internally Displaced Karen in Burma

rest of the economy. The policies of the regime have made it so that market exchange is no longer possible, with the cost of production being greater than the price of output. There is no incentive to work, as a full day of work in Mawchi will not provide a family enough money for food and thus output continues to decline. Economist Alison Vicary wrote, "This is due to the destruction of productive capacity coupled with large-scale human rights abuses by the central military regime. There is no off-the-shelf economic policy that will solve this problem."⁴³⁵

MYTH 12: Investment and trade has brought better working conditions.

REALITY 12: Investment and trade funds the regime while operating in the absence of enforced basic labor standards.

In the absence of the rule of law as in Burma, investments and labor practices are not regulated to adhere to basic labor principles. To propose that Western, Asian, or international businesses inherently adhere to higher labor practices is naïve and unsubstantiated. In addition to poor working conditions, some investments have also led to forced relocation or eviction and forced labor to build infrastructure to benefit businesses.

The International Labor Organization (ILO) reports that, "The practice of forced labor [by the military] is to encourage private investment in infrastructure development, public sector works and tourism projects."

Tourism is one of the top sectors of investment in Burma, however the majority of Burma's population lives in the rural areas and does not benefit from current forms of tourism. The Burma Campaign UK says, "In fact because of the widespread human rights abuses linked to tourism the high cost for the vast majority of ordinary Burmese of tourism development currently outweighs any benefits." [see Recommendation: Boycott & Divestment Campaigns & Delay Tourism, p105 & 108]

The ILO reports that "The practice of forced labor [by the military] is to encourage private investment in infrastructure development, public sector works and tourism projects."

Several telling examples include: British American Tobacco's (BAT), Burmese subsidiary is Rothmans of Pall Mall Myanmar, is in a 60/40 joint venture with the Union of Myanmar Economic Holdings (UMEH), a

⁴³⁵ Vicary, Alison. Economic Non-Viability, Hunger and Migration: The Case of Mawchi Township. Economics Academic Group, Economics Department, Macquarie University, May 2003

152 Special Report: Ready, Aim, Sanction!

regime controlled company. In 1996, the industrial zone where the BAT factory is located was upgraded under the direction of military authorities using child labor.⁴³⁶ It was estimated that BAT employees would have to work 24 hours overtime per week to earn what would only be sufficient to feed their families, but not to meet any other living costs.⁴³⁷

U.S. Company Unocal and French company Total assert that their investment on the Yadana gas pipeline has brought good opportunities to the people of Burma. However, there is strong evidence demonstrating their responsibility for massive human rights violations such as forced labor; forced portering, forced relocation, murder, torture and rape. Unocal and Total operate in a joint venture with the state-owned Myanma Oil & Gas Enterprise.

Prior to their withdraw in January 2002, Triumph International's factory was located on military owned land, which was upgraded with forced labor, including child labor. Triumph, which exported nearly all its production, paid 5% tax to the regime on all its exports and in addition paid rent and commercial taxes directly to the UMEH.⁴³⁸

The Canadian copper mine company Ivanhoe Mines, is in a 50/50 partnership with the SPDC. The main power source to the mine was built using thousands of forced laborers and like Triumph, the company also pays rent and royalties to the regime.⁴³⁹

According to an International Confederation of Free Trade Unions report, children as young as 14 work for \$0.30 per day at a Rangoon glassworks company. They work with melted glass but do not have any protective clothing or equipment. In the same plant, women return to work just days after giving birth. They take their babies with them, who are placed only metres away from the furnaces, where they can watch over them, in the dust and heat.⁴⁴⁰

⁴³⁶ Guardian (12 Nov 02) Clarke embarrassed as attack on Burma goes up in smoke

⁴³⁷ SRI Media (7 May 03) BAT under attack from activists

⁴³⁸ Burma Campaign UK (28 Jan 02) Campaigners force Triumph International's withdrawal from Burma

⁴³⁹ Canadian Friends of Burma (March/April 2002) Ivanhoe gets the Ol' Heave'Ho!

⁴⁴⁰ International Confederation of Free Trade Unions (Aug 2003) Growing Up Under the Burmese Dictatorship

MYTH 13: Sanctions destroyed Burma's investment climate.

REALITY 13: The regime's policies, not sanctions, are responsible for Burma's poor investment climate.

Prior to the application of new U.S. sanctions in July 2003, most existing sanctions were largely 'preventive', where the actual impact sanctions have directly had on existing trade and investment was quite limited. UN Special Envoy and businessman Razali Ismail said, "I can assure you that if there is no clear steps towards national reconciliation and political stability, even if there are no sanctions, investors would be [reluctant] to go in."⁴⁴¹ In 2002, the Heritage Foundation ranked Burma as one of the least economically free countries and said that, "government policies actively, if not officially, deter foreign investment."⁴⁴²

The Economist Intelligence Unit reported that activist campaigns dissuading investment in Burma, "have not done nearly as much damage as have the unpredictable, sometimes bizarre, policies of the junta itself."

The Economist Intelligence Unit reported that activist campaigns dissuading investment in Burma, "have not done nearly as much damage as have the unpredictable, sometimes bizarre, policies of the junta itself."⁴⁴³

This is evident in the drastic decline of foreign direct investment in Burma, notably in FY2001 where it dropped 70% from the previous year.⁴⁴⁴ Burma is not even eligible for loans from the World Bank and Asian Development Bank due in part to the excessive outstanding loans and failure of payment and partly because World Bank loans often have some conditions based on institutional and policy reforms. The Economist Intelligence Unit said, "Only an improvement in the political climate, heralding a rise in aid and investment inflows, will create the positive sentiment required to trigger a reversal of this weakening trend."⁴⁴⁵

⁴⁴¹ Irrawaddy (11 Nov 02) An Interview with UN special envoy to Burma Razali Ismail (reprinted from Malaysiakini)

⁴⁴² Heritage Foundation (Jan 02) 2002 Index of Economic Freedom

⁴⁴³ Heritage Foundation (Jan 02) 2002 Index of Economic Freedom quoting the Economist Intelligence Unit

⁴⁴⁴ Xinhua (11 Jun 02) Foreign Investment in Myanmar Down in 2001

⁴⁴⁵ Economist Intelligence Unit Ltd (1 Apr 03) EIU Country Risk Service: Myanmar

154 Special Report: Ready, Aim, Sanction!

Mandalay Brewery: A Cautionary Tale

In November 1998, sixty fully armed soldiers stormed the premises of the profitable and 45% foreign-owned Mandalay Brewery on direct order from Sr-Gen Than Shwe. The soldiers then ordered Win Win Nu, whose Singapore-based company paid US\$6.3 million and Kt8 million for its 45% stake, out of the factory on tenuous charges that she had been misappropriating funds. Ignoring its own Foreign Investment Law⁴⁴⁶, the SPDC then terminated the joint venture, nationalized and later dissolved the profitable company. At the time Mandalay Beer was the strongest competitor to Myanmar Beer – a product of Myanmar Brewery, the newly established joint venture between the junta-owned UMEH/MEC and Singapore-based Tiger Beer. After the demise of Mandalay Brewery, Myanmar Beer has been able to assume an almost monopolistic position in Burma: prompting the SPDC to showcase Myanmar Brewery as a foreign investment ‘success.’⁴⁴⁷

Despite a 5-year economic reform plan the regime supposedly unveiled in 2001, there have been no substantial economic reforms in Burma. The SPDC’s trade policies have managed to discourage business by persistent ad-hoc trade and investment policies, high levels of corruption, assets being seized or frozen while in ventures with regime-backed agencies, having no accountability and transparency, and the use of money laundering. The U.S. Department of Commerce reported that, “The official exchange rate, which overvalues the currency by 100 times, is a key impediment to foreign trade and investment.”⁴⁴⁸ A policy that angered many investors was when the regime declared that as of March 1, 2002, “foreign companies, from trading companies particularly, will not be allowed to import or export anything.”⁴⁴⁹ In 2000-01, several Japanese companies such as Ajinomoto, Toyota and All Nippon Airways (ANA) withdrew from Burma, as they could not conduct business in the way they were led to believe they would be able to.⁴⁵⁰

⁴⁴⁶ Ministry of National Planning & Economic Development states: No. 146 Guarantee: The (Foreign Investment) Law guarantees that foreign investments undertaken under the FIL shall not be nationalized.

⁴⁴⁷ Irrawaddy (Dec 01) The Burmese junta is suing Win Win Nu

⁴⁴⁸ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

⁴⁴⁹ AFP (3 Jun 03) Myanmar junta canceling import-export licenses for foreign firms

⁴⁵⁰ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

Non-military options to support Burma's democratization 155

The SPDC's economic policy for Burma is often based on 'strategic, military factors.'⁴⁵¹ Gen Maung Aye holds much influence over Burma's economic policies. He is chairman of the National Industrial Development Committee, the National Agricultural and Economic Development Committee and the National Trade Committee, which oversees cross-border trade.⁴⁵²

In a statement from 8 institutional investors,⁴⁵³ Burma was identified as an investment market that exposed businesses to 'extraordinary risks.' They cautioned investors that they risked:

- ◆ poor staff safety, threat of asset expropriation, pervasive corruption and other political risks inherent in operating in a highly volatile environment
- ◆ loss of confidence and subsequent action by shareholders
- ◆ widespread public condemnation and attendant damage to reputation
- ◆ the possibility of being penalized in a democratic environment by the new government(s)

The Economist Intelligence Unit warned that investment is difficult due to:

- ◆ widespread corruption
- ◆ heavy taxes
- ◆ policies forcing firms to repatriate profits only at the skewed official exchange rate
- ◆ poor infrastructure

In April 2000, the U.S. Department of Commerce reported that petroleum import rights were given to four local companies who are free to charge market prices. The result of this deliberate policy of corporate favoritism is to create a business environment in which personal connections to the generals, rather than business skill or technical merit, are the most important factors for corporate success.

⁴⁵¹ US Department of Commerce (2002) Burma Country Commercial Guide FY2002

⁴⁵² Irrawaddy (18 Aug 03) Junta Seeks China's Help

⁴⁵³ CIS – Co-operative Insurance; ethos – Swiss Investment Foundation for Sustainable Development; Friends Ivory & Sime; Henderson Global Investors; Jupiter; Morley Fund Management; PGGM – pension fund for the healthcare and social work sector; USS – Universities Superannuation Scheme Limited

156 Special Report: Ready, Aim, Sanction!

The current economic situation (due to the regime's mismanagement and the deprivation of foreign capital and military supplies because of some sanctions) has slowed the growth of the military and its defense capabilities. This leaves the unanswered question of how strong the SPDC would be without these measures.⁴⁵⁴ The SPDC has been aggressively pursuing the goal of expanding forces and increasing arms and capabilities. Part of the regime's funding comes from investment in the form of joint ventures, rent, export tax, royalties, special arrangements, etc. [see 'Tentacles p79]

MYTH 14: Sanctions have created Burma's current financial crisis.

REALITY 14: The regime is directly responsible for the current financial crisis of Burma's economy.

The banking crisis that has emerged in Burma since January 2003, that led to a run on the banks, restrictions on withdrawal, and loan recalls is a manifestation of a much deeper problem, a severe prolonged financial crisis. Economists Sean Turnell and Alison Vicary of Burma Economic Watch took a closer look at the causes and effects of Burma's current banking crisis. They assert that the banking crisis is rooted in a long-term financial crisis in Burma.⁴⁵⁵

Frydl and Quintyn said that such problems often accumulate over time, but habitually come to sudden public realization in the wake of an exogenous shock. Turnell and Vicary wrote, "In Burma's case the 'shock' came in the form of the collapse of the informal finance companies, and the revelations this inspired."

Frydl and Quintyn said that such problems often accumulate over time, but habitually come to sudden public realization in the wake of an exogenous shock. Turnell and Vicary wrote, "In Burma's case the 'shock' came in the form of the collapse of the informal finance companies, and the revelations this inspired."

The immediate impact on the banks and private sector are only just the beginning. Turnell and Vicary assert, "It's longer term effects, not least in sowing distrust in the market economy, could be great indeed...The economic costs of this regression have been, and will be well into the future, severe."

⁴⁵⁴ While the regime denies any intentions to use military force outside of the country or to dramatically increase military capacity – despite promises to do so, they refuse to publish a White Paper on Defense. Selth, Andrew. (2002) Burma's Armed Forces: Power Without Glory

⁴⁵⁵ Turnell, Sean & Vicary, Alison. Burma's Banking Crisis. Economics Academic Group, Economics Department, Macquarie University, March 2003

While the regime would like to blame the international community for the devastation of Burma's economy, the blame actually lays with the regime itself and its policies.

The regime's longstanding poor macroeconomic policies, such as enormous spending on the military, a nearly inoperable taxation system, high inflation, the presence of unofficial finance companies, and the large amount of banks total assets being held in government securities, laid the foundation for the current financial crisis. [also see Myth & Reality 13]

However, it is the microeconomic policies that tipped off the banking crisis. It was due to institutional weakness and 'internal logic of attitudes to banks and banking inherent in a largely unreformed political economy' [connected lending, opaque governance, no independent bank supervision, pervasive government-directed lending, a great expansion of lending (by 25 times between 1992-2002), no corporate disclosure, no foreign private joint venture banks, revoking foreign exchange licenses to private banks, fraud]. These institutional weaknesses, particularly the lack of transparency, means that customers could not make informed decisions and the 'well-springs of market discipline' could not be made.

