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Routes to Democracy in Burma/Myanmar: The Uppsala Pilot Study on Dialogue and International Strategies

Peter Wallensteen, Carina Staibano and Mikael Eriksson, Department of Peace and Conflict Research, Uppsala University.* 7 April 2004.

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Recent events indicate significant moves towards dialogue in Burma/Myanmar. In early March, the UN Special Envoy, Ismail Razali, could again visit the country. Thailand called for a second meeting in the Bangkok Forum, scheduled for late April. The State Peace and Development Council announced the re-convening of the National Convention by May 17. Rumours suggest the pending release of leading opponents from house arrest. All this is to be applauded.

However, the international community also needs to read the fine print: what are the working conditions of the National Convention? Is the release measure without restrictions? The main recommendation of this pilot study, *the creation of an EU Special Envoy* for the situation in Burma/Myanmar, is made even more significant. The actions by the authorities have to be closely watched to determine their sincerity and sustainability. EU needs to be engaged in the situation, equipped with targeted sanctions as well as rewards, when warranted

* The conclusions in this report are entirely the responsibility of the three authors. This work is done on a grant from the Swedish Ministry for Foreign Affairs. It constitutes a part of the ongoing studies of targeted sanctions. For more information see www.smartsanctions.se.

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Abstract

The aim of this study is to present an integrated picture of important aspects of the situation in Burma/Myanmar. It will be done by focusing on the possibilities of dialogue and the international measures to further democracy in the country. In particular, this pilot study is addressed to what Sweden and the European Union can do. Our recommendation is to fine-tune, strengthen and improve the current sanctions, particularly linking them to clear and concrete demands. Since the re-arrest of Daw Aung San Suu Kyi on May 30, 2003, no real progress has been observed, until end of March 2004. The measures then taken by the regime require close scrutiny. In this pilot study we suggest the following:

Strengthening the existing sanctions regime:

The appointment of an EU special envoy for Burma/Myanmar is a necessary first step to create more coherence within the Union as well as a more consistent EU policy in the region. The office would follow-up the implementation of measures already decided on, see what they entail in terms of additional actions, and coordinate with other countries and organisations on sanctions policies and dialogue matters etc.

The EU needs, in particular, to have clear and concrete demands on the SPDC to convene the National Convention and the forms under which it is to be conducted. This insures that the Convention is conducted under democratic standards.

Assess potential sanctions:

Present sanctions can be supplemented by backdating frozen bank accounts to track down financial transactions made during a period of time prior to the actual freezing of the assets. This makes such transactions public and strengthens the psychological effects on the targets.

According to some sources, the US ban on financial transactions in dollars has had a negative impact on the economic choices of Burmese entities as well as targeted individuals. There are indications that instead trade in Euros has increased. A similar European ban on trading in Euros for targeted individuals and entities could be assessed.

The oil and gas industry is a lucrative and capital-intensive sector. This sector is directly owned and controlled by the state. The possible economic and humanitarian consequences of an investment ban in this sector should be examined thoroughly.

A recommendation is that EU supports the formation of a network of European companies who are interested in investing in Burma/Myanmar but have refrained from doing so. The willingness of this group to invest as soon as the circumstances in Burma/Myanmar change constitutes an incentive for the regime to undertake reforms. This should also be encouraged on a national and regional level.

Broadening the Burma issue:

Finally, we recommend the EU to broaden the Burma issue internationally by focusing more on the Burmese population's suffering. This increases the possibilities of gaining support for the Burma issue in the United Nation and helps to overcome the North-South divides in the organisation.

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1. Introduction

The general aim of this pilot study is to present an integrated picture of the situation in Burma/Myanmar by specifically focusing on (1) the possibilities of dialogue and (2) an evaluation/investigation of international measures to contribute to this. Relevant actors (states and governmental organisations) involved are examined and taken into consideration. Results and recommendations are presented, suggesting measures and strategies to contribute to the peaceful solution of the situation in Burma/Myanmar.

