

# ALTSEAN BURMA

ALTERNATIVE ASEAN NETWORK ON BURMA  
campaigns, advocacy & capacity-building for human rights & democracy

BN 2007/1040: December 27, 2007

## BURMA AT 60: TIME FOR CHANGE!

- Instead of celebrating Burma's 60<sup>th</sup> anniversary of independence on 4 January 2008, most Burmese and their supporters will be mourning the disgraceful decay of the country under successive military regimes.
- However, Burma's leaders can change the situation if they implement urgent reforms. This includes the immediate steps of releasing all political prisoners, declaring a national ceasefire and commencing tripartite dialogue. ASEAN, China, and India have a collective obligation to convince the Burmese regime to change.
- When it became independent in 1948, Burma was regarded as the Southeast Asian nation "most likely to succeed". Despite the ravages of the World War II, the country had ample natural resources, a strong agricultural sector, growing infrastructure, a strong civil service, and a widely-respected education system.
- The military regimes that have ruled the country since 1962 have dragged the country into disgrace and economic ruin through gross economic mismanagement, corruption, and armed aggression towards non-Burman ethnic nationalities.
- The economic mismanagement of the current military junta, the State Peace and Development Council (SPDC), is causing the collapse of social infrastructure and perpetuating serious threats to human security. UNESCAP has warned that Burma is so far behind its neighbors that it threatens to destabilize regional development.<sup>1</sup>
- Diversion of resources to the military and oppressive interference has gravely damaged public institutions and the rule of law. Military offensives against ethnic groups have cut ordinary people off from their livelihoods.
- Burma has deteriorated from being awarded key prizes by the United Nations Children's Fund (UNICEF) in the 70s, to contributing over 20% of children's deaths in ASEAN.<sup>2</sup> Another appalling fact is that Burma currently has the world's largest number of child soldiers.
- In 1961, Burma's U Thant was the first non-European to be elected as UN Secretary General. In 2007, the military rulers of Burma are banned from traveling to the EU or US.
- The UN estimates that households are spending 70% of their incomes on food, with more than 90% of the population already living on less than US\$1 a day. Living in abject poverty, Burma's people were outraged when they learned about the gifts worth US\$50 million given to junta leader Than Shwe's daughter at her July 2006 wedding.
- 2008 also marks 20 years since the 8888 uprising. The people of Burma, including middle and lower ranks of the military, cannot afford to wait another 20 years for their rights. Burma supporters and the world community must not tolerate another year of degradation and delay tactics.

---

<sup>1</sup> UNESCAP (Nov 07) Ten as One: Challenges and Opportunities for ASEAN Integration

<sup>2</sup> Independent Education Union (25 Sep 02) Starved for knowledge Health and Education Crisis; UNESCAP (Nov 07) Ten as One: Challenges and Opportunities for ASEAN Integration

Sixty years since Burma became independent, its people are living under a brutal military regime, infrastructure has been run into the ground, and natural resources are being squandered. In September 2007, the people of Burma appealed to their leaders and the world for change. They took to the streets, calling out for the end of economic exploitation and arbitrary decision-making that has impoverished a country gifted with natural wealth and talented peoples. Burma's leaders must respond to this call, and join tripartite dialogue efforts, declare and uphold a national ceasefire, and free all political prisoners. The neighbors of Burma, ASEAN, China and India, must urge them to change course, if they are to avoid further spill-over of Burma's problems across borders and into the region.

### 1948: independence and insurgency

In 1948, Burma was a country recovering from a devastating war. In the 1920s, rice exports had grown to over 3 billion tons, half of the world's internationally traded rice.<sup>3</sup> In the 1930s, Burma was a major supplier of crude oil to the eastern British Empire. The country prospered. There was a strong civil service and an excellent education system. Rangoon University was affiliated with Calcutta University and rural literacy was higher than in many western countries because of monastic schools.<sup>4</sup> However, with the collapse of the international rice trade and heavy taxes, many farmers lost their land to British banks and Indian money-lenders.<sup>5</sup> Rural indebtedness was a problem. As a result, there was much resentment directed towards Indian moneylenders and the prosperous Indian elite. In ethnic areas, development was patchy, at best, and beset by unrest and insurgency. Aung San promised to change this. He promised those living in ethnic areas that, 'if Burma receives one kyat, you will also receive one kyat.'<sup>6</sup>