It was the responses of the Central Bank of Myanmar (CBM) that 'actively encouraged reactions most likely to bring about systemic instability.' CBM's poor response strategy led to the non-functioning of banks' means of exchange system (cheques), remittance facilities, credit and debit cards, electronic transfers, account transfer transactions] and a currency liquidity crisis. The liquidity crisis was dramatically aggravated by the CBM reportedly never providing the 25 billion kyat (US\$ 25 million) loan to the 3 top private banks, recalling loans and restricting withdrawals: 50,000 to 100,000kyat per week (US\$50 – 100 at market rate).

The restrictions on withdrawals and exchange systems as well as the recall on loans dealt a huge blow to the real economy. Some outcomes:

- ◆ Disruption of production and distribution.
- ◆ Many workers in textile and footwear factories, construction, fisheries, etc went unpaid or had to 'agree' to pay cuts.
- ◆ Informal payment mechanisms have risen substantially.
- ◆ Businesses and individuals selling assets to pay loan recalls.
- ◆ The growth (reported since May) of 'secondary markets' in frozen bank accounts for 60-80% of face value.

158 Special Report: Ready, Aim, Sanction!

- ◆ A greater reliance on the ‘cash and barter’ system.
- ◆ Tremendously increased Burma’s risk-profile.

Foreign Exchange Certificates (FECs)

Since 1993, Burma has run on a 3-tier currency exchange rate. The official exchange rate of kyat (6kyat/US\$1), the local market rate of kyat (900-1100kyat/US\$1), and FECs (1FEC/US\$1 or 1FEC/400-500kyat). FECs have been sold against foreign currency at an exchange rate about that prevailing in the free market economy and are partly aimed at helping the regime acquire foreign currency.⁴⁵⁶ Independent tourists had been required to purchase US\$200 worth of FECs upon arrival to Burma, which has been a key way the regime could obtain FECs and thus put foreign currency directly into the pockets of the SPDC.⁴⁵⁷

However, the vitality of FECs depends heavily on consumer confidence that the regime has enough foreign currency to back them. In January 2001, the regime declared it would pay military officers half their pay in FECs to protect them from the unstable value of the Kyat. Economists predicted that such a move would be unsustainable as Burma has very low foreign reserves. In August 2003, it was reported that the regime has suspended the requirement for tourists to purchase FECs upon arrival.⁴⁵⁸ While the regime will likely blame sanctions, it is evident that the downfall of the FECs is due to the regime’s destructive economic policies.

MYTH 15: Burmese people do not want sanctions.

REALITY 15: There is strong support for sanctions among the Burmese opposition groups. Many people in Burma believe a better economy is connected to better governance.

On May 29, 2003 Daw Aung San Suu Kyi said, “Economics and politics are inseparable. A bad political system contributes to a bad economic system.”⁴⁵⁹ Sanctions can be an effective tool to pressure the regime to commit to genuine reforms or at least deny them resources to fund their barbaric rule. In reference to the economic control of the country by the powerful elite, Daw Suu also said, “There is no evidence that sanctions

⁴⁵⁶ Burma Economic Watch (June 2001) The FEC Crisis

⁴⁵⁷ Irrawaddy (21Aug 03) \$200 Tourist Levy Dropped

⁴⁵⁸ Irrawaddy (21Aug 03) \$200 Tourist Levy Dropped

⁴⁵⁹ DVB (1 Jun 03) Suu Kyi Urges Sustained Democracy in Monywa Rally Speech

Non-military options to support Burma's democratization 159

have caused harm primarily to the Burmese people.”⁴⁶⁰ For those reasons, it would be reasonable to project that many people in Burma would support the use of sanctions, if they were allowed information about how these sanctions would operate.

In a survey of more than 200 Burmese workers, editors, journalists, and lawyers on the Thai-Burma border and in Rangoon, almost 80% want economic growth in Burma, but at the same time they don't want the sanctions to be lifted.⁴⁶¹

The opposition movement is largely united behind the need for strong international pressure, including the use of sanctions. In a strategy meeting in 2001 of a broad spectrum of pro-democracy organizations, including ethnic nationality groups, they called for the U.S., EU, Canada and other countries to intensify national and regional economic pressure on the SPDC, including investment and trade sanctions.⁴⁶²

In May 2003, a Shan spokesperson said, “although sanctions may harm the people, they are suffering anyway. Sanctions, if applied effectively, will strip the junta of its funds and force it to enter dialogue.”⁴⁶³ The Irrawaddy Magazine reported that, after the enactment of July 2003 U.S. sanctions, “Kind words...came from the most unlikely sources all across Burma.” They wrote that “There is a sense that despite the short-term pain the sanctions may cause the average person in Burma, the anticipation of economically pressuring the ruling junta is a welcome move.”⁴⁶⁴ [see Democracy Movement's Support for Sanctions p181]

MYTH 16: International pressure and sanctions will isolate the regime and push the regime closer to China.

REALITY 16: International pressure and sanctions can ensure that China supports reforms.

The regime has taken advantage of Burma's geopolitical location and the fear of China's power by regional countries, particularly India, to deter any challenges to their rule or practices. However regional relations are

⁴⁶⁰ AFP (9 May 02) Sanctions send 'strong' message to Myanmar regime: Suu Kyi

⁴⁶¹ Irrawaddy (May 2001) Burmese Feel That Sanctions Must Stay

⁴⁶² The International Strategy Meeting on Burma held in Thailand from March 17-19, 2001, was attended by representatives of 53 organizations from 28 countries.

⁴⁶³ Wall Street Journal (28 May 03) Fear in Burma

⁴⁶⁴ Irrawaddy (Aug-Sept 2003) Burma's Heroes

160 Special Report: Ready, Aim, Sanction!

developing, most notably between India and China as was evident by the high-level visit in June 2003.

China is also increasingly thinking about its relations with the international community, including with ASEAN. At the Asia-Europe Meeting in July China's Foreign Minister Li Zhaoxing said, "China supports Asean on the Myanmar issue."⁴⁶⁵ It is unlikely that China will want to be continuously singled out or squander a lot of its 'diplomatic capital' defending Burma. This could have been the motivation behind the position of the Chinese government at the International Labor Conference in May 2003. In response to a filed complaint against the regime for violating Convention 87: Freedom of Association and Protection of the Right to Organize, the government representative "encouraged the government [SPDC] to cooperate with the ILO to comply with Convention No. 87."⁴⁶⁶ [see ILO p40]

"It is a regime without legitimacy. This lack of legitimacy will lead to political instability and could pose a major threat to regional stability in the future." ~ A senior Chinese diplomat based in Southeast Asia, August 2003

It is also true that as international pressure mounts and sanctions begin affecting the regime, China will likely have more interest in having a say in the political transition in Burma. In August 2003, a European diplomat said, "It stands to reason that the Chinese have much to lose from a political transition that would cut across their historic interests and introduce an element of political uncertainty. This gives them a big stake in any political settlement... What we are seeing is China, having accepted that the current situation is untenable, now beginning to take the lead in pursuing political talks so it can set the agenda for change."⁴⁶⁷

China's economic opportunities with Burma continue to dwindle. The consumer potential of Burma is seriously underdeveloped because of economic mismanagement by the SPDC. The regime has also been a customer of China, especially for weapons. The loss of revenue from well-implemented sanctions can inhibit the regime's ability to pay for weapons purchases from China. There is also no evidence to suggest that China is willing or able to provide the regime with sufficient economic support to compensate for losses from sanctions.

⁴⁶⁵ Inter Press Service (27 Aug 03) China Supports Burma, But Urges Change

⁴⁶⁶ International Labor Organization (2003) Observations and Information Concerning Particular Countries

⁴⁶⁷ Asia Times Online (12 Aug 03) China's brazen Myanmar move

Non-military options to support Burma's democratization 161

China has shown concern about the economic and social costs that Burma's drug and HIV/AIDS epidemics and rising organized crime are creating in China. Drug trafficking routes have been linked with epidemics of drug use and HIV infections in China.⁴⁶⁸ The Chinese government has repeatedly appealed to the regime to comprehensively attack narcotics production and trafficking, but the SPDC has failed to take such action. Organized crime in southern China, bordering Burma, is also increasing, distorting markets and challenging the state.⁴⁶⁹

The international community should engage China on these points and convince China that reforms in Burma based on a better system of governance are in its best interest. Optimally, China should take an involved position in promoting reforms in Burma, but at least China can be persuaded to abstain from protecting the regime. **While it is unlikely that China will take a public position on pressuring the generals, it is more likely that China could be persuaded to increase its quiet diplomacy with the regime.** A coordinated approach to pressuring the regime to make genuine political and economic reforms would be the most effective way forward. A democratic Burma will be the most effective and sustainable solution versus a piecemeal approach where various governments vie for a relationship with Burma, which would only increase the power of the SPDC's rule and defiance of international norms.

It is also important to take into account that while the regime has a very cozy relationship with China, the nationalistic and xenophobic nature of the regime also lends to the notion that the regime will not allow China's influence to dominate Burma.

"Maung Aye was told that Aung San Suu Kyi should be released immediately and a political dialogue with her and the NLD started." ~ a Chinese source in Beijing. August, 2003

⁴⁶⁸ Beyrer, Chris, Myat Htoo Razak, Khomdon Lisam, Jie Chen, Wei Lui, Xiao-Fang Yu. Overland heroin trafficking routes and HIV-1 spread in south and south-east Asia. *AIDS*, 14 (1). 2000.

⁴⁶⁹ Lintner, Bertil (2002). Blood Brothers Crime, Business and Politics in Asia. & Bosson, Andrew. Sowing Disorder. Support for the Junta Backfires on China. *China Rights Forum Journal*, 3. 2002.

IRREVERSIBLE STEPS FORWARD

LESSONS FROM AFGHANISTAN

If Burma under the rule of Sr-Gen Than Shwe and the SPDC is left undealt with, Burma could rise to be a substantial threat to regional peace, stability and growth similar to Afghanistan. Afghanistan was left unchecked for many years, as the international community was not willing to take significant, decisive measures to adequately address the situation, which prevented non-military options from being utilized as an option for reform.

In the Path of Afghanistan: A Burma Profile

- ◆ Occupies a strategic geopolitical position
- ◆ Ruled by a rogue regime
- ◆ Leading narcotics producer
- ◆ Domestic civil war
- ◆ Considerable opposition in the country, but none with the capacity to overpower the regime
- ◆ Regime complicit with narcotic traffickers and producers
- ◆ Regime using drug money to finance business and development projects in the country
- ◆ Regime consolidating power and control over all sectors of the country and economy
- ◆ Have neighbors and allies that are willing arms suppliers
- ◆ Receive support and funding from regionally powerful countries
- ◆ Millions of displaced persons in neighboring countries

A Few Steps Behind

The Taliban was able to control most entry and exist points to the country, thus almost fully controlling trade, narcotics, and people seeking refuge in other countries. The SPDC has been taking considerable efforts to gain control of the border areas and specifically to stop the mass exodus of people seeking safety in other countries, including their vigorous road building schemes in ethnic states, namely Shan State. If the SPDC is able to achieve this 'total control' goal without first implementing genuine democratic reforms, the power of the regime will dramatically increase,

leaving it more confident to disregard the concerns of the international community. This concern needs to be taken into account with Thai Prime Minister Thaksin's proposition to mediate, or as some believe, to pressure ethnic resistance groups operating on the Thai-Burma border into ceasefires with the SPDC. It is essential for the ceasefires to include political negotiations as well as military operations.

Engagement & Reward – A Dangerous Game

Engagement that provided the Taliban regime with economic assistance and aid before substantial reforms took place was not a favored option, as it would have likely empowered the regime. The Center for Strategic and International Studies speculated that such engagement could have helped the Taliban consolidate power, increase human rights abuses with the notion of impunity, and possibly increase narcotics production.⁴⁷⁰ Similar concerns arise in regards to this type of engagement with the SPDC.

Transformation⁴⁷¹

A process for non-military transformation had been proposed to create change in Afghanistan. Even though it was not attempted early enough to intervene in Afghanistan, there are strategies that can be considered for Burma.

- ◆ Support capacity development of opposition groups to prevent the military from consolidating control over the entire country
- ◆ Reduce regionally influential countries' political and economic support of the regime
- ◆ Oppose regime ideology by expanding independent radio and information services into the country
- ◆ Supply aid through channels monitored by opposition groups or make aid conditional upon concrete reforms
- ◆ Support a movement of moderates that could come to act as an accountable government (in Burma this should be the CRPP)
- ◆ Appoint high-level, internationally accepted and respected envoys to coordinate country policies

⁴⁷⁰ Khalilzad, Z. & Byman, D. Afghanistan: The Consolidation of a Rogue State. The Center for Strategic and International Studies, 1999

⁴⁷¹ Khalilzad, Z. & Byman, D. Afghanistan: The Consolidation of a Rogue State. The Center for Strategic and International Studies, 1999

SANCTIONS FOR CHANGE

- ◆ Clear recipe
- ◆ Period of leverage & enforcement actions
- ◆ Timing & Strength
- ◆ Committee oversight
- ◆ Communication

The actions of the SPDC appear similar to those of Haiti's military government under the rule of Raoul Cedras and Slobodan Milosevic in Kosovo. They share a history of stringing the international community along by agreeing to make progress towards democracy or cessation of military hostilities, backing out, then attempting to resume negotiations without making genuine, sustainable progress. [see Lessons From Haiti p174] This pattern of successful utilization of delay tactics damages the influence of the countries imposing sanctions, thus making non-military intervention less plausible as an effective method of persuasion.