In conducting the study different sides and concerned parties have been approached for their views and reflections on the prospects of dialogue as well as on how and by what means, the dialogue process between the Burma/Myanmar government and the opposition could be initiated and supported. This report, as a consequence, builds on *perceptions* of developments and options rather than on hard facts. Sanctions - their effects and applications - and other factors/measures that can have a role in persuading the state party to engage in efforts aimed at dialogue have been of particular interest. The information and recommendations presented in this report are the results of interviews with officials, academics and representatives from various organisations, from the region surrounding Burma/Myanmar and from the international scene. They were conducted from December 2003 to March 2004.

Present situation

In May 2002 National League for Democracy (NLD) leader Daw Aung San Suu Kyi was released from house arrest. Her release was to be followed by a substantive political dialogue between Suu Kyi, NLD and the State Peace and Development Council (SPDC), but this never realised. On 30 May 2003, after one year of travelling within the country and holding lectures and speeches to the general public, Aung San Suu Kyi, along with fellow NLD colleagues, were again arrested and put into 'protective' custody by the SPDC. The circumstances surrounding the 30 May have yet to be investigated by an independent commission. Following this, more than a hundred democracy activists were arrested, a dozen were imprisoned and NLD offices were closed, as were schools and universities throughout the country. As a result, the US introduced comprehensive trade sanctions against the country while the European Union responded by widening already existing travel bans and financial sanctions against members of the military regime. The SPDC introduced a new Prime Minister in August 2003, General Khin Nyunt. In one of his first actions he presented a seven step roadmap for democratic transition in Burma/Myanmar.

These events constitute the point of departure for this pilot study. Section 2 describes the positions of major actors. Section 3 looks at initiatives to move the situation towards dialogue. Section 4 evaluates present strategies to promote such a dialogue and in section 5 our recommendations are given.

2. Positions on dialogue and international measures: Relevant actors

2.1 State Peace and Development Council (SPDC)

In August 2003 General Khin Nyunt became the new Prime Minister of Burma/Myanmar. The power structures within the SPDC remain more or less intact. Most observers agree that General Than Shwe, as Chairman of the SPDC, continues to hold a firm grip on power. General Khin Nyunt is in charge of intelligence operations. General Maung Aye leads the army. Nyunt is considered to be the 'dialogue partner', although the contacts with the democratic opposition, with the UN and with other organisations have been limited.

Many argue that pragmatists (possibly Khin Nyunt) realise the need for economic reforms, a view which is not shared by so-called hardliners (Than Shwe) that are more fearful of changes, at least quick and uncontrolled ones. There is no evidence of a clearly defined political split within the SPDC. Many observers are of the opinion that this establishment sees a virtue of buying time and finding ways to appease international criticism. This means that democratization is expected to take a long time. The priority of the regime seem to have been to conclude cease-fire and peace agreements with the different, ethnically based, armed organizations in the country. The use of the term 'Myanmar' for the country is meant to reflect these ambitions as a non-Burmese form of control.

There are still nuances of significance within the regime. One is revealed in the handling of the 30 May events. Some members of the government may have been more worried about the support Aung San Suu Kyi was soliciting throughout the country. Others may have seen that as a way of generating reforms. Also it seems that the delays in inviting UN Special Envoy Mr Razali, is part of similar nuances of opinions.

At the end of March 2004 the SPDC announced that the National Convention would reconvene on May 17, and that invitations would be sent to the opposition and ethnic representatives. The release of Aung San Suu Kyi from house arrest is by many regarded as a precondition for the participation of all groups in the Convention. It would also indicate greater influence for moderate elements.

Although the military government seems fairly entrenched it may be united in a fear of losing power. In spite of the scaling down of wars in the country, the army has been growing constantly, according to several sources. Today there are approximately 400 000 soldiers in the armed forces. The state apparatus and the military structures are closely intertwined.

Clearly military officers and the armed forces collectively control the majority of all industries in Burma/Myanmar. A small part of the generated income goes back to the

industries in the form of investments but much seems to be for the maintenance of the military forces.