Throughout the 1950s, insurgency crippled the development of the national economy. Oil production was hit hard. In 1955, output was 80% lower than the prewar period. Burma initially accepted foreign assistance in rebuilding the country. However, continued American support for the Chinese Nationalist military presence in Burma finally resulted in the country rejecting most foreign aid. By 1958, the country was largely beginning to recover economically. In 1959/60 rice exports recovered to two million tons.<sup>8</sup> However, the country was falling apart politically. Fuel was scarce and oil production barely reached half pre-war levels.<sup>9</sup>

Rice (billion tons – official figures) <sup>7</sup>		
	Production	Export
1946/47	2.24	0.86
1955/56	3.60	1.96
1959/90	4.11	2.00
1962/63	4.80	1.55
1975/76	5.08	0.34
1987/88	8.02	0.15
2006/07	30.6	0.01

### 1962: Coup and the “Burmese way to Socialism”

General Ne Win staged a coup d'etat on March 2, 1962 and declared a 'socialist state' run by a 'Revolutionary Council' of senior military officers. The Revolutionary Council declared that the seizure of power was undertaken due to the social, economic and religious deterioration of the country.<sup>10</sup>

The “Burmese Way to Socialism” nationalized all major industries, including banking and international trade, despite the fact that the state lacked the capacity to run them. Civilian institutions were undermined and eventually dismantled including Parliament, the courts, the police, the universities, the civil service and district administration. Aid programs were terminated and all inward investment was banned. Burmese were very rarely allowed out of the country and foreigners were not allowed in, even as tourists. The economy creaked to a standstill. There were shortages of every kind. The regional and local authorities were dominated by serving or retired army officers. They did not have the experience or the training to deal with the complexities of running the highly centralized system of economic planning and production demanded by the “Burmese way”.<sup>11</sup>

<sup>3</sup> Far Eastern Economic Review (07 Jul 98) Creaking to a halt – VG Kularni  
<sup>4</sup> World Education Forum (2000) The EFA 2000 Assessment: Country Reports, Myanmar  
<sup>5</sup> Jan Donkers and Minka Nijhuis (eds) (1996) Burma behind the mask  
<sup>6</sup> “The Roots of Conflict” in Smith, Martin (1999) Burma: Insurgency and the politics of Ethnicity  
<sup>7</sup> 1946-1988 Far Eastern Economic Review (07 Jul 98) Creaking to a halt – VG Kularni,  
<sup>8</sup> “Insurrections in the parliamentary era” in Smith, Martin (1999) Burma: Insurgency and the politics of Ethnicity  
<sup>9</sup> “The Collapse of Parliamentary Democracy” in Smith, Martin (1999) Burma: Insurgency and the politics of Ethnicity  
<sup>10</sup> Maung Nu (06 Nov 63) In Defense of Democracy (letter to Ne Win written from prison)  
<sup>11</sup> Soe Myint (2003) Burma File: a question of democracy

Approximately 400,000 ethnic Indians, who dominated industry and civil service, were forcibly expelled. Domestic production collapsed. Local economies collapsed as traditional avenues of supply and demand come to an end. Official imports were reduced drastically and became available on the black market. Consumer goods, cloth, machine parts and medicine, were exchanged for teak, jade, minerals, cattle and opium. Opium production boomed, having already reached 4000 tons in 1962 from a prewar level of 40 tons per year. Foreign traders and members of the military were involved in the lucrative trade, and established good relations with ethnic groups.<sup>12</sup>

In the mid-sixties, the army introduced the Four Cuts Campaign against ethnic resistance groups. Some of the armed resistance groups controlled black market trade, and had taken control of areas of natural resource wealth that the army was interested in. The campaign aimed to cut rebels off from food, money, information and recruits. Ethnic rural villagers were cut off from subsistence agriculture, and populations were forced to resettle in “strategic hamlets.”<sup>13</sup>