Ideally, sanction campaigns should be executed in a fashion where the stakes are raised very high so that the consequences of non-cooperation by the regime would be greater than cooperation. This in turn creates progress and avoids imposing economic consequences. There is always a risk involved, but the key is to make the stakes high enough and have a clear message and a 'recipe' ready to propose and negotiate with. However, if the regime resists cooperation, the imposition of sanctions would at least serve to deny the regime some financial resources to strengthen its rule. With continued efforts, the goal of lifting sanctions can become a motivating factor and bargaining tool.

Clear Recipe

Specific steps should be outlined as to what constitutes dialogue, democratic reforms, cease-fires, etc. This will deny the SPDC room to manipulate and delay by arguing over determinants of compliance. These actions could be drawn up by Burma's Diplomatic Squad [see Recommendation: Recipe for Reconciliation p51], which will also help coordinate the international communities efforts. Kenneth Roth, Executive

Director of Human Rights Watch said, "We have found that sanctions that are tied to clearly defined benchmarks are most effective."⁴⁷²

- ◆ Specific action desired
- ◆ Time frame to achieve action
- ◆ Response for compliance
- ◆ Response for noncompliance

Setting goals should be made in conjunction with follow-up responses. Effective principled engagement is not merely about giving incentives or bribes, but rather by demonstrating a system of consequences and rewards.

Cortright and Lopez argue that "sanctions must be perceived as a form of coercive persuasion," and that incentives should be given only as compliance improves.⁴⁷³ [for more details see Sanctions for Change p164]

Incentives should include the lifting of sanctions, which was successfully used in Poland to secure the release of political prisoners to the formal lifting of martial law. In the former Yugoslavia, the promise of lifting sanctions was an effective incentive in gaining the participation of the Milosevic regime in the Dayton peace process.⁴⁷⁴ For Burma, David Goldwyn, President of Goldwyn International Strategies, asserted, "It may be wise to stage different levels of sanctions relief to the release of political prisoners, the restoration of credible talks on restoring democratic rule, and positive incentives, such as multilateral development program, that would result from new, free and fair elections."⁴⁷⁵

A clear proposal is essential. Political analyst Min Zin argues, "The generals have a lot of experience at playing games. In most cases, they give the impression that they agree to the rules. Yet the junta rarely makes concessions in their quest for victory. Past experiences show that all rules

⁴⁷² Senate Task Force on Economic Sanctions (8 Sept 98) Testimony of Kenneth Roth, Executive Director, Human Rights Watch: The Role of U.S. Sanctions Policies in Promoting Human Rights

⁴⁷³ Cortright, David & Lopez, George. The Sanctions Decade: Assessing UN Strategies in the 1990s. Carnegie Endowment for International Peace, 2000

⁴⁷⁴ Cortright, David & Lopez, George. The Sanctions Decade: Assessing UN Strategies in the 1990s. Carnegie Endowment for International Peace, 2000 & Senate Task Force on Economic Sanctions (8 Sept 98) Testimony of Kenneth Roth, Executive Director, Human Rights Watch: The Role of U.S. Sanctions Policies in Promoting Human Rights & Cortright, David & Lopez, George. Carrots, Sticks and Cooperation: Economic Tools of Statecraft. In Barnett R. Rubin (ed.) Cases and Strategies for Preventive Action. 1998

⁴⁷⁵ U.S. Council on Foreign Relations Independent Task Force (2003) Burma: A Time For Change

166 Special Report: Ready, Aim, Sanction!

are open to interpretation and manipulation, and stall tactics and diversion are the regime's preferred strategy."⁴⁷⁶

Period of Leverage & Enforcement Actions

The period between when a demand for action is made and the deadline for compliance, where there are substantial enforcement actions for non-compliance, is the time of greatest influence. It is essential that the enforcement actions are perceived by the regime to be substantial and therefore it is in their own interest to comply.

The Federation of Trade Unions of Burma has said that the SPDC has "been able to take advantage of the various international agencies [because] there has been no enforcement actions taken under the terms of the various international resolutions against the SPDC. Enforcement actions should be prepared in advance, and then implemented strictly should the regime use delaying tactics (as it has been doing to this point)."⁴⁷⁷ A European Envoy said, "We have seen this pattern before of deflecting international censure by means of limited concessions that can easily be rolled back once attention has shifted somewhere else."⁴⁷⁸ The use of clearly defined enforcement actions instead of knee-jerk reactions could in effect prevent measures from having to be taken because they could persuade the SPDC to take action to ward off penalties.

The ILO is effectively using this 'period of leverage' by listing clear demands (taking steps to eradicate forced labor), only accepting adequate responses (a facilitator to assist victims of forced labor to seek compensation), preparing enforcement actions, (could include sanctions by ILO member countries for noncompliance), and setting a deadline (June 2003). The ILO should continue with this pattern of principled engagement, until completion of all the steps that are required to eradicate forced labor.

Conversely, the EU has attempted to use a 'period of leverage' as well, but with their absence of substantial enforcement measures, it was unlikely to influence the regime. [see EU's New Strategy – April 2003, p172]

⁴⁷⁶ Irrawaddy (7 Aug 03) Playing Hardball

⁴⁷⁷ Letter from General Secretary of FTUB to General Secretary of ICFTU (20 Mar 03)

⁴⁷⁸ Asia Times Online (25 Feb 03) Myanmar: Real reform or a nervous junta?

Timing & Strength

“The effectiveness of sanctions depends greatly on swift and comprehensive implementation and rigorous enforcement.”⁴⁷⁹

Greater leverage is also achieved if one can ‘strike while the iron is hot,’ meaning that there are times when sanctions can hold more perceived threat than at other times. Daw Suu has urged the international community to be “flexible but to be also quick” with actions because often “speed is of essence.”⁴⁸⁰ When the regime is facing substantial pressure internally, from the international community, infighting within the regime, or serious economic difficulties, is when they are most vulnerable.

If measures are implemented too slowly, there is a high risk of the SPDC developing ‘coping mechanisms’ to weaken the impact and thus weaken the incentive for them to cooperate in concrete negotiations and developments. The enforcement action for non-cooperation must also be considerable, something that directly impacts the way the regime currently operates (trade sanctions, arms embargo, remittances ban, oil embargo) or denies the regime something they are trying to obtain and perceive as highly valuable (GMS grants - see GMS).

The generals approach all political games from a military perspective. They only negotiate from a position of strength and security, for in war the cost of weakness is total defeat. If they do not feel strong and secure, they buy time to regroup, like an army waiting for reinforcements. Any process designed without recognition of this fact will give the regime more room for maneuvering and more time to forestall a transition to democracy. ~ Min Zin, Aug 03

The International Crisis Group has cited the vulnerabilities of the SPDC as:⁴⁸¹

- ◆ The moral authority of Daw Aung San Suu Kyi
- ◆ Military overstretch, especially poor pay and conditions for soldiers
- ◆ Pariah status amongst Western states and the United Nations community

⁴⁷⁹ Cortright, David & Lopez, George. Carrots, Sticks and Cooperation: Economic Tools of Statecraft. In Barnett R. Rubin (ed.) Cases and Strategies for Preventive Action. 1998

⁴⁸⁰ Burma Campaign UK (17 Jun 02) Interview with Daw Aung San Suu Kyi

⁴⁸¹ International Crisis Group Asia (21 Dec 00) Burma/Myanmar: How Strong is the Military Regime?

168 Special Report: Ready, Aim, Sanction!

- ◆ Sanctions by the U.S. and EU and other forms of economic pressure
- ◆ The tenuous nature of the ceasefire agreements with insurgents
- ◆ Potential disaffection among the more criminally minded narco-armies
- ◆ Stagnation of the country's strategically significant agriculture sector

In addition, there is the issue of:

- ◆ Deepening economic crisis
- ◆ ASEAN's credibility being brought into question due to SPDC's continued defiance towards democracy

These vulnerabilities have yet to be pro-actively and consistently exploited as leverage in a coordinated way by the international community to bring about change in Burma.

Committee oversight

To effectively and comprehensively implement these policies it is necessary to have a mechanism to monitor the implementation, possible violations of implementation to ensure the desired effects, and maintain constant communication with the stakeholders. Without this type of mechanism to ensure strict implementation of the policies, the risk of evasion is much greater and valuable time will be wasted.

Communication

Lines of communication also need to be maintained and/or enhanced, but principles for reform should not be compromised or delayed in the name of communication. The various actors involved and/or affected by the misrule in Burma have different roles to play, but those roles must complement each other. As part of principled engagement, ASEAN members have an especially important role to play to utilize their relations and regional networks to strongly encourage and assist the SPDC to take concrete initiatives towards democratization and reconciliation.

The use or threat of sanctions increases the level of dialogue between the various actors and the regime. Sanctions as a part of principled engagement can also utilize the tactic of 'good cop, bad cop' where there are actors threatening unfavorable consequences (bad cop) and other actors serving as a 'voice of reason' (good cop) trying to find means to avoid the consequences. The threat of consequence is needed to advance the process. This method was useful in recent ILO rulings, where Malaysian authorities

reportedly used quiet diplomacy to encourage the SPDC to comply. [see Myth & Reality 8, p139]

Moderates?

To create genuine transition, the voices and support of 'moderates' within the SPDC is necessary, but more moderates need to be 'created.'

During the period Daw Suu was released from house arrest in 2002-2003, Sr-Gen Than Shwe promoted officials who are known hardliners or openly opposed dialogue such as now Sec 1 Lt-Gen Soe Win, Sec 2 Lt-Gen Thein Sein and Brig-Gen Than Tun. In months prior to the attack, Gen Khin Nyunt told UN Rapporteur Paulo Pinheiro and UN Envoy Razali Ismail that he no longer has any power to influence political decisions within the regime.⁴⁸² While many in the international community have placed hope on Khin Nyunt as being a flexible moderate, what keeps the regime glued together is their commitment to prolong their reign and pure self-interest. Many believe that Khin Nyunt masterminded the 1988 massacre for which he was later dubbed the country's "prince of evil."⁴⁸³ On June 8, the 'moderate' Khin Nyunt was quoted in the state-run newspaper saying the events surrounding May 30 would serve as "lessons" for those responsible for "disorderly and unruly acts."⁴⁸⁴

Sanctions are needed to make it in the interest of those in and close to the regime to push for reforms. The regime's officers, family members and allies are deeply embedded in business.⁴⁸⁵ [see Tentacles & Myth & Reality 10, p79 & 142] Sanctions can help shrink the 'money pie' from business gain and financial bribes that keeps the junta glued together. As the 'money pie' gets smaller, the push for reforms will grow stronger. This, in conjunction with the banking financial crisis caused by the regime's mismanagement, is already causing distress. [see Myth & Reality 14, p156] Reportedly, "the junta's cronies, like those who import and export, are getting hit and they're beginning to complain."⁴⁸⁶ Another logging businessman complained, "My account of US \$30,000 is frozen."⁴⁸⁷ This is indicative of the regime's influence over Burma's lucrative businesses, but

⁴⁸² Wall Street Journal Online (May 5 2003) Deadlock in Burma

⁴⁸³ Irrawaddy (29 Aug 03) Will The "Prince of Evil" Bring Hope to Burma?

⁴⁸⁴ The Australian (9 Jun 03) Detained Suu Kyi 'on hunger strike'

⁴⁸⁵ Oehlers, Alfred. Sanctions and Burma: Revisiting the Case Against. Economics Academic Group, Faculty of Business, Auckland University of Technology, July 2003

⁴⁸⁶ Irrawaddy (Aug 03) Weighing Sanctions

⁴⁸⁷ Irrawaddy (13 Aug 03) Swift Impact of Sanctions

170 Special Report: Ready, Aim, Sanction!

more importantly the type of pressure that such sanctions can generate within the regime and its network of cronies.

The best way to create more moderates in the regime is to make the continued opposition to reform more costly than actual reforms. For the 'moderates' that are reporting alienation in the regime, a Western diplomat in Rangoon said, "The best we can do is to allow these progressive elements [in the junta] to say, 'I told you so.'"⁴⁸⁸

Lose-Lose Situation

"Incentive policies can have unanticipated negative consequences if senders are insensitive to internal political dynamics. Incentives delivered to military elites or corrupt politician leaders can weaken the standing of constituencies seeking democratic reform and undermine the long-term prospects for cooperative behavior."⁴⁸⁹

Japan, Australia, Thailand, Malaysia and the rest of the ASEAN countries subscribe to variations of 'family-style non-interference' or 'business engagement' ideology in dealing with Burma. Yet there is little evidence to suggest that this type of engagement has been effective thus far or that it can bring about significant responses from the SPDC for democratic developments in Burma.