2.2 National League for Democracy (NLD)

Previous dialogue efforts between the SPDC and NLD have resulted in a lack of confidence. The NLD found that the National Convention of 1995 was too circumscribed through rules imposed by the government to be effective. Its return to a dialogue in that forum requires freer conditions as well as the release of political prisoners and freedom of organization. So far, observers say, nothing concrete has come out of informal contacts between the NLD and the SPDC. No response by the NLD has yet come on the roadmap and the convening of the National Convention. There have been unconfirmed reports that Aung San Suu Kyi would be released from house arrest in mid-April. This would possibly lead to improved chances for a genuine dialogue.

2.3 Ethnic Nationalities Solidarity and Cooperation Committee (ENSCC)

The roadmap presented by the ethnic minorities in October 2003 was a response to the SPDC roadmap. Many ethnic groups fear that they will not be given sufficient influence in a future democratic union. Representatives of ethnic groups point out that they do not know what a National Convention will mean for them. There is mistrust between them and the military regime, in spite of the peace arrangements that have been worked out. The ethnic groups see a need for international presence at the time of the National Convention and a role for the UN Special Envoy.

2.4 Association of South East Asian Nations (ASEAN)

In June 2003, in direct response to the events of 30 May, the Association of South East Asian Nations (ASEAN) issued a Joint Communiqué in which the foreign ministers of the ASEAN countries urged the regime in Burma/Myanmar to resume its efforts of national reconciliation and dialogue. The statement also included a recommendation to lift the restrictions placed on Aung San Suu Kyi as soon as possible. This statement deviated from ASEAN's 'constructive engagement' policy towards Burma/Myanmar, which mainly is about non-interference and economic development. The June statement indicated a degree of frustration within the organisation with Burma/Myanmar, a member state, and its lack of democratic reform. In October 2003 the heads of states and governments meeting in Bali welcomed the positive steps taken by the SPDC in presenting the roadmap in August 2003. This meant a relaxation of the pressure against the SPDC.

ASEAN Special Envoy

At the beginning of its chairmanship of the ASEAN, in October 2003, Indonesia named a Special Envoy for Burma/Myanmar, Mr Ali Alatas, former Indonesian foreign minister. Mr Alatas was allowed to enter the country but he was not recognised as a representative of ASEAN by the SPDC.

2.5 Thailand

Thailand does not support international sanctions against Burma/Myanmar. From the Thai government's point of view sanctions may increase political instability and poverty in the country may spill over.

Thailand has economic interests in Burma/Myanmar. These interests guide the country's political engagement. At the same time the Thai government has an interest in finding a more long-term solution to the refugee, illegal immigrants, drug and aids problems that spill over the borders. In line with this Thailand has adopted a policy of supporting development and trade in the region (which includes countries such as Vietnam, Laos, Cambodia and Burma/Myanmar). At the end of 2003 Thailand arranged a meeting in Burma/Myanmar with representatives from Laos, Cambodia and Burma to discuss how to increase regional trade and international aid to the region.

The initiative taken by the Thai Prime Minister in December 2003, when the SPDC along with a number of 'like-minded' countries were invited to a meeting in Bangkok to discuss the situation in Burma/Myanmar, marks an intensification of the government's activities in this respect. Again, the motives for starting such an initiative must be seen as mainly economic. Notwithstanding, the future of the Bangkok Forum is an important new element in the international actions on the situation (see 3.2 below).

2.6 China

China's official position favours stability and economic development in Burma/Myanmar. It does not believe in sanctions as a way of solving the problems. However, China realises that changes in Burma/Myanmar are necessary, perhaps even inevitable, and that the country is in great need of economic reforms, and that this needs to include a more open approach to the international community. China seems to take the role of a trusted advisor to the regime in Yangon. There are considerable Chinese investments in Burma/Myanmar, mostly in infrastructure. A special interest is the economic development in the north of the country, notably the region bordering to the Chinese Yunnan province.