## 1974 - 1987

Beginning in May 1974, a wave of strikes hit Rangoon and elsewhere in the country against a backdrop of corruption, inflation and food shortages, especially rice.<sup>14</sup> Local administrators, while incompetent, had been insulated from runaway inflation and shortages by a system of perks, including extra rations and access to imported goods sold at subsidized prices.<sup>15</sup> In the 1980s, the economy began to grow with relaxed restrictions on foreign aid. In spite of the ad hoc policy making and ongoing civil unrest of the previous four decades, rice production had doubled and energy resources were still in plentiful supply.<sup>16</sup>

In 1984 in ethnic nationality areas, the army revived and intensified its Four Cuts campaign. Thousands of civilians fled to Thailand, because of fighting, forced labor and conscription.<sup>17</sup> In the central Irrawaddy delta, farmers literally planted their rice at gunpoint and at harvest time were forced to sell their crop to authorities at very low price.<sup>18</sup>

Because of Burma’s continued isolation from the international community, by the late 1980s there was a grave shortage of foreign currency, necessary to pay off Burma’s growing international debt. Foreign debt had risen from US\$231.6 million in 1973 to US\$2 billion by March 1985 and US\$3.8 billion in March 1988. Burma was borrowing from the Asian Development Bank to pay for oil imports to finance essential transport needs.<sup>19</sup> In September 1987, controls on domestic trade in rice and other staples were relaxed, and private traders were told they would be permitted to export rice. The business community welcomed the news. Five days later, Ne Win inexplicably changed all currency notes to denominations divisible by nine, and 20, 50 and 100 kyat were declared invalid.<sup>20</sup> It is estimated to have made worthless 60-80% of the money in circulation. A month later new regulations and restrictions were put in place for the licensing of domestic rice traders. The banking system had no facilities to deal with private exports, and the false exchange rate meant export was unprofitable. Black market rice exports were estimated to be 1.5 million tons annually, out of a total output of 7-8 million tons.

In December 1987, Burma was designated “Least Developed Country” by the UN. It took the government four months to announce this decision to its own people. Rice exports were virtually nil, external debt was in excess of \$4,000 million, and foreign exchange holdings were less than \$20 million. The average per capita income was \$200 per annum, and in their application to the UN, officials said that “there has practically been no increase in the per capita GDP since the mid 1960s”.

---

<sup>12</sup> Jan Donkers and Minka Nijhuis (eds) (1996) *Burma behind the mask*

<sup>13</sup> Jan Donkers and Minka Nijhuis (eds) (1996) *Burma behind the mask*

<sup>14</sup> Jan Donkers and Minka Nijhuis (eds) (1996) *Burma behind the mask*

<sup>15</sup> Soe Myint (2003) *Burma File: a question of democracy*

<sup>16</sup> *Far Eastern Economic Review* (07 Jul 98) *Creaking to a halt – VG Kularni*

<sup>17</sup> Jan Donkers and Minka Nijhuis (eds) (1996) *Burma behind the mask*

<sup>18</sup> Jan Donkers and Minka Nijhuis (eds) (1996) *Burma behind the mask*

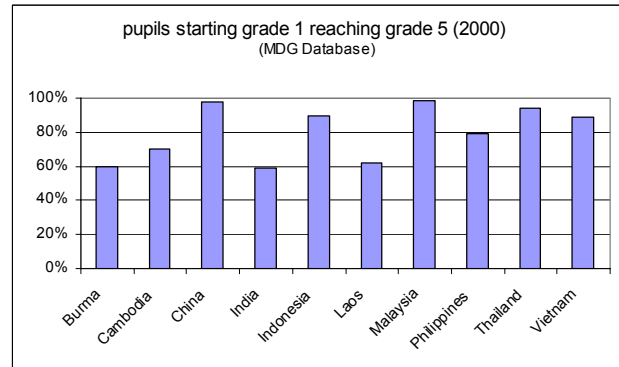
<sup>19</sup> *Far Eastern Economic Review* (07 Jul 98) *Creaking to a halt – VG Kularni*; 2006/7 EIU (Nov 07) *Country Report: Burma*. US Department of Agriculture estimates a production level of 10.7 million tons.