In August 2002, Malaysian Prime Minister Mahathir led a large business delegation to Burma to further his generous efforts to economically engage the SPDC despite stiff international criticism. The businessmen found it impossible to conduct business in the face of the corrupt practices and nonsensical policies of the SPDC. Mahathir appealed to Than Shwe to 'straighten things out,' but Sr-Gen Than Shwe ignored his request. The SPDC clearly does not know who their friends are. Thailand, Japan, China, and Singapore at various times have also provided considerable support to the SPDC. However, such generosity has only been reciprocated with unfulfilled promises of economic and democratic reforms in addition to unsatisfactory profit margins and the domestic consequences of Burma's burgeoning drug production and militarism.

⁴⁸⁸ Irrawaddy (Aug 03) Weighing Sanctions

⁴⁸⁹ American Political Science Review, "A Political Theory of Foreign Aid" by Hans Morgenthau, quoted in Cortright, David & Lopez, George. Carrots, Sticks and Cooperation: Economic Tools of Statecraft. In Barnett R. Rubin (ed.) Cases and Strategies for Preventive Action. 1998

Manipulated! After meeting Sr-Gen Than Shwe in November 2002, Thai PM Thaksin and Japanese PM Junichiro Koizumi stated optimistically "we count on further efforts."⁴⁹⁰

The current Thai administration under Prime Minister Thaksin Shinawatra has adopted a policy of 'business diplomacy' with the SPDC to reduce the effects of the overflow of Burma's problems into Thailand, namely narcotics, refugees, disease and migrants. Thaksin's approach has been met with a 5-month border closure, blacklisting of Thai journalists, public insults aimed at the Thai monarchy and people, and non-cooperation for Thailand proposed cease-fire negotiations between the SPDC and several armed opposition groups.

In 2003, as Japan stepped up its aid to Burma (prior to the suspension following the Black Friday attack) and Thailand started an aggressive business diplomacy program with the junta, the SPDC became more resistant to dialogue and more oppressive in its actions. This has become a lose-lose situation with the initiating country pouring assistance into a bucket with a big hole while the situation in Burma continues to deteriorate.

In 1998, the World Bank teamed up with the United Nations Secretary General and ambassadors from Japan, the U.S., UK, Philippines and Australia and the Thai Deputy Foreign Minister to coordinate a large sum (estimated at US\$1 billion) 'carrot' in financial and technical aid from the World Bank but channeled through the UN. US\$1 billion is an exorbitant amount of funding for Burma, whose GDP for 2002 was only US\$6.7 billion. The conditions for the jumbo 'carrot' were reportedly the release of all political prisoners and freedom of movement for Daw Aung San Suu Kyi and the activists of the National League for Democracy.⁴⁹¹ After stalling for time for consultation with junta members, the SPDC rejected the offer.

In 2002, the Center for Disease Control's (CDC) assistance offer to the SPDC Ministry of Health in creating an AIDS surveillance system was rejected. CDC standards required voluntary testing, confidential results, and testing in conjunction with counseling and education.⁴⁹²

⁴⁹⁰ AFP (5 Nov 02) Koizumi presses Myanmar to democratise

⁴⁹¹ Inter Press Service (7 Dec 98) Politics-Burma: Aid-for-Democracy Offer to Junta Falls Flat

⁴⁹² U.S. Council on Foreign Relations Independent Task Force (2003) Burma: A Time For Change

172 Special Report: Ready, Aim, Sanction!

The regime has demonstrated that they will not be responsive to reform driven by ‘carrots’ nor reform driven by ‘constructive engagement.’ What is needed is a ‘principled engagement’ approach, with clear objectives, tough enforcement action ‘sticks’, coupled with provisions for engagement and carrots. [see Recipe for Reconciliation, p51]

Premature Action

The junta’s history of broken promises and boisterous rhetoric of reform should make all stakeholders cautious of lifting pressure prematurely. Lifting pressure too early can destroy momentum for full implementation of actual reforms while providing the SPDC with international credibility and could weaken leverage with the SPDC.

For example, in 1993, the U.S. Trade Representative (USTR) called on Indonesia to improve its labor rights policies or face tariff sanctions. The Indonesian government announced some limited legal reforms that included revoking a decree that allowed military intervention in labor disputes; allowing workers to negotiate collective bargaining agreements at the workplace level; and restructuring the single government-recognized union. However, the USTR then prematurely suspended its review of Indonesian labor practices, and, with the pressure off, the promised reforms were not fully implemented.⁴⁹³

Training, exposure, institution building, and economic assistance should all be part of international efforts to assist in democratic transition in Burma. However, under the present circumstances, these measures are premature and could possibly undermine democracy and reconciliation efforts.

EU’S NEW STRATEGY APRIL 2003 – WHY IT DIDN’T MEASURE UP

The European Council’s recommendation of actions to encourage developments in Burma was unfortunately watered down to a benign level. The Council suggested trade sanctions in the event of insufficient action by the SPDC. However, in April 2003, the European Union settled on tightening the implementation of already existing sanctions, which had a strong political message but only a slim chance of having a direct impact.

The proposed method of providing a specific timeframe to achieve concrete progress with predetermined enforcement actions for failure of

⁴⁹³ Senate Task Force on Economic Sanctions (8 Sept 98) Testimony of Kenneth Roth, Executive Director, Human Rights Watch: The Role of U.S. Sanctions Policies in Promoting Human Rights

Non-military options to support Burma's democratization 173

compliance was strategic. The window of time that an entity is given to take specific action or face specific enforcement actions is considered to be the most influential period of time to influence change. [see Sanctions For Change p164] However, the absence of substantial enforcement actions could actually empower the entity to defy international bodies and render such policies as ineffective in the eyes of the administering entity. This was a serious concern with this policy of the European Union.

At times the EU's message has been inconsistent with its actions. The October 2001 EU Common Position on Burma "specifically stressed its readiness to accompany the deepening of the reconciliation process with humanitarian assistance."

The EU indicated if significant progress was made they would:⁴⁹⁴

- ◆ Give more assistance to combat HIV/AIDS in consultation with the NLD and all relevant parties
- ◆ Give more money to UN agencies combating HIV/AIDS
- ◆ Invite the Foreign Minister of Burma to the next EU-ASEAN meeting
- ◆ Support Burma's application to join the International Hydrographic Organization
- ◆ Permit advice by member states to Burma on how to qualify for bilateral relief under IMF/IBRD's 'Heavily Indebted Poor Countries' initiative
- ◆ Send an EU troika mission to discuss the reconciliation process and ways EU can assist

Since the EU presented this package of engagement with the SPDC, no substantial and irreversible action has been taken by the SPDC. However, the EU or EU member states have increased levels of aid, including for HIV/AIDS, permitted the Deputy Foreign Minister to attend the 2003 EU-ASEAN meeting, and another EU troika mission was planned for October, but has since been delayed in the wake of Black Friday. By the EU disregarding the conditions, it can reinforce the idea to the SPDC that they do not have to compromise or engage with the international community and that conditions and policies can be changed without requiring specific action.

⁴⁹⁴ Burma Campaign UK (March 2002) Burma Sanctions Coalition Briefing

LESSONS FROM HAITI, NIGERIA, AND SOUTH AFRICA

The restoration of democracy, the realization of national reconciliation, and the respect of human rights are the pillars of what coercive international diplomacy is aimed at.

Haiti

Haiti is an example where “hesitation, inconsistency, and a lack of enforcement undermined the political effectiveness of sanctions,” which led to the option for military involvement.⁴⁹⁵ The application of international pressure and subsequent response by the Cedras regime in Haiti in the early 1990s has many similarities to the current situation of pressure on the SPDC.

In Haiti and Burma there was/is:

- ◆ A history of unfulfilled reform rhetoric and broken promises by the regime
- ◆ Loosely applied sanctions
- ◆ Utilization of a minimally effective, non-strategic ‘try and see approach’
- ◆ Inconsistency in international policy
- ◆ No clear deadlines or enforcement actions

Important Differences:

- ◆ Haitian leaders were not given any genuine option for dialogue, amnesty or power sharing
- ◆ A variety of international players are involved with Burma
- ◆ Once sanction loopholes were tightened in Haiti, little time was provided to consider their effectiveness

The way sanctions and international coercive diplomacy was executed in Haiti provides important lessons for coercive diplomacy in Burma. The ‘try and see’ approach failed to establish a time frame for fulfillment of specific goals and to provide an enforcement action for non-action. Several actions were taken to communicate the international communities dismay and to pressure the regime, but there was no comprehensive follow-up. This approach is considered to be the least effective form of coercive

⁴⁹⁵ Cortright, David & Lopez, George. *The Sanctions Decade: Assessing UN Strategies in the 1990s*. Carnegie Endowment for International Peace, 2000

diplomacy.⁴⁹⁶ At the end when Cedras' regime perceived a sense of motivation and urgency from the international community and believed the enforcement action for non-action would be more devastating than complying, they agreed to step down.⁴⁹⁷

In coercive diplomacy for Burma, the international community should move from the 'try and see' approach to one that establishes clear goals, timelines, and enforcement actions for failure to act. The perceived cost of inaction must be persuasive enough to the regime, which can be achieved through various well-implemented, comprehensive sanctions.

Nigeria

Nigeria's struggle under a dictatorship and their current transition to democratic governance has some parallels with Burma. The regime led by General Sani Abacha used its oil as a weapon to manage pressure and ward off firm action from the international community, much in the way the SPDC uses its geostrategic position. General Abacha, like Sr-Gen Than Shwe, continuously made empty promises of transition, taking only superficial action to placate the international community. Like Burma, the international sanctions levied by several countries were largely symbolic and 'preventative' in nature without directly impacting the regime.

In 1998, Gen Abacha suddenly died and genuine reform initiatives began. This included an interim president, Gen Abdulsalam Abubakar, who released political prisoners, scheduled and held democratic elections, and initiated political, economic and social reforms. These swift developments were a bit surprising as up until 1998 the military pledged to support Abacha's rule, yet as soon as he was disempowered, they largely supported Abubakar and his reforms. The similarities between Gen Abacha and Sr-Gen Than Shwe's rule suggest that they are the biggest roadblock to transition. Therefore, staunch and undeviating pressure from the international community is necessary, especially pressure which requires concrete actions from Sr-Gen Than Shwe and puts pressure on those close to his regime. [see Moderates? p169]

⁴⁹⁶ George, Alexander. *Forceful Persuasion*. U.S. Institute for Peace Press, 1994

⁴⁹⁷ Robyn, Paul. *The United States and Haiti (1993-1994) A Case Study in Coercive Diplomacy*. Princeton University Woodrow Wilson School of Public and International Affairs, 2001

South Africa

The combination of a grave economic state, international sanctions and internal political conditions were the main factors in influencing the regime to embark on genuine transition in South Africa. A key component was destabilizing the economy with international governmental sanctions, UN Security Council actions, and measures from the private sector. Enacted measures included⁴⁹⁸:

- ◆ Decline and withdrawal of private investment
- ◆ Oil embargo on sales to South Africa
- ◆ UN Arms embargo
- ◆ Withdrawal of banks and lending contracts
- ◆ Ban on some of the main export goods
- ◆ Cultural and sporting sanctions

The absence of restrictions on Burma's key imports and exports (although new U.S. sanctions hits one of the key exports) has in part allowed the regime to withstand pressure. As oil imports were important to South Africa, imported petroleum and diesel fuels are important to Burma.⁴⁹⁹ Burma does not produce enough oil and natural gas to supply its domestic needs for transportation and production, and is thus reliant upon expensive imported fuel. [see Ban on Natural Gas Imports from Burma, Restriction on Fuel Sales to Burma, Ban on Oil & Gas Foreign Direct Investment, p70-72] While petroleum and diesel fuels are not Burma's top import, they are extremely valuable to the regime and very difficult to substitute. This type of reliance on a commodity makes it a good lever for the international community. A ban on exports from Burma would also substantially impact the financing of the regime, while weakening one of the regime's tactics to cope with other economic sanctions. [see below]

For more than 3 decades, the South African regime was able to defy economic sanctions due to the use of mild sanctions, poor enforcement,

⁴⁹⁸ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-updated May 2003

⁴⁹⁹ US Department of Commerce (2002) Burma Country Commercial Guide FY2002 www.usatrade.gov

Non-military options to support Burma's democratization 177

and adopting coping mechanisms to withstand the economic pressure including:⁵⁰⁰

- ◆ Concentrated focus on establishing economic ties in alternate directions
- ◆ Maximizing the value of exports
- ◆ Pursuing technological development and self-sufficiency
- ◆ Pointing out collateral damage of economic measures on the population and neighboring countries to dissuade further measures
- ◆ Sanctions busting - transshipment, false labeling, third country imports
- ◆ Adjustments in macroeconomic policies – exchange control, dual exchange rate, export taxes, import-export restrictions on foreign companies
- ◆ Lobbying regional countries not to support international pressure campaigns
- ◆ Import substitution

The SPDC is also attempting to employ many of these same tactics, but like the South African regime they are still vulnerable to international pressure and the business climate, which in Burma continues to decline. International efforts should adjust to react and target these coping mechanisms. For example, the regime is more reliant upon exports and heavily reliant upon foreign currencies and remittances for business, thus providing relevant countries with more leverage to influence the regime by threatening to ban exports if specific actions are not taken by a prescribed date.