It seems fair to say that China is not against the democratic opposition in Burma/Myanmar but its overarching concern is political stability in the neighbouring country.

2.7 India

India is increasing its cooperation with and assistance to the SPDC in the form of trade, development assistance and military cooperation. There are regional fora where India and Burma/Myanmar participate and cooperate. Recently India announced its participation in BIMSTEC (Bangladesh, India, Myanmar, Sri Lanka,

and Thailand Economic Cooperation) summit during 2004. BIMSTEC focuses on enhancing cooperation in areas such as transportation links, trade, investment and tourism. Potentially, democratic India could have some leverage on SPDC to push for reform. So far, however, India's concern has concentrated on other issues.

2.8 Japan

Japan's policy when dealing with Burma/Myanmar is centred on assistance and development, from humanitarian and economic perspectives. Japan's 'Comprehensive Approach' includes political reform, economic change and social stability. This seems to mean that the current regime in Burma/Myanmar should first find economic reforms and social stability and, then, turn to reforming the political system.

Officially Japan does not support immediate regime change in Burma/Myanmar. Instead Japan prefers the achieving of 'National Reconciliation' under democratic forms. Clearly, Japan supports Thailand's recent initiative.

2.9 The European Union (EU)

The European Union Common Position on Burma/Myanmar was first adopted in 1996. Presently its sanctions are the following: an arms embargo imposed in 1990, the suspension of defence cooperation and all bilateral development assistance other than strictly humanitarian aid in 1991. A visa ban has been imposed on the members of the military regime and the government, senior military and security officers and members of their families. In 2000 the sanctions were strengthened by adding a ban on the export of any equipment that might be used for internal repression or terrorism. A financial freeze on funds held abroad by persons already named on the visa ban list was imposed.

In June 2003 the European Council introduced, with immediate effect, the expanded sanctions, decided on already in April 2003, because of the 30 May events. This meant that a considerable number of individuals linked to the SPDC are now affected by the visa ban and the assets freeze. The EU motivation for imposing these targeted sanctions was the SPDC's failure to enter into a substantive dialogue with the democratic opposition on national reconciliation, respect for human rights and the transition to democracy. In the Common Position it is stated that the Council will consider the suspension of all measures in the case of a substantial improvement of the overall political situation in Burma/Myanmar.

2.10 USA

The Burmese Freedom and Democracy Act of 2003 strengthened and added new more comprehensive sanctions against the military regime in Burma/Myanmar. This act of Congress should be seen as a direct response to the events of May 30.

The first US sanctions against Burma/Myanmar were introduced already in 1988. This included an arms embargo and the suspension of development assistance. In 1997 new US investments in Burma/Myanmar were banned. In addition senior officials of the military regime are not allowed to enter the US. In 2003 the measures were strengthened through a package of measures; a general trade ban against any article that is a product of Burma/Myanmar, financial sanctions against members of the military regime, an expansion of the visa ban and a US vote against Burma/Myanmar receiving loans from international financial institutions and a ban on remittances to Burma.

According to the legislation these measures can be terminated once certain criteria are met, including the election of a democratic government in Burma/Myanmar, the release of all political prisoners and that human rights, political and civil rights are ensured and respected. The sanctions are up for review at the end of June 2004. Following US law the Congress is to be informed on the efficacy of the measures 90 days before their renewal date.

2.11 United Nations/ UN Special Envoy

The UN Special Envoy for Burma/Myanmar, former UN Ambassador Ismail Razali (Malaysia), commenced his work in 2000. The Special Envoy has a non-binding mandate from the UN General Assembly, and can therefore only recommend the various parties to act. The Envoy's work is to be based on good will and good offices. Mr Razali has visited Yangon on several occasions always making a point of meeting both members of the SPDC and Aung San Suu Kyi, later also meeting with ethnic groups.

There is a question of an expansion of the Envoy's current mandate to also explicitly include mediation between the (internal) parties (compared to the current mandate, which is more the role of a facilitator). There has been an informal discussion within the UN to broaden the mandate but with no results.