<sup>20</sup> Soe Myint (2003) *Burma File: a question of democracy*

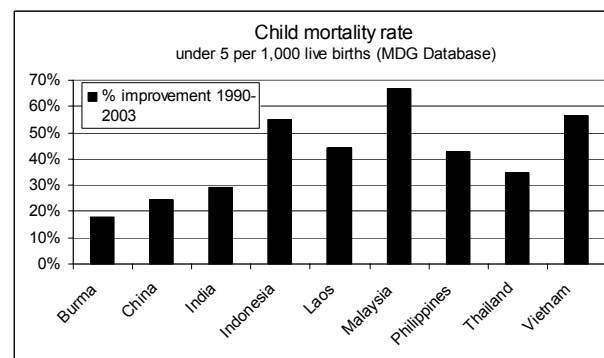
Less than 20% of the population was literate.<sup>21</sup> Burma was now officially categorized alongside Chad, Ethiopia and Nepal.<sup>22</sup>

## 1988

By mid-1988, rice shortages and public discontent were both at all-time highs. The education and health system reached a crisis point. A UNICEF survey in 1995 found that 40% of school-aged children had never attended primary school, and that 60% of those who did start school were unable to finish at the primary level.<sup>23</sup> A World Bank official estimated that US\$3 billion, 40% of GDP, changed hands annually on the black market.<sup>24</sup> However, this trade was in the hands of military officials or those that control customs and checkpoints. Ordinary people continued to be impoverished.

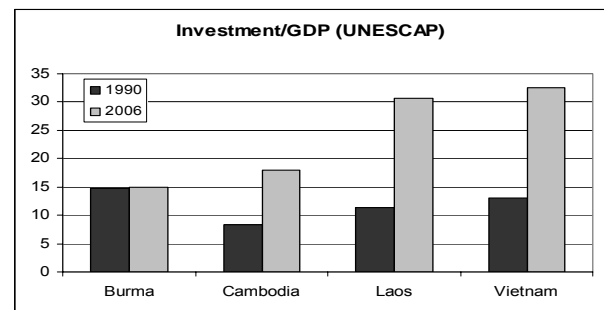


In the face of international scrutiny, the regime began a series of economic reforms. The Foreign Investment Law was enacted, and the Myanmar Oil and Gas Enterprise (MOGE) began entering into production sharing contracts with multinational oil companies and production and profits skyrocketed.



A lifeline was also thrown to the regime when it was welcomed as a member of the Association of South East Asian Nations (ASEAN) in 1997. ASEAN members were interested in gaining an economic stake in the natural resources.<sup>25</sup>

Bolstered by foreign investment, the army began a new offensive in ethnic areas, once again cutting off non-Burman ethnic nationalities from their livelihoods with a massive forced relocation in Karen Karenni and Shan States, and escalating offensives to crush all resistance.<sup>26</sup> As Western sanctions expanded and ASEAN began to reconsider the domestic situation in Burma as a threat to stability in the region, the regime reoriented itself economically to China and India.<sup>27</sup>



Policy-making continued on its erratic path. In March 2002, the SPDC revoked the licenses of all foreign trading firms. In February 2003, rumors that bank notes would be demonetized led to a rush to withdraw savings.<sup>28</sup> More than a dozen deposit-taking companies collapsed. The three largest banks, the Asia Wealth Bank, Yoma Bank and Kanbawza Bank suspended withdrawals and payments.<sup>29</sup> The Central Bank forcibly recalled loans, and authorities intimidated people who hadn't paid off at least

<sup>21</sup> Asian Info (no date) Education and Literacy in Myanmar (Burma) <http://www.asianinfo.org/asianinfo/myanmar/pro-education.htm>

<sup>22</sup> Far Eastern Economic Review (07 Jul 98) Creaking to a halt – VG Kularni

<sup>23</sup> Independent Education Union (25 Sep 02) Starved for knowledge Health and Education Crisis

<sup>24</sup> Interview, 23 July 1988 "The Roots of Conflict" in Smith, Martin (1999) Burma: Insurgency and the politics of Ethnicity

<sup>25</sup> New Statesman (26 Sep 07) Burma: the history behind the protests - Michael Charney

<sup>26</sup> KHRG (28 Jul 97) Commentary

<sup>27</sup> New Statesman (26 Sep 07) Burma: the history behind the protests - Michael Charney

<sup>28</sup> The currency has been devalued before, notably in 1987 when the Ne Win regime demonetized 25, 35 and 75 kyat notes, wiping out 70% of the country's savings.