Three other elements that assisted in South Africa's transition were:

1. The role of the anti-apartheid movement inside the country.

In order for Burma's domestic democracy and reconciliation movement to continue to strengthen, it is essential for the international community to continue to support the movement led by Daw Aung San Suu Kyi, the release of political prisoners, legalization of political parties, and creation of

⁵⁰⁰ Hufbauer, G., Schott, J., & Elliot, K. Economic Sanctions Reconsidered: Case Studies in Sanctions and Terrorism: US/EU/Japan v Burma. Institute for International Economics, Dec 1990-updated May 2003 & Levy, Philip. Sanctions on South Africa: What Did They Do? Economic Growth Center, Yale University, Feb 99

178 Special Report: Ready, Aim, Sanction!

independent civil society organizations, with freedom of movement and association. The massive crowds (up to 40,000 people at a time) that attended Daw Aung San Suu Kyi's rallies in the year prior to her arrest indicate the movement continues to attract massive, widespread support.

2. Pressure developed within the white community to make changes, largely for economic reasons.

Sanctions targeted at the financial resources and businesses of a broader sector of military members could assist in increasing pressure from within the regime for at least economic reforms, which implicitly demands a better system of governance. [see Moderates? p169] What is likely to be more effective is that as part of the 'ASEAN family,' Burma also needs to answer for its impotent economy, which has regional economic and social effects. ASEAN will have to answer to the international community if in 2006, when Burma assumes the Chair of ASEAN, it is still under the rule of dictatorship. More effort needs to be placed on active engagement and dialogue with ASEAN members to add this dynamic of accountability to the regime.

3. A dialogue process conducted directly with the top leaders.⁵⁰¹

One major element missing in Burma's democracy movement is the direct communication with top junta leaders. In April 2003, Daw Suu lamented, "I haven't seen a De Klerk," meaning Than Shwe.⁵⁰² Sr-Gen Than Shwe refuses to meet Daw Suu and insulted the UN process by only meeting UN Envoy Razali for less than 20 minutes in November 2002 and refusing to meet with him in June 2003. A dialogue process cannot proceed without Than Shwe's endorsement and authorization.

⁵⁰¹ Levy, Philip. Sanctions on South Africa: What Did They Do? Economic Growth Center, Yale University, Feb 99

⁵⁰² Dallas Morning News (6 Apr 03) Rangoon's 'Lady' may be world's bravest woman

RECIPE FOR SUCCESS

Alexander George from the U.S. Institute of Peace outlines several variables that can assist in assessing if 'coercive diplomacy' is likely to be successful.⁵⁰³

A Non-Zero Sum View of the Conflict

The restoration of democracy, the realization of national reconciliation, and the respect of human rights are the pillars of what principled international diplomacy for Burma is aimed at. The position of reform through dialogue and negotiations offers the ruling generals a prospect of respectable and influential position in the country and does not require a full surrender of power and position. This was a major block in Haiti where Cedras had to relinquish all his power without promises of amnesty or safety.

Sticks as Well as Carrots

While carrots and sticks are both being utilized as part of international strategy, they are not being generated in the most effective way. Both the carrots and the sticks must be perceived to be quite valuable or consequential by the regime. As demonstrated previously, the sticks (sanctions) employed are watered down by loopholes and poor oversight. [see Flawed Implementation p3] Moreover some of the more powerful measures available to the international community such as trade embargos, assets freeze, divestment, remittance ban, etc are not being fully employed.

The carrots the international community are prepared to offer is a resumption or increase of aid, trade, investment and normalization of relations. The carrots are often not specifically defined in content nor eligibility, meaning the carrots do not appear to be conditional on specific, measurable actions. In the case of the United States, the carrots appear to focus on end goals without the promise of 'interim carrots,' for a genuine process before ultimately reaching the end goal. Nonetheless, the carrots are well devised in that they respond to what the regime is trying to solicit (aid, trade, improved relations) and will assist in democratic nation building.

The sticks are not comprehensive and persuasive enough and the qualifications to obtain the carrots are not sufficiently clear thus leaving the policy of 'sticks and carrots' unbalanced and under-effective. Carrots and sticks must work in conjunction with each other. The SPDC has snubbed the offers of carrots at various times from non-sanctioning countries thus

⁵⁰³ Alexander George, U.S. Institute of Peace (1993) Bridging the Gap

180 Special Report: Ready, Aim, Sanction!

demonstrating that firm sticks are necessary in addition to meaningful carrots already employed. [see Lose-Lose Situation p170]

Asymmetry of Motivation Favoring the State Employing Coercive Diplomacy

The SPDC is highly aware of and plays off of Burma's regional strategic importance. The regime hides behind the protection of China and the importance of China in other countries' foreign policy. SPDC Sec-2 Lt-Gen Soe Win, SPDC's 4th most powerful position (now Sec 1), reportedly bragged there would be no military intervention against Burma as their friendly relations with China would prevent that from occurring.⁵⁰⁴ The regime is keen on improving relations with their Asian neighbors, which they hope will help insulate them from sanctioning countries' pressure.

It is essential for the international community to demonstrate their commitment to and implementation on persuasive diplomacy as motivation for Burma as well as regional stability. The move led by the U.S. to make ASEAN bear more responsibility for the progress in Burma, is particularly strategic.

Opponent's Fear of Unacceptable Punishment for Noncompliance

There is evidence that there is a level of fear by the SPDC of international enforcement actions. Hence, the SPDC's intense lobbying efforts to end and prevent further sanctions, the minimal cooperation with the UN Rapporteur and Envoy and their response to the ILO demand for action under the threat of sanctions. However, the SPDC has a history of being able to delay increased sanctions by the international community by flaunting a façade of commitment and making unkept promises. This gives the appearance that the SPDC can quell international discontent and persuasive diplomacy.

Swifter and more substantial responses from the international community are necessary to demonstrate their serious commitment, which will translate into more effective pressure.

No Significant Misperceptions or Miscalculations

There appears to be considerable 'misperception' on behalf of the SPDC as to what *actions* can be considered as part of the appropriate and necessary

⁵⁰⁴ Democratic Voice of Burma (28 Jan 03) No plan to talk to NLD and we are not afraid of USA – SPDC

steps towards democracy and reconciliation in order to reduce and remove sanctions. This can be corrected by establishing a 'recipe' with the desired goals and specific, concrete steps that can be taken to implement them and the response if suitable action is not taken. Such an outline can dispel the belief that rhetoric and symbolic actions alone fulfill the demand for reforms. [see Recommendation: Recipe for Reconciliation & Sanctions For Change, p51 & p164]

Democracy Movement's Support For Sanctions

The opposition movement is largely united behind the need for strong international pressure, including the use of sanctions. Daw Suu said sanctions send a "strong political and economic message" to the SPDC and on April 23 2003, she restated the NLD's strategy to use sanctions "until such time as negotiations take place."⁵⁰⁵

They know that business deals with Burma do not benefit the people, but mostly the military and their defense programs. A Shan spokesperson said, "although sanctions may harm the people, they are suffering anyway. Sanctions, if applied effectively, will strip the junta of its funds and force it to enter dialogue."⁵⁰⁶ The Irrawaddy Magazine reported that, after the enactment of July 2003 U.S. sanctions, "Kind words...came from the most unlikely sources all across Burma." They wrote that "There is a sense that despite the short-term pain the sanctions may cause the average person in Burma, the anticipation of economically pressuring the ruling junta is a welcome move."⁵⁰⁷

A strategy meeting in 2001 of a broad spectrum of pro-democracy organizations, including ethnic nationality groups, called for:⁵⁰⁸

- ◆ The US, EU, Canada and other countries to intensify national and regional economic pressure on the SPDC, including investment and trade sanctions.
- ◆ Governments to refrain from providing any form of official economic or development assistance until a genuine tripartite agreement to allow

⁵⁰⁵ AFP (23 Apr 03) Myanmar's Aung San Suu Kyi complains for first time of stalled talks & Dagbladet (12 May 02) First Interview in Freedom, "Many people have suffered more than me" & AFP (9 May 02) Sanctions send "strong" message to Myanmar regime: Suu Kyi

⁵⁰⁶ Wall Street Journal (28 May 03) Fear in Burma

⁵⁰⁷ Irrawaddy (Aug-Sept 2003) Burma's Heroes

⁵⁰⁸ The International Strategy Meeting on Burma held in Thailand from March 17-19, 2001, was attended by representatives of 53 organizations from 28 countries.

182 Special Report: Ready, Aim, Sanction!

such assistance can be reached. There must be a transparent and accountable process for this assistance to be effective.

- ◆ Governments, trade unions, and employers organizations worldwide to take concrete action to implement the ILO resolution.
- ◆ ASEAN to officially support the talks process and urge the SPDC to commit to a genuine tripartite dialogue.
- ◆ Civil society organizations and other sectors of society, including women's organizations, human rights and environmental groups, religious groups, and students in all countries to step up the momentum to achieve human rights and justice in Burma.

This position continues to be similarly reflected in a range of other conferences and meetings.

Support on Thailand-Burma Border

“Sanctions are definitely working...but now we need sanctions with teeth that bite.” ~Wansai, Shan Democratic Union, Apr 03

In a survey of more than 200 Burmese workers, editors, journalists, and lawyers on the Thailand-Burma border and in Rangoon, almost 80% want economic growth in Burma, but at the same time they don't want the sanctions to be lifted.⁵⁰⁹

What Armed Resistance & Ethnic Nationality Groups Think

Shan State Army (SSA) leader Colonel Yawd Serk said the U.S. sanctions legislation should have been passed a long time ago and that the SSA was prepared to support the NLD's democracy campaign.⁵¹⁰

The Karen National Union (KNU) Secretary General Pado Man Sha said they have waited for a long time for strong action and that the U.S. moves were good for the Burmese people. He said the KNU supports this move very much because the junta will not move forward unless it is pressured to do so.⁵¹¹

The Secretary General of the Mon Unity League, an umbrella organization of Mon people, said “The grassroots people welcome the law (U.S. legislation). Under the present rule of the Burmese military junta, economic assistance from the international community does not reach the civilian

⁵⁰⁹ Irrawaddy (May 2001) Burmese Feel That Sanctions Must Stay

⁵¹⁰ Nation (17 Jul 03) PM: Prepare for refugees

⁵¹¹ Nation (17 Jul 03) PM: Prepare for refugees

Non-military options to support Burma's democratization 183

population, most live in remote areas of the country and are blocked off from any economic development.”⁵¹²

Seven Rakhine organizations welcomed the U.S. sanctions: The Arakan League for Democracy (Exile), National United Party of Arakan, Arakan Liberation Party, All Arakan Students and Youths Congress, Rakhine Women's Union, Arakan Labour Association, and ROE (Rakhine Overseas in Exile).⁵¹³

NCGUB

The National Coalition Government of the Union of Burma (NCGUB) Prime Minister Dr Sein Win said, “By passing this act the U.S. will certainly boost the moral of the Burmese people struggling for democracy and hit the generals where it hurts most - their pockets.”

⁵¹² Kao-Wao (15 Aug 03)

⁵¹³ Narinjara (18 July 03) Arakanese Political parties welcome US sanctions on Burma

CHECKLIST FOR THE UNITED NATIONS

- Pass a resolution encouraging member states to impose sanctions and break diplomatic ties with Burma
- Bring Burma to the UN Security Council
- Officially recognize the CRPP as the legitimate representative of the people of Burma

CHECKLIST FOR THE UNITED NATIONS SECURITY COUNCIL

- Arms embargo
- Recognize conflict resources as natural resources that should be banned from international trade
- Asset-freeze on SPDC, USDA, and Na Sa Ka officials
- Visa ban on SPDC, USDA, and Na Sa Ka officials

CHECKLIST FOR THE EUROPEAN UNION & OTHER EUROPEAN COUNTRIES

- Investment ban
- Remittance ban
- Import ban
- Tourism ban
- Require all humanitarian assistance to have substantial consultation with the NLD
- Increase persuasive diplomatic efforts with ASEAN countries, Japan, India and China
- Lead efforts to bring Burma before the United Nations Security Council
- Officially recognize the CRPP as the representatives of the people of Burma

and for Non-EU Members in Europe including Russia:

- Stop sales of arms, munitions and equipment that can be used for arms manufacturing to Burma

CHECKLIST FOR ASEAN

- Support efforts to bring Burma before the United Nations Security Council
- Increase persuasive diplomatic efforts to encourage the regime to immediately begin democratic transition in complement with the UN process
- Put SPDC's membership in ASEAN on probation
- Provide security for Burma's human rights defenders staying in member countries
- Comply with FATF regulations in context of Burma

CHECKLIST FOR CHINA

- Immediately end all arms and ammunition sales to Burma
- Put a moratorium on economic aid to the SPDC
- Do not block efforts to bring Burma before the United Nations Security Council
- Cooperate with the UN, ASEAN, and regional partners
- Outlaw known drug traffickers close to the SPDC and their business ventures

CHECKLIST FOR JAPAN

- Suspend ALL current and future bilateral and multilateral economic assistance to Burma
- Increase persuasive diplomatic efforts with ASEAN countries, India and China
- Asset-freeze on SPDC, USDA, and Na Sa Ka officials
- Support efforts to bring Burma before the United Nations Security Council
- Provide support to Burma's democratic movement

CHECKLIST FOR INDIA

- Immediately end all arms and ammunition sales to Burma
- Cooperate with the UN, ASEAN, and regional partners
- Support efforts to bring Burma before the United Nations Security Council
- Increase support to Burma's democratic movement
- Officially recognize the CRPP as the representatives of the people of Burma

CHECKLIST FOR AUSTRALIA

- Asset-freeze on SPDC, USDA, and Na Sa Ka officials
- Visa ban on SPDC, USDA, and Na Sa Ka officials
- Support efforts to bring Burma before the United Nations Security Council
- Increase support to Burma's democratic movement
- Officially recognize the CRPP as the representatives of the people of Burma
- Step up persuasive diplomatic efforts with ASEAN countries, Japan, India and China

CHECKLIST FOR CANADA

- Investment ban
- Import ban
- Tourism ban
- Remittance ban
- Increase persuasive diplomatic efforts with ASEAN countries, Japan, India and China
- Lead efforts to bring Burma before the United Nations Security Council
- Increase support to Burma's democratic movement
- Officially recognize the CRPP as the representatives of the people of Burma

CHECKLIST FOR THE UNITED STATES

- Maintain a high level of pressure on the regime and its allies
- Increase persuasive diplomatic efforts with ASEAN countries, Japan, India and China
- Lead efforts to bring Burma before the United Nations Security Council
- Increase support to Burma's democratic movement

CONCLUSION

The international community has learned the painful lesson that a strategy hinged solely on diplomacy and inducements has only served to encourage the Burmese regime to perpetuate a strategy of empty promises.