UN Special Envoy Mr Razali visited the country and met with NLD leader Aung San Suu Kyi and Burmese PM Khin Nyunt and representatives from the ethnic groups at the beginning of March this year. There have been efforts of initiating dialogue between the parties since December 2003.

The UN human rights commission has appointed Paulo Sergio Pinheiro (Brazil) to cover the Burma/Myanmar situation. His most recent report was submitted end of March 2004.

3. Roadmaps and other initiatives

3.1 *The roadmaps*

The SPDC roadmap is more a 'skeleton' than a fully developed plan for the political future of Burma/Myanmar. Many agree that the first step towards implementing the roadmap would be to release Aung San Suu Kyi.

The SPDC roadmap has been rejected by the political opposition in exile. The 1990 election results direct the opposition movement and extend legitimacy to the government in exile (National Coalition Government of the Union of Burma, NCGUB). The SPDC roadmap does not seem to show any new thoughts or initiatives for democratic change. Instead an alternative roadmap has been suggested by the exiled opposition. Other Burmese groups within the country have taken a more pragmatic approach. They do not trust the sincerity of the regime but on the other hand they realise the need for a National Convention. The ethnic minorities presented their roadmap just weeks after the SPDC, as a direct response to what they saw as lacking in the regime roadmap.

The Thai roadmap proposal is more to be regarded as a set of guidelines than an actual roadmap. It is possible to integrate these guidelines in the SPDC version from August 2003. Experts think it is politically difficult to persuade the regime to give up its roadmap. All initiatives should therefore, in some way, work from the SPDC roadmap. The most important goal at this stage should be to establish a tripartite dialogue between the SPDC, the NLD and representatives from the ethnic minorities.

3.2 *The Bangkok Forum*

As a step in the Thai Prime Minister's efforts to take on a leading role in the Burma/Myanmar issue, the Bangkok meeting was launched (Forum on International Support for National Reconciliation in Myanmar). Many regard this initiative, the so-called Bangkok Forum, in December 2003 where the SPDC explained its roadmap for a group of 'like-minded' countries, as a positive step. The Thai PM is pressed to be more active when it comes to Burma/Myanmar (internal pressure, spill-over effects and external pushing, perhaps from the US and China). However, many find the Thai demands on the Burmese leaders too mild.

Also China, India, Japan, Australia, Singapore and Indonesia and from Europe Austria, Italy, Germany and France, and the UN Special Envoy were invited. The title of the meeting referred to 'National Reconciliation', a more digestible title than 'democratisation'.

Some independent experts see the Bangkok meeting as a first positive step towards shaping all the different national and regional strategies concerning Burma/Myanmar, into a more integrated common approach. The idea would be to

gradually expand the circle of countries to also include more critical governments. It would then turn into a Bangkok Process.

One tangible result of the meeting, according to some, was that the role of UN Special Envoy, Mr Razali was somewhat strengthened. He again visited Yangon in March 2004. Another outcome was that the SPDC promised to take steps to convene the National Convention, which recently has been announced for May 17.

A second Bangkok Forum meeting is planned for in April 2004. There is information that countries traditionally not 'like-minded' are participating notably Norway and Switzerland, both non-EU states. Norway has been invited due to its international experience on political negotiations. From Asia Laos, Malaysia and Bangladesh have been added to the countries that met at the first round in December.

3.3 The United Nations (UN)

Some experts believe that a discussion of Burma/Myanmar in Security Council circles could press China to, in turn, affect the military regime to act. Discussion or informal preparatory meetings in the right forum at the UN could be significant signals, some argue.

The United Nations General Assembly (UNGA) has since 1991 adopted by consensus 13 consecutive resolutions calling for democracy in Burma/Myanmar. These annual negotiations between member states in the UNGA with regard to the Burma/Myanmar resolution play a role as they maintain political pressure against the military regime. It creates international embarrassment for the SPDC as well as for ASEAN, who both have to make efforts to counter the international criticism.