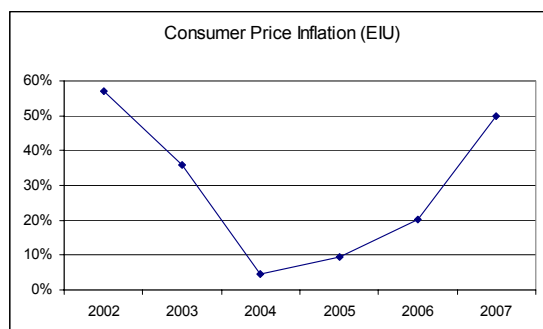
<sup>29</sup> Age (20 Mar 07) Burma's banking meltdown goes unnoticed beyond its borders

20% of their loans.<sup>30</sup> In early 2004, the SPDC banned the export of rice and other primary commodities without informing the producers who had already entered into contracts with foreign firms.

After spending vast sums of money, the junta started moving the capital from Rangoon to Naypyidaw in November of 2005. Civil servants were forced to move under threat of imprisonment.<sup>31</sup> The forced relocation split families and forced high-ranking civil servants to abandon their main sources of income – their sideline businesses. In an effort to curb their dissatisfaction, the SPDC announced a 10-fold salary increase.<sup>32</sup> This further triggered inflation. Petrol, diesel, and gold increased in price between 30-50%, and the black-market kyat depreciated 20%.<sup>33</sup> The new capital has also been blamed for diverting already erratic energy supplies away from the commercial center Rangoon. Residents and businesses face regular blackouts despite huge outlays.

## Now

When the SPDC unexpectedly increased the price of compressed natural gas (CNG) by 500%, doubled diesel prices, and increased the price of petrol by two-thirds in August 2007, high transport and fuel costs quickly impacted the rest of the economy. Within days, the price of essential commodities, such as rice, had been affected. People could no longer afford to travel to work and businesses were forced to close.<sup>34</sup> The SPDC claimed that they could no longer afford to subsidize fuel costs at their previous levels. However, the SPDC's use of such ad hoc policy initiatives to resolve pressing problems is illustrative of its inability to plan and pursue long-term structural reforms that could deliver sustainable growth.<sup>35</sup>



- **Irresponsible priorities:** Massive spending on the military, 40% of the national budget, is diverting much needed funds away from deteriorating infrastructure and essential services.
- **Dual exchange rate:** The SPDC perpetuates an illogical dual exchange rate, with 6.23 kyat to US\$1 at the official rate, and a black market rate that fluctuates between 1,250-1,350 kyat to the US\$1.
- **Industry:** Key industries are controlled by military-run enterprises and plagued by incompetence and corruption. The lack of monetary or fiscal stability has created conditions of rising inflation, fiscal deficits, multiple exchange rates, distorted interest rates, and fraudulent reporting. The props that are keeping the economy shakily upright – oil and gas revenues – do not keep the population fed and clothed.
- **More than 90% “under the poverty line”:** Shortly before the fuel price hikes of August 2007, it was calculated that while average household incomes in Burma were around US\$1.10 per day, the average cost of feeding a household was \$1.15.<sup>36</sup> Since then, UN officials have estimated that more than 90% of the population was living on less than US\$1 a day, the internationally accepted poverty line.<sup>37</sup> Previously, in 2005, the UN suggested that the percentage of Burmese living below the poverty line could be more than 30%, and higher in Chin State (around 70%) and Eastern Shan State (approximately 52%). The UN estimated that if food prices increased by 15 to 20%, more than half the population would live under the poverty line.<sup>38</sup>

<sup>30</sup> Irrawaddy (06 May 03) Bank Crisis Rolls On

<sup>31</sup> Reuters (06 Nov 05) Myanmar junta moves key ministries from capital