Experience has shown that the regime will only make an effort to deliver actual reforms, albeit grudgingly, when faced with punitive measures or broad pressure.

The absence of effective sanctions would definitely empower the SPDC and confirm their singular hold on power. Gross human rights abuses would continue and likely increase, the genocide of ethnic nationalities would intensify, military weapons procurement would become easier, SPDC ad hoc economic policies would continue thus deterring foreign investment while Burma's refugee, narcotics, and HIV/AIDS problems would continue to penetrate into neighboring countries.

Now, more than ever, there is no excuse not to take a strong stand on Burma. A broad international strategy, integrating a regimen of sanctions, is urgently needed to ensure that Burma is no longer trapped in the "one step forward, two steps backward" vicious cycle of the military junta.

"I think we'll tell you when the military is genuine about political reform," ~ Daw Aung San Suu Kyi.⁵¹⁴

"There should be no question whatever about our commitment towards this process of national reconciliation. The reconciliation process is very important. We are in the process of transition to a democratic system because we want our country to be developed and modernised." ~ Burma's Deputy Foreign Minister Khin Maung Win, two months before the Black Friday attack.⁵¹⁵

⁵¹⁴ Burma Campaign UK (17 Jun 02) Interview with Daw Aung San Suu Kyi

⁵¹⁵ Bangkok Post (24 Mar 03) Junta Looks in No Hurry in Talks with Suu Kyi: Larry Jagan

INDEX

Activist Groups

- Burma Campaign UK 4, 92, 106-108, 151
- Canadian Friends of Burma (CFOB) 107
- Coalition to Stop the Use of Child Soldiers 125
- Free Burma Coalition USA (FBC) 106
- Global Witness 58-59, 63, 66-68
- Human Rights Watch 125, 165

Afghanistan 127, 162-163

Aid/Assistance

- Bilateral 13, 14, 21-24, 35-36, 100, 102-103, 105, 173, 185
- Consultation 35, 101, 103, 173, 184
- Counter-narcotics 37, 128
- Democracy movement 3-4, 13, 35
- Development/Infrastructure 23, 102-103, 111, 181
- Humanitarian 7, 22-24, 30, 35, 103-104, 173, 184
- Multilateral 21-22, 24, 35, 37

Arms

- Development 30-32, 122, 148, 156
- Embargo 3, 22-24, 26, 30-32, 54, 116-117, 123, 134, 167, 176, 184, 186, 188
- Financing of/Spending 4, 15, 67, 119-120, 122, 127, 148, 156
- Import substitution 32
- Procurement & suppliers 7, 12, 14-15, 23, 30-33, 54, 67-68, 82, 86, 117, 119-122, 127, 148, 162, 187
- Technical training 33

ASEAN

- Constructive engagement 7, 12, 14, 46, 48, 52, 109-111, 138, 140, 168, 170, 180, 182, 185
- EU-ASEAN 34-35, 173
- Membership 14, 53, 110, 178
- Meetings 8, 17
- Objectives 110-111, 178
- Regional forum 111-112
- Regional stability 12, 111, 131, 160, 180
- Trade/Financing 75, 102

ASEAN Members 12

- Cambodia 109, 118, 145
- Indonesia 52, 70, 73-75, 89, 102, 118, 128, 172

Non-military options to support Burma's democratization 189

- Laos 109, 118, 126, 128
 - Malaysia 13-14, 33, 44, 58, 69, 70, 72-73, 75-76, 89, 109, 112, 116, 118, 129, 132, 135, 138, 147, 168, 170
 - Mahathir Mohamad, Prime Minister 13, 48, 110, 170
 - Philippines 33, 62, 118, 171
 - Singapore 14, 27, 32-33, 55, 57-58, 72-73, 75, 89-90, 97, 102, 108, 112, 118, 135, 138, 141, 148, 154, 170
 - Thailand – see separate heading
 - Vietnam 32-33, 68, 72, 99, 117-118, 131, 148
- Asset-freeze 3, 22, 24, 33-34, 95, 117, 179, 184-186
- Aung San Suu Kyi 2, 10-11, 14, 51, 64, 177
- Arrest/Detention 15-17, 23, 36, 48, 50, 98, 132, 134, 136, 138, 169, 171, 178
 - Dialogue 5, 7, 15, 23, 41, 47, 161, 178
 - Economy 158
 - Sanctions/Investment 19, 74, 158, 181
 - International action 3, 4, 110, 140, 167, 187
- Australia 97, 102, 126, 186
- Aid 12
 - Arms & sales/Embargo 30, 186
 - Economic ties 57, 141, 186
 - Relationship with the SPDC 12, 112, 138, 170-171, 186
- Bangladesh 12, 14, 72-73, 77, 126, 129-130
- Banks
- Banking crisis 135-136, 145-146, 156-157, 169
 - Money laundering 96-96, 127
 - Ownership 27, 66, 82-83, 85-87, 90, 144, 157
 - Remittances 26-27
- Burma Ethnic Nationalities, States and Divisions
- Ethnic nationalities (general) 1, 10-11, 14-15, 37, 49, 52, 59, 63, 109, 113, 117, 125, 128-129, 148, 150, 159, 181-182, 187
 - Arakan/ Rakhine 72-73, 94, 118, 123, 129, 144, 183
 - Cease-fires 10, 14, 59, 64, 163-164, 168, 171
 - Chin 109, 118, 129
 - Kachin 12, 61-64, 66, 69, 109, 148
 - Karen 11, 45, 63-64, 118, 130, 148, 150, 182
 - Karenni 150
 - Mandalay 12, 61, 118
 - Mawchi Township 66, 150-151

190 Special Report: Ready, Aim, Sanction!

Mon 64-65, 94, 118, 124, 150, 182

Pa-O 64

Rohingya 94, 129-130

Sagaing 90, 94, 118

Shan 12, 45, 60-61, 94, 100, 109, 118, 130, 148-150, 159, 162, 181-182

Wa 61, 64-66, 77, 97, 125-128

Business in Burma I

Army/Military commands 55, 59, 62, 80, 86-88, 92, 94, 109, 144

Conflict resources – see separate heading

Divestment 41, 105-107, 179

Exports/Imports 3, 21-22, 24-27, 29, 31-32, 38-40, 55-60, 65, 67-72, 77, 80, 82, 84, 86, 89, 92, 97, 106-107, 117, 122, 135-136, 141, 144-146, 148, 152, 154-155, 169, 176-177, 184, 186

Infrastructure development 61, 77, 99, 104, 107-108, 127, 151, 155

Investment 4, 56, 61, 76-79, 142-144, 151

Climate 6, 18-19, 28, 61, 77, 94, 108, 141, 145-146, 151, 153-155, 187

Companies 29-30, 64-66, 69, 72-74, 88-90, 108, 142, 152, 154

Country 12, 14, 28-30, 63, 66-67, 72-73, 75-76, 142

Deals with the SPDC 26, 55, 62, 66, 72, 141-142, 154, 156

Foreign Direct Investment (FDI) 28-29, 57, 72, 74-77, 141-142

Sanctions/boycotts/legal actions 18, 24-26, 28-29, 40, 57, 72, 74, 79, 83, 86, 91, 107-108, 141-142, 146, 153, 159, 176, 181, 184, 186

Joint ventures – see separate heading under SPDC run businesses

Trade 12, 14, 18, 21, 24, 26, 29, 31, 38, 40, 55, 57-67, 71, 77-79, 94, 111, 113, 141-143, 151, 153-155, 159, 169, 172, 179, 181

Barter 31, 67-68, 71-72, 158

Fairs/Emporiums 62, 77

Statistics 25-26, 28-29, 39-40, 57-60, 62, 70-71, 75-77, 92, 106, 117, 141-142, 145, 148, 153

Mandalay Brewery 82, 154

Money laundering – see separate heading

SPDC involvement – see SPDC run/influenced business

Canada 97, 102, 186

Aid 35-38, 98

Arms & sales/embargo 30

Current sanctions 21, 34-40, 98

Economic ties 21, 40, 57-58, 141

Relationship with the SPDC 40, 159, 181

Center for Disease Control (CDC) 171

Chile 32, 149

Non-military options to support Burma's democratization 191

- China 62, 67, 102, 159-161, 185
 - Aid 138
 - Arms & sales/embargo 12, 32, 54, 121-122, 148, 160
 - Defense training/ties 12, 32, 123
 - Economic ties 12, 58-59, 66, 72-73, 75, 160
 - Li Zhaoxing, Foreign Minister 160
 - Organized crime 65, 126, 131, 161
 - Relationship with the SPDC 7, 12, 48, 52, 59, 67, 111-112, 159-161, 170, 180
- Civil society 32, 54, 105, 108, 112, 178, 182
- Civil war 116-117, 128-129, 162
- Conflict resources 58-70, 184
 - Companies operating 59-60, 62, 64-65, 68-70
 - Foreign exchange 60, 62, 66-67, 84, 148
 - Gems and minerals 58, 61-62, 65-66, 75, 93, 97, 144
 - Local communities 61, 63, 66, 78, 148
 - Logging 55, 59-69, 75, 77-78, 84, 93, 97, 144, 148
 - Resource diplomacy 14, 59, 66, 112
 - SPDC involvement/presence 59-64, 67, 69
 - Subcontracts 60, 62, 68, 84, 88
 - Sustainable development 58-59, 62, 66, 78, 148
 - Teak 26, 56, 59-60, 67-69, 71-72, 84
- Corruption 4, 18, 61, 95, 128, 135-137, 154-155, 170
- Defense & Military 5, 10-11, 93-94, 118
 - Arms – see separate heading
 - Budget 4, 31, 119-120, 146-148, 158
 - Child soldiers 5, 45, 117, 125-126, 149
 - Conscription 118, 129
 - Income/sources of revenue 6, 14, 18, 31, 59-63, 79-80, 82-84, 86-88, 92, 106, 120, 126, 143-144, 181, 187
 - Intelligence sharing 123
 - Military commands/battalions 60, 62-63, 87-88, 118, 123-124, 150
 - Military strength/Threat 14-15, 19, 29-31, 99, 111, 116-120, 122, 128, 131-132, 149, 156
 - Na Sa Ka 34, 79, 93-95, 145, 149, 184-186
 - Officers – see SPDC officers
 - Porters 63, 123-124
 - Training 33, 93
 - USDA 24-25, 33-34, 55-56, 62, 69, 79, 93-95, 143, 184-186

192 Special Report: Ready, Aim, Sanction!

War crime 125

Democratic Karen Buddhist Army (DKBA) 126

Democratic transition/Democracy

Benchmarks 53, 165

Black Friday (May 30) 5-8, 10, 12-15, 17, 36, 46-49, 102, 105, 110, 134, 136-140, 169, 171, 173, 187

Broken promises 4-5, 7-8, 12, 44, 47, 74, 105, 138-139, 170, 172, 174-175, 180, 187

Delays 4-5, 8-9, 44, 52, 78, 139-140, 164, 166, 168, 180

Dialogue – see heading under Aung San Suu Kyi

Election 10, 113, 131

National reconciliation 3, 4, 6-7, 9, 15, 18, 22, 33, 43, 48, 50-51, 53, 66, 104, 113-114, 128, 138, 153, 168, 172, 174, 177, 179, 181, 187

Reconstruction of Burma 53

Tripartite dialogue 9, 181-182

Diplomacy

Business diplomacy 137-138, 170-171

Carrots & Sticks (Incentives, enforcement actions, consequences) 3, 16-17, 19, 42, 51-53, 55, 102, 105, 117, 134, 137-140, 151, 164-168, 170-174, 179-180