3.4 The European Union

It seems that the European Union is the international governmental actor that most consistently has been concerned with democracy and human rights in Burma/Myanmar. It has brought the issue to the UN General Assembly and has made a number of sanctions decisions. The US has showed a passing interest, ASEAN countries generally find the issues uncomfortable and a matter of management. Many countries in the world see the issue as one of internal affairs. Still, it is not a high priority to the EU and its common foreign policy. With the enlargement, the concerns might also be different as some new members are known to recently have traded in arms with Burma/Myanmar.

The goal of the EU sanctions is to achieve a substantive discussion between the military authorities and the democratic movement concerning a process leading to national reconciliation. This includes respect for human rights and democracy.

4. Measures to promote dialogue

4.1 External pressures: Sanctions by states

Most observers regard the naming of individuals placed on travel and financial sanctions as useful forms of sanctions. Also the US ban on transactions with dollars has had an impact. Here follows a review of some of the sanctions measures in place. Presented information on the effects is based on estimations from various sources.

1. The travel bans on listed individuals have had an impact on the lives of the listed persons. The Burmese leaders apparently travel and feel hindered by the travel bans. There are also psychological adverse effects of being listed in international registers by both the EU and the US.
2. The financial sanctions imposed by the US where the financial assets of listed individuals are tracked and frozen, and according to sources, although not confirmed, have had an impact on the targets.

Clearly, historically it has been seen that the SPDC has acted under pressures of the type that sanctions constitute. However, fundamental shifts have not resulted and democratisation is still far from being realized.

3. The consequences of the US trade sanctions for the textile industry are more debated. The information we have suggest the following. It is estimated that approximately 60 000 workers lost their jobs, partly as a result of the US sanctions against the textile industries (in 2003). Including their families, dependents, the number might approach 300 000 individuals. This, however, is a rough estimate and difficult to verify. According to official information most of these are young women living in the Yangon area. However, it is also pointed out that the economy was already suffering under poor economic conditions, notably as a result of the bank crisis that began in February 2003.

It now seems that textile industries are again running but at a limited capacity (perhaps 30-60 per cent). Some people may have moved back to their home villages or found jobs in other sectors. The accusation that a number of female workers turned into the sex industry seems unfounded. There is, many report, a general awareness that much of the current economic situation is the direct responsibility of the regime, and the present economic system.

There is evidence that investors are withdrawing from the Burma/Myanmar textile sector and now move into China instead. According to some sources, although not confirmed, the border trade between Burma/Myanmar, Thailand and China has increased considerably, due to the economic crisis in the country.

Our conclusion, based on a variety of different sources, is that the poor economic situation in the country is much to be attributed to the bank crisis and the regime's lack of reforms in the economic sector for many years. The regime seems to have actively contributed to the picture in international media of sanctions having major effects on the civilian population. This is not the complete story, however.

4.2 International Labour Organization sanctions: Lessons learned

The sanctions initiated and maintained by the International Labour Organization (ILO) deserve to be examined as they have led to some action from the SPDC. It also illustrates how sanctions can affect policies in the country. The ILO cited Burma/Myanmar as being in violation of Convention standards since 1991, but it was not until Burma/Myanmar was threatened with consequential action that the SPDC began its limited engagement with the ILO.