<sup>32</sup> EIU (2006) Myanmar Country Review

<sup>33</sup> Mizzima (11 Apr 05) Foreign Trade Office in Imphal to boost Indo-Burma trade; Bernama (15 Mar 05) Malaysian minister urges businesses to explore opportunities in Burma; Japanese Economic Newswire (01 Mar 2006) Indonesian president meets Myanmar leader; Time Asia (23 Jan 06) Burma - Going nowhere

<sup>34</sup> Irrawaddy (15 Aug 07) Natural Gas Price Triples in Burma

<sup>35</sup> Economist Intelligence Unit (Dec 07) Myanmar (Burma) Monthly Report

<sup>36</sup> Save the Children (06 Jul 07) Running on Empty: poverty and child malnutrition

<sup>37</sup> BP (20 Aug 07) Soaring petrol costs deepen woes by Larry Jagan

<sup>38</sup> International Crisis Group (08 Dec 06) Myanmar: New Threats to Humanitarian Aid

- **Most corrupt:** In September 2007, Transparency International ranked Burma as the world's most corrupt county, alongside war-torn Somalia.<sup>39</sup>
- **Development?** The UNDP ranks Burma 129 of 177 nations for human development, just above Sub-Saharan Africa.
- **Disastrous health:** In conflict areas of eastern Burma, war, poverty and the collapse of infrastructure has led to a situation where basic health indicators mirror those of the worlds worst disaster zones of Niger, Sierra Leone, Angola, and Congo.<sup>40</sup> In the eastern states bordering Thailand, malaria is the leading cause of morbidity and mortality, accounting for 42% of deaths – 20% of children die before their fifth birthday, and nearly half from malaria.<sup>41</sup>
- **Displacement:** The SPDC's increased aggression and pressure on Burma's ethnic groups represents the biggest threat to internal stability. The current offensive has displaced 76,000 people in the past year<sup>42</sup>, causing 25,000 people to face starvation.<sup>43</sup> The UNESCAP recently warned that displaced persons and forced migration in border regions could develop into active conflict zones.<sup>44</sup> Tentative ceasefires negotiated during Khin Nyunt's era have all but disintegrated. In 2007, the regime's military presence in Karen State intensified with the SPDC Army setting up 33 new bases and building helicopter landing pads to facilitate the supply of weapons and ammunition to conflict areas.<sup>45</sup> Unlike previous offensives that ceased at the onset of the rainy season, the regime's military build-up in Eastern Burma continues. During the second week of June, two more SPDC Army battalions totaling nearly 300 soldiers moved from Chin and Arakan States to the frontline in Eastern Burma.<sup>46</sup> In Karen State, there are currently about 55 SPDC Army battalions.<sup>47</sup>

	Internally Displaced Persons	Burma Average	Thailand	Congo
Child Mortality	221	106	21	205
Maternal Mortality	1,000-1,200	360	44	990
Lifetime risk of Maternal Death	1 in 12	1 in 75	1 in 900	1 in 13

<sup>39</sup> AP (27 Sep 07) Corruption Index Cites Burma, Somalia; Transparency International (2007) 2007 Corruption Perceptions Index.

<sup>40</sup> Back Pack Health Worker Team (Sep 06) Chronic Emergency – Health and Human Rights in Eastern Burma

<sup>41</sup> Global Health Access Program (2006) Burma – Malaria control

<sup>42</sup> TBBC (Oct 07) Internal Displacement in Eastern Burma: 2007 Survey

<sup>43</sup> Asian Tribune (26 Jun 07) 25,000 face starvation – appeal made for regional and international action of human rights abuses perpetrated in Burma

<sup>44</sup> UNESCAP (Nov 07) Ten as One: Challenges and Opportunities for ASEAN Integration

<sup>45</sup> DPA (25 Jun 07) "Militarization" of Karen State picks up pace, rights group warns

<sup>46</sup> Narinjara News (19 Jun 07) Two Western Battalions March East to Battle Karen

<sup>47</sup> Mizzima News (20 Jun 07) Military junta in Nay Pyi Taw bent on genocide