Coercive persuasion/diplomacy 137, 165, 174-175, 179-180

Communication 52, 140, 164, 168, 178

Concessions 5, 34, 165-166

Constructive engagement 1, 3, 51, 74, 109-110, 138-139, 172

Diplomatic squad 3, 51-52, 164

Engagement 12-13, 15, 170, 172-173, 178

Isolation 2, 159

Leverage 6, 51, 130, 164, 166-168, 172, 177

Lose-lose situation 138, 170-171

Manipulation 3, 32, 37, 47, 59, 74, 139, 164, 166, 171

Military intervention 134, 172, 180

Multilateral 3, 46, 51, 58, 113

Non-military options 133-134, 162-164

Principled engagement 2-3, 51-52, 139-141, 165-166, 168, 172

Recipe for reconciliation 3, 51

Recipe for success 179

Resource diplomacy 14, 59, 66, 112

Roadmap 8-9, 11, 112, 140

Displacement

Asylum seekers 14, 67, 116, 129, 131

Internally displaced persons (IDPs) 1, 4, 128, 130, 147-148, 162

Migrants 14, 53, 129-131, 171

Non-military options to support Burma's democratization 193

Refugees 12, 35, 53, 65, 67, 115, 129-130, 171, 187
Repatriation 130

Economists

Alfred Oehlers 19, 55, 144
Alison Vicary 151, 156
Bradley Babson 16
Economist Intelligence Unit (EIU) 57, 141, 153, 155
Sean Turnell 156

Economy

Banks – see separate heading
Business in Burma & business climate– see separate heading
Debt 38, 98, 104-105
Deprivation of livelihood 45, 150
 Conflict resources – see separate heading
 Four cuts program 150
 Human rights abuses – see separate heading
 Land confiscation 45, 94, 129-130, 145, 148, 150
 Monopoly – see below
 Rice procurement 80, 84, 145
Economic reforms 4, 6, 12-14, 20, 78, 101, 104, 111, 131, 135, 138, 140, 154, 158
Economic sanctions 24, 28, 39, 41, 176
Financial/Banking crisis 135-136, 145-146, 150, 156-158, 168-169
Foreign direct investment (FDI) – see separate heading
Foreign exchange, exchange rate, FECs 25-27, 57, 60, 62, 66-67, 77, 84, 86, 108, 141, 148, 154-155, 157-158, 177
Formal economy 19, 55, 79, 143-144
Government spending 4, 31, 64, 80, 120, 127, 148, 157
Informal economy 19, 143-144
Macroeconomic policies 157, 177
Market economy 23, 143, 156, 158
Microeconomic policies 157
Mismanagement 4, 19, 28, 67, 120, 129, 136, 142, 156, 160, 169
Monopoly 4, 56, 59, 84, 86, 93-94, 142, 144-145
Privatization 55, 79, 143
Public expenditure 4, 64, 104, 146-148
Regime policies 4, 18, 27, 60-62, 68, 79-80, 84, 135, 146, 151, 153-155, 157-158, 170, 177, 187
SPDC involvement 25, 55-57, 59-64, 66, 68, 106-109, 127, 136-137, 141-145, 146-156
Subsistence 19, 61, 143-145, 148

194 Special Report: Ready, Aim, Sanction!

Taxes 25, 27, 39, 45, 57, 59, 80, 92-94, 107, 141, 145, 150, 152, 155-157, 177

Education 30, 54, 64, 105, 119, 129, 131, 143, 146-148, 171

Environment 23, 58, 61-63, 99, 101, 148, 182

Dams 100

Europe, non-EU members 184

Bulgaria 32, 149

Czechoslovakia 32, 148

Norway 102

Poland 32, 57, 141, 148, 165

Russian Federation 14, 32, 45, 67, 70-71, 97, 121-122, 128, 148, 184

Serb Republic 31

Ukraine 32, 128, 148-149

Yugoslavia 32, 128, 148, 165

Slobodan Milosevic 164-165

European Union & Members 6, 12, 22, 33-34, 38-40, 95, 98, 166, 168, 172-173

Acceding & Cooperating Countries 12, 102

Aid 13, 35, 38

Arms & sales/embargo 22, 30

Belgium 32, 149

Britain/UK 12, 72, 75, 97, 106, 117, 171

Current sanctions 6, 12, 22, 33-34, 38-40, 95, 98, 166, 168, 172-173

Economic ties 12, 25, 40, 57, 72, 92, 141-142

Finland 102

France 69, 72-73, 75, 102, 117

Germany 6, 12, 102

Italy 6, 12

Netherlands 12, 75, 97

Portugal 32, 34, 148

Relationship with the SPDC 12, 40, 138, 159, 173

Sweden 102

Troika 40, 173

Federation of International Football Associations (FIFA) 112

Garment Industry 56, 106

Employment 55, 145

Exports 25-26, 87, 89, 145

Factories 55, 85, 87, 91-92, 141, 144

Labor standards (for forced labor, see human rights) 74, 78, 101, 106, 109, 151, 172

Non-military options to support Burma's democratization 195

- Myanmar Garment Manufacturers' Association 25, 92, 141
- Gas & Oil Industry 3, 56, 74, 82-83
 - Export/Import 29, 70, 72-73, 176
 - Foreign direct investment (FDI) 29, 72-73, 76-77, 142, 152
 - Martaban gas-field 71
 - Petroleum 55, 57, 71, 73, 82-83, 144, 155, 176
 - Pipeline projects/Gas-fields 29, 70-76, 107-108, 142, 152
- Geopolitical location 13, 159, 162
- Greater Mekong Subregion (GMS) 13, 159, 162
 - Funding 36, 38, 74, 99, 101-102
 - Power Trade Operating Agreement (PTOA) 100-101
 - Projects including Burma 74, 98-100
 - Technical Assistance 100-101
- Haiti 116, 131, 164, 174, 179
 - Raoul Cedras 164, 174-175, 179
- Health
 - Government spending 64, 119, 146-147
 - HIV/AIDS 12, 17, 50, 53, 65, 78, 97, 111, 131, 161, 171, 173, 187
 - Ministry of Health 171
- Hong Kong 70, 76, 97
- Human Rights Abuses 1, 4, 12-13, 24, 28, 33, 35, 38-40, 43-46, 49-50, 53, 72, 91, 94-95, 101, 108, 110, 115-117, 125, 128-131, 134, 148-152, 163, 174, 179, 182, 187
 - Child labor 91-92, 106, 152
 - Child soldiers 5, 45, 117, 125-126, 149
 - Deprivation of livelihood – see subheading under economy
 - Extortion 45, 90, 150
 - Forced conscription 118, 129
 - Forced labor 15-16, 22, 26, 39-42, 45-46, 59, 61, 63, 72, 80, 85, 92, 94, 101, 106-109, 123-124, 130, 132, 138, 145, 148, 150-152, 166
 - Forced portering 116, 123-124, 152
 - Forced relocation 45, 72, 91, 94, 101, 108, 129, 130, 145, 147, 150-152
 - Political prisoners/Human rights defenders (HRD) 2, 5, 9, 10, 15, 17, 45, 49, 114, 132, 134, 149, 165, 171, 175, 177, 185
 - Rape 1, 5, 45, 94, 108, 126, 149, 152
- Impunity 127, 163
- India 48, 52, 102, 111-112, 117, 126, 128-129, 186

196 Special Report: Ready, Aim, Sanction!

- Arms & sales/embargo 13, 32, 122, 148
- Defense training/ties 13, 33
- Economic ties 13, 57-58, 72-73, 77, 141
- Relationship with the SPDC 7, 13, 111, 159

International Committee of the Red Cross (ICRC) 17, 134

International Conventions, Declarations and Covenants 45-46, 150

IFI/MDBs

- Asian Development Bank (ADB) 19, 36-38, 97-102, 153
 - Greater Mekong Subregion – see separate heading
- International Monetary Fund (IMF) 98, 173
- World Bank 16, 19, 37-38, 98, 102, 104-105, 147, 153, 171

International Hydrographic Organization 173

International Labor Organization (ILO) 15, 40-42, 45, 101, 109, 123, 126, 132, 138, 150-151, 160

- Sanctions/measures 16, 18, 40-42, 114, 132-134, 137, 166, 168, 180, 182
- Hong-Trang Perret-Nguyen, Liaison Officer 16, 42, 123
- Leon de Riedmatten, Project Facilitator 42

International relations 12

Iraq 67-68, 71-72, 115

Israel 32-33, 121, 148

Japan 52, 98, 102, 105, 187

- Aid 13, 23, 36, 102-105, 137-138, 171
- Arms & sales/embargo 23, 30
- Current sanctions 23, 105, 140
- Economic ties 27, 55, 58, 71-73, 75, 102-105, 154
- Junichiro Koizumi, Prime Minister 171
- Official Development Assistance (ODA) 23, 36, 102-105
- Relationship with the SPDC 13, 23, 110-112, 132, 137-138, 170

Labor Groups & Trade Unions

- AFL-CIO 131
- Canadian Labor Congress and the International Federation of Chemical, Energy, Mines and General Worker's Union 107
- Federation of Trade Unions-Burma (FTUB) 41, 44, 75, 101, 119, 139, 142, 166
- International Confederation of Free Trade Unions (ICFTU) 30, 42, 107, 123, 152

Labor standards (for forced labor, see human rights) 74, 78, 101, 106, 109, 151, 172

Non-military options to support Burma's democratization 197

Landmines 94, 124

Media & Journalists

Jane's Defense Weekly 71

Larry Jagan 51, 140

Military – see Defense

Money Laundering

Burma's law 15, 95-97, 132

Financial Action Task Force (FATF) 95-97, 99, 185

Risks/Violations 18, 31, 37, 56, 62, 65, 77-78, 95-97, 99, 127, 154

Narcotics

Afghanistan 162-163

Amphetamines 111, 126

Certification 24, 28, 35, 37, 39

Counter-narcotics aid & programs 12, 15, 17, 24, 35, 37-38, 126-128, 132

Financing 31, 127

Foreign Narcotics Kingpin Designation Act 127

Khun Sa 56

Kyaw Win 65

Lo Hsing Han 56, 65, 78

Money laundering 56, 65, 95, 127

Opium 65-66, 126

Regional 12, 37, 53, 65-66, 126-127, 131, 161, 171, 187

Revolutionary Armed Forces of Columbia (FARC) 127

Steven Law 65, 78

Trafficking & Traffickers 10, 25, 56, 65-66, 87, 97, 99, 117, 126, 161

UNODC/UNDCP – see separate heading under UN

National League for Democracy (NLD) 4-8, 10-11, 15-16, 35, 47-49, 52, 75, 93, 102, 113, 132, 161, 171, 173, 181-182, 184

Daw Aung San Suu Kyi, General Secretary – see separate heading

U Lwin, Spokesperson 49

U Tin Oo, Deputy Chairman 75, 134

New Zealand 102

Nigeria 174-175

Nuclear reactor 67, 122

Oil – see Gas & Oil

198 Special Report: Ready, Aim, Sanction!

Opposition/Democracy Movement 2, 4-6, 7, 12-13, 105, 122, 159, 178, 181

Arakan League for Democracy 183

Assistance to 3-4, 13-14, 35

Committee Representing the People's Parliament (CRPP) 4, 113, 163, 184, 186

Karen National Union 11, 63-64, 182

Mon Unity League 182

NCGUB 183

Positions on democratic change & sanctions 159, 181

Shan State Army 182

Pakistan 32-33, 122, 148

Regional stability/security 111, 115-116, 120, 131, 160, 180

Rule of law 15-16, 35, 54, 95, 151

Sanctions

Checklist for sanctions 184-187

Compliance 16, 122, 137, 164-166, 173, 180

Coping mechanisms 27, 55, 67, 134, 167, 176-177

Current sanctions 21-24

Arms embargo & Suspension of export/transfer articles or services that could be used for internal repression 30-33, 54

Asset freeze 33-34

Ban on direct foreign assistance 35-36

Ban on remittances 26-27, 54, 142

Diplomatic downgrades 35, 40, 173

Drug eradication assistance 17, 28, 35-37, 128

Foreign investment restrictions 28-30, 57, 141-142

Import ban 25-26, 56, 59, 146

Japan suspends aid to Burma 36-37, 102-103, 105

Preference suspensions 38-40

Suspension of MDB/IFI assistance 37-38, 98

Travel/Visa ban 34-35

Diplomacy – see separate heading

Direct impact 3, 25-26, 28, 30, 33-36, 38-39, 172

Effectiveness 3, 16, 30, 55, 133-135, 139, 141, 158-159, 164-168, 173, 179-181, 187

Effects on civil society 4, 19, 142-146, 158-159, 181

Effects on the regime and its cronies 3, 4, 6, 15-19, 40-41, 55, 132-133, 135, 138, 142-144, 156, 159, 181

Enforcement actions & Incentives 3, 16-17, 19, 42, 51-53, 55, 102, 105, 117, 134, 137-140, 151, 164-168, 170-174, 179-180