- In 1997 a Commission of Inquiry was established to look into forced labour in Burma/Myanmar. The Commission's report, published in July 1998, found that forced labour was carried out in a widespread and systematic manner, with total disregard of human dignity, safety and health and basic needs of the people. Little to no corrective action was taken by the SPDC when presented the findings.
- In June 1997 a resolution in effect suspended Burma/Myanmar from all ILO activities except the work concerning forced labour. This was the first time that such a step had been taken. Despite some of Burma/Myanmar's neighbouring countries lobby activities to give the SPDC another chance, the ILO found the SPDC's efforts to be grossly inadequate.
- In June 2000 ILO adopted a resolution with a view to implement the Commission's recommendations, which, inter alia, meant to take appropriate measures to ensure that governments did not contribute to forced labour (a clear threat of sanctions). Later in 2000 just weeks before the ILO would vote to take serious measures against Burma/Myanmar, the SPDC entered into secret talks with Aung San Suu Kyi and created a legal order banning forced labour.
- In November 2000 ILO invoked Article 33, which put the SPDC at risk for potential economic divestment and bans by international trade unions, UN agencies and ILO member countries.
- In September 2001 the ILO was invited to visit the country and was given good access. Nevertheless, the practice of forced labour continued.
- In March 2002 after the previous rejection of the ILO's recommendation to have a permanent presence in Burma/Myanmar, the SPDC changed its mind and agreed to appoint an ILO Liaison Officer in Rangoon/Yangon.
- In March 2003 the SPDC tried to persuade the ILO to have another high level team visit to Burma/Myanmar, to demonstrate its commitment to eradicating

forced labour. The ILO responded by saying that there had not been sufficient progress to send a mission.

- In May 2003 the SPDC agreed to a facilitator to assist possible victims of forced labour to seek compensation. This happened just weeks before the ILO had given the SPDC 'a last chance' to produce a meaningful action plan to stop forced labour, in order to avoid further enforcement efforts by the ILO.

This short chronology shows a record of a determined and consistent approach by the ILO and also the response by the SPDC, which means that the ILO pressure, to some extent, is effective.

4.3 Dates for external pressure

The political dynamics of Burma/Myanmar, Southeast Asia, Europe and the UN provides for a number of significant dates. This means that decisions are required and that they have an impact on international diplomacy. They also suggest points at which governments and public will be concerned about the Burma/Myanmar democracy situation. Some of these constitute conditions that lay the foundations for later discussions. From our discussions it is obvious that experts believe the following has to happen at an initial stage:

- The release of Aung San Suu Kyi and other political prisoners.
- SPDC and democratic opposition dialogue has to be initiated.
- The National Convention, without conditions, has to be convened.
- A civil coalition government, with a clearly defined role for the military forces, has to emerge as a possibility for the near future.

Each of these steps will generate international interest and points at which the international community (ASEAN, EU, UN) can affect the developments in the country.

There are external and internal dates that become factors that pressure, directly or indirectly, the military regime to change its behaviour in the direction of a genuine dialogue on democracy:

✓ Renewal of EU Common Position on Burma/Myanmar

The EU sanctions are up for review at the end of April 2004 as a new EU Common Position is to be negotiated.

✓ Second meeting in the Bangkok Forum

A second meeting is planned for in April 2004 (29-30 April). There is information that countries traditionally not 'like-minded' are participating like Norway and Switzerland, both non-EU states. From Asia Laos, Malaysia and Bangladesh have been invited in addition to the countries that met at the first round in December.

✓ **Progress in the National Convention**

According to a SPDC announcement a National Convention has been set for May 17. Concerned parties from the ethnic groups and democratic opposition are to be invited. A prerequisite for the successful participation of all groups in the National Convention is the release of Aung San Suu Kyi and other political prisoners. The conditions of the Convention are crucial. Once in progress, the deliberations of the Convention will generate international attention.

✓ **Renewal of US sanctions**

The US sanctions are up for review at the end of June 2004. According to US legislation the Congress is to be informed on the efficacy of the measures 90 days before their renewal date, which means April is the time for the Congress report.

✓ **ASEM meeting**

A special date is the convening of the ASEM (Asia-Europe-Meeting) summit in October 2004, where the issue is whether 'new' member states are to be allowed to enter. For ASEAN this includes Burma/Myanmar, for EU the ten new member states. Presently, it seems that EU is not likely to allow Burma/Myanmar entering if there are not substantial steps towards democratization to point to. This might, however, block the inclusion of new EU members. This would imperil the entire meeting and mean that the intransigence of the SPDC actually affects foreign policies of 35 countries. ASEAN seems to be pushing for the inclusion of Burma in the ASEM meeting ahead of the October summit.