Non-military options to support Burma's democratization 199

- Implementation 1, 3-4, 15, 17, 22-24, 33, 54, 95-96, 133-134, 142, 160, 166-168, 172, 180
- Indirect impact 3, 14-16
- Leverage 6, 51, 130, 164, 166-168, 172, 177
- Limitations of sanctions/Loopholes 17-19, 25-27, 29-40, 179
- Myths & Realities 75, 132-161
- Premature Action 139, 172
- Preventative 17-18, 30-31, 114, 116, 132-133, 135, 153, 166, 175
- Smart sanctions 6
- Proposed Actions
 - Arms Embargo 54
 - ASEAN to Take Responsibility 109-111
 - Asset Freeze 94
 - Ban on Conflict Resources 58-70
 - Ban on Natural Gas Imports from Burma 70-71
 - Ban on Oil & Gas Foreign Direct Investment 71-74
 - Ban on Remittances to Burma 54-55
 - Boycott and Divestment Campaigns 105-108
 - Delay Tourism 108-109
 - Full Investment Ban 74-78, 79-94
 - Implement Financial Action Task Force Recommendations 95-97
 - Import Ban on Goods from Burma 55-57
 - Increase Capacity of Opposition Movement 113-114
 - Increase Pressure on the Regime's Key Partners 111-112
 - Official Recognition of the CRPP as the People's Representation 113
 - Pressure on Japan 105
 - Put SPDC on Probation 114
 - Recipe for Reconciliation 51-53
 - Restriction on Fuel Sales to Burma 71-72
 - Sporting Embargo 112-113
 - Suspend Japan's Official Development Assistance to Burma 102-105
 - Take Burma to the United Nations Security Council 46, 114-131
 - UNGA Action 46
 - Withhold Assistance from IFI/MDBs 98-99
 - Withhold GMS Funding for Projects in Burma 99-102
- Serb Republic 31
- South Africa 1-2, 32, 46, 57, 108, 113, 149, 174, 176-177
- Stakeholders 6, 48, 51, 53, 74, 101, 103, 140, 168, 172
- State Peace and Development Council (SPDC)
 - Hardliners 8, 169

200 Special Report: Ready, Aim, Sanction!

Legitimacy 15
Moderates 4, 8, 136-137, 163, 169-170
Pressure points 1, 3, 4, 16, 36, 51, 134, 138-140, 183
Public relations 7, 16
Reforms 2-4, 7, 12-14, 20, 38, 47, 49, 51, 78, 98-99, 101, 103, 111, 134-141, 153-154, 157-158, 161-164, 169-170, 172, 174, 178-179, 181, 187
Reshuffle 8
Salaries 146

SPDC Officials

Hla Min, Spokesman 15
Khin Maung Win, Deputy Foreign Minister 35, 187
Khin Nyunt, General 8-9, 11, 27, 80, 136, 146, 169
Kyaw Thein, Defense Minister 35
Maung Aye, Deputy Senior General 79, 136, 155, 161
Maung Maung Thein, General 69
Maung Ni, Colonel 69
Mya Than, Permanent UN Representative 43
Soe Win, Sec 8, 169, 180
Than Shwe, Senior General 5, 7, 13, 18, 47, 68, 93, 136, 154, 162, 169-171, 175, 178
Than Tun, Brig-Gen 7, 169
Thein Sein, Sec 2, 11, 169
Tin Aye, Brig-Gen 69
Tin Win, Labor Minister 7, 11
Win Aung, Foreign Minister 9, 16-17

SPDC Ministries, Departments, Agencies

Directorate of Defense Industries (DDI) 81-81
Directorate of Defense Procurement (DDP) 81-82
Directorate of Ordnance 55, 85, 144
Ministry of Construction 91
Ministry of Defense 32, 81-82, 120
Ministry of Finance and Revenue 57, 141
Ministry of Forestry 59, 84
Ministry of Health 171
Ministry of Home Affairs 93
Ministry of Hotels & Tourism 85
Ministry of Industry (1 and 2) 55, 83, 86, 90-92, 95, 144
Ministry of Post and Telegraphs (MPT) 84
Ministry for Progress of Border Areas & National Races & Development Affairs 61, 64
Myanmar Economic Corporation (MEC) 25, 56, 79, 81-82, 91, 95
Myanmar Timber Enterprises (MTE) 59-60, 68-70, 84

Non-military options to support Burma's democratization 201

Office of Strategic Studies (OSS) 146

SPDC Run/Influenced Businesses

Banks 85-86, 157

Department of Human Settlement and Housing Development (DHSHD) 91-92

Industrial Estates 83, 88, 90-92, 106, 152

Joint ventures 62, 69, 78-79, 82-83, 85, 87-92, 95, 106, 108, 122, 143, 151-152, 154, 156

Manufacturing 55, 82-83, 143-144

Mining 55, 62, 66, 87, 143-144

Myanmar Agriculture Produce Trading (MAPT) 80, 84

Myanmar Investment Commission (MIC) 29

Myanmar Electric Power Enterprise (MEPE) 85

Myanmar Export-Import Services (MEIS) 84

Myanma Oil and Gas Enterprise (MOGE) 73, 81, 83

Myanma Petrochemical Enterprise (MPE) 81, 83

Myanma Petroleum Products Enterprise (MPPE) 71, 81, 83

Union of Myanmar Economic Holdings Ltd UMEH/UMHEL/UMEHI 25, 56, 62, 80-81, 86-89, 91-92, 95, 106, 151-152, 154

Switzerland 76, 102

Tatmadaw (Burmese Army) 55-56, 59, 80, 85-86, 92-94, 109, 116, 118, 123-125, 144, 167

Thailand 52, 126-127, 129-130, 171

Aid 14, 138

Arms & sales/embargo 32

Asada Jayanama 8

Chavalit Yongchaiyudh, Commander in Chief of Armed Forces 66-67

Defense training/ties 14, 64, 122

Economic Cooperation Strategy (ECS) 109

Economic ties 14, 26, 57-59, 61, 63-64, 66-67, 70-73, 75, 77, 89, 99-100, 117, 141

Relationship with the SPDC 9, 14, 59, 66-67, 111-112, 132, 137-138, 140, 163, 170-171

Surakiart Sathirathai, Foreign Minister 109

Thaksin Shinawatra, Prime Minister 9, 14, 57, 89, 112, 127, 163, 171

Wattanachai Chaimuenwong, Deputy Army Chief 127

Think tanks, Researchers & Commentators

Andrew Selth 31, 79, 119, 143, 149

Alexander George 179

Bertil Lintner 128

Center for Strategic and International Studies 16, 163

202 Special Report: Ready, Aim, Sanction!

David Goldwyn 165
David Steinberg 93, 146
Desmond Ball 127
Heritage Foundation 18, 153
International Crisis Group 167
Maung Aung Myoe 55, 85, 144
Min Zin 165, 167
Morton Abramowitz 139
Paul Schroeder 114, 135
Technical Advisory Network 110
U.S. Institute of Peace 179
U.S. Task Force on Burma 37, 53, 104, 112

Tourism & Hotels 22, 30, 33, 55, 77, 82, 85, 87, 89-90, 93-94, 107-109, 144, 151, 184, 186

United Nations 9, 34, 43-44, 46, 50-51, 114, 167, 171, 184
Food and Agriculture Organization (FAO) 50, 60
UN Children's Fund (UNICEF) 125
UN Commission on Human Rights (UNCHR) 43, 50, 114, 126
UN Drug Control Program (UNDCP) 36
UN Educational, Scientific and Cultural Organization (UNESCO) 50
UN General Assembly (UNGA) 5, 9, 43, 46, 48, 50, 52, 114, 135, 149
UN Office on Drugs and Crime (UNODC) 36-37
UN Security Council (UNSC) – see separate heading
World Health Organization (WHO) 50

United Nations Personnel

Alvaro de Soto, former UN Special Envoy 44
Kofi Annan, UN Secretary-General 43, 46, 114, 126
Paulo Sergio Pinheiro, UN Special Rapporteur 44, 49-50, 136, 169
Rajsoomer Lallah, former UN Special Rapporteur 44
Razali Ismail, UN Special Envoy 5, 17-18, 44, 47-52, 110, 132, 134, 136, 153, 169, 178
Yokota Yozo, former UN Special Rapporteur 44

United Nations Security Council 6

Article 39 114-115
Article 99 116, 126
Child soldiers 117, 125-126
Civilian military porters 116, 123-125
Civil war 117, 128-129
Disruption to democracy 115, 117, 131
Drugs 117, 126-128

Non-military options to support Burma's democratization 203

- Internal conflicts 115
- International peace and security 114, 131
- Military 116-123
- Recommendations 3, 33, 46, 48, 52, 54, 58, 114, 116-117, 176, 184
- Regional displacement 117, 129-130
- Systematic human rights abuses 117, 130
- Violation of international law 115

- United States 52, 80, 90, 95, 97, 102, 112, 117, 126-128, 131, 159, 180, 187
 - Aid 14, 24, 35-37
 - Arms & sales/embargo 24, 30
 - Colin Powell, Secretary of State 26, 112
 - Current sanctions 3-5, 9, 14, 16-17, 24-28, 33-38, 40, 53-54, 57, 74, 95, 98, 133, 138, 140, 142, 145, 146, 153, 159, 168, 179, 181-183
 - Defense training 24, 30
 - Economic ties 14, 16, 25-26, 29-30, 40, 54, 57, 58, 72, 74-75, 92, 106, 110, 141-142, 152
 - Mitch McConnell, Senator 17, 112, 135
 - Relationship with the SPDC 14, 16-17, 113, 138, 171
 - Task Force 37, 53, 104, 112
 - U.S. Trade Representative (USTR) 172
 - U.S. State Department 17, 24, 90, 105
 - U.S. Institute of Peace 179
 - U.S. Department of Commerce 57, 106, 141, 154-155

- United Wa State Army (UWSA) 65, 97, 125-128

- Weapons – see Arms

204 Special Report: Ready, Aim, Sanction!

RESOURCES FROM ALTSEAN-BURMA

- 2000 Apr SPECIAL BRIEFING: Women's Report Card on Burma 2000. 36pp. \$5
- 2000 May REPORT CARD:Consequences of Violence. A5, 40pp. Gratis
- 2000 Jun BOOK: Burma ~ More Women's Voices. 108pp. US\$10
- 2000 Sep REPORT CARD:Stand Off!. A5, 40pp
- 2001 Mar REPORT CARD:Tentative Steps. A5, 80pp. Price \$5 each
- 2001 Jun SPECIAL BRIEFING: Women's Report Card on Burma 2001. 36pp. US\$5
- 2001 Jun POSTER: What Women of Burma Want! A2. Price \$5 for 5
- 2001 Jun T-SHIRT: "Burma: Asean's Shame" US\$15/40 for US\$400
- 2001 Sep REPORT CARD: Still Waiting. A5, 66pp. Price \$5 each
- 2001 Oct REPORT CARD: Burma's Plea. A5, 80pp. Price \$5 each
- 2001 Dec T-SHIRT (Multilingual): "Free Aung San Suu Kyi" US\$15/40 for US\$400
- 2002 Jan POSTER: ALTSEAN-BURMA ACTIVISTS' CALENDAR 2002. A2. Gratis.
- 2002 Mar REPORT CARD: Labor Pains. A5, 64pp. Price \$5 each
- 2002 Apr SPECIAL REPORT: Some Talk, Little Action, Burma's Secret Talks. A5, 60pp. Price \$5
- 2002 Apr POSTER: Burma – Prison State! A2. Gratis.
- 2002 Jun BOOK: Burma ~ Women's Voices for Change. 116pp. US\$10
- 2002 Jul REPORT CARD: Rangoon Suspense. A5, 60pp. Price US\$5 each
- 2002 Sep REPORT CARD: New Page, Old Story. A5, 68pp. Price US\$5 each
- 2002 Oct SPECIAL REPORT: A Peace of Pie? Burma's Humanitarian Aid Debate. A5, 84pp. Price \$5 each
- 2002 Dec REPORT CARD: Smokescreen. A5, 72pp. Price \$5 each
- 2003 Jan POSTER & POCKET PLANNER: ALTSEAN-BURMA ACTIVISTS' CALENDAR 2003. A2. Gratis.
- 2003 Feb T-SHIRT (Multilingual): "National Reconciliation" US\$15/40 for US\$400
- 2003 Mar Women's Report Card on Burma: Abused Bargaining Chips. 40pp. US\$5
- 2003 Mar REPORT CARD: Balancing Act. A5, 84pp. Price \$5 each
- 2003 Jun SPECIAL BRIEFING: Black Friday & the Nationwide Crackdown in Burma. Gratis.
- 2003 Jun BOOK: Burma ~ Women's Voices Together. A5, 177pp. Price US\$10 each
- 2003 Jun Postcards: A set of 4 photos from Daw Aung San Suu Kyi's travels in Burma (2002-2003). A5, colour. Price US\$2
- 2003 Nov REPORT CARD: Charm Offensive. A5, 72pp. Price \$5 each
- 2003 Nov REPORT CARD: ARRESTED. A5, 100pp. Price \$5 each
- 2003 Nov SPECIAL REPORT: Ready, Aim, Sanction! NonMilitary Options to Support Burma's Democratisation. A5, 212pp. Price US\$10 each

Please fax (662 693 4939) or email <altsean@altsean.org> to order

Some resources are also available online at www.burmalibrary.org

Discounts are available for bulk orders.

ISBN 974 - 91748 - 0 - 1

Printed in Bangkok, November 2003

COVER COMPUTER ART BY SAW BIBI
BOOK DESIGN BY MA THANDA

ALTSEAN BURMA

ALTERNATIVE ASEAN NETWORK ON BURMA
CAMPAIGNS, ADVOCACY & CAPACITY-BUILDING FOR HUMAN RIGHTS & DEMOCRACY

P O Box 296, LARDPRAO POST OFFICE, BANGKOK 10310, THAILAND

TEL [661] 850 9008 FAX [662] 693 4939

E-MAIL altsean@altsean.org