✓ **Annual UNGA resolution**

These annual negotiations between member states in the UNGA with regard to the Burma/Myanmar resolution play a role as they maintain political pressure against the military regime. At the end of 2004 a new resolution is to be adopted.

✓ **Burma/Myanmar chairing ASEAN**

In theory ASEAN has both political and economic leverage against the military regime with regard to pressuring the generals to act/go ahead with the roadmap. All actors seem to be aware of the fact that political progress has to be made before 2006 when Burma/Myanmar takes over the chair of ASEAN. ASEAN may accept smaller, cosmetic changes, but what the EU and USA demands is likely to go further. If changes are too small, the risk is that ASEAN will not be able to communicate properly with any of these actors during an entire year. It will slow down the momentum now seen.

Many suggest that the leadership in Yangon are aware of these risks and would like to move forward, for instance, in the following way:

2004 –The convening of the National Convention. Agreement on new constitution by 2005.

2005 – Elections to the new Parliament.

2006 – New civilian government.

Critics point out that this is a fast timetable, if National Convention negotiations are to be serious. This might lead to a temptation to do cosmetic changes, such as appointing a civilian Prime Minister in an otherwise unreformed political structure.

4.4 Internal events: Discontent as pressure

Burma/Myanmar experienced a bank crisis at the beginning of 2003. There are presently six types of exchange rates in Burma/Myanmar. Every exchange is taxed by the regime. People cannot retrieve their savings, 90 per cent of all savings/capital are still frozen by the banks. Many foreign investors, particularly from outside the region are reluctant to invest.

There is likely to be frustration in the country, particular after the 30 May events, as Aung San Suu Kyi draw increasingly large numbers of people to her meetings. Her sudden disappearance may have reinforced such sentiments. Thus, there is likely to be popular pressure for change in the direction of an open democratic society.

5. Recommendations

Strengthening the existing sanctions regime

Our recommendation is to fine-tune, strengthen and improve the current sanctions, particularly linking them to clear and concrete demands. When designing a targeted sanctions strategy there should be a clear division of labour among the participants involved. Different strategies are used by different states/actors; some exercise a strong pressure while others use less pressure, some are more long-term recommendations while others would be more short-term measures. At the same time, progress which is genuine should be rewarded once it is established that such changes are durable.

1. EU has been a leading actor, thus the policy of Burma/Myanmar is central to the credibility of the common foreign policy. It requires that EU strengthen its role, by creating a *special envoy* in the European Council (notably in the office of Javier Solana) for democracy in Burma/Myanmar. The office would follow-up the implementation of measures already decided on, see what they entail in terms of additional actions, and coordinate with other countries and organisations on sanctions policies and dialogue matters etc. An idea to increase the credibility of the envoy in the region and in Burma/Myanmar is to have a person with military and democratic credentials fill the post as special envoy.

The special envoy could also have a role in lifting up and coordinating the Burma issue *within* the EU, creating coherence, as many member states have different policies towards Burma/Myanmar, in particular after the enlargement of the Union. This could include a *yearly conference*, before the renewal of the Common Position, to coordinate the policy further.

Also, EU needs to *explain to the region* why it is involved and what it would hope the region can help with. This would mean sending a high level mission to the region (including visiting China) to discuss the situation, if nothing begins to happen in Burma/Myanmar. This office would also be the one representing EU at the National Convention (see recommendation 2).

2. The EU should support the National Convention with the participation of *all* parties under democratic forms. In order to be sure that the convention is conducted *under democratic forms*, the EU should have clear and concrete demands on the regime to follow. For example, there should be freedom of meeting and expression and free contacts with national and international press, and all parties must participate on equal, democratic terms without any reservations from the regime. The EU should offer the SPDC *international observers* to supervise the meetings during the National Convention.

3. Also, EU sanctions could be partially eased in return for substantial steps taken in the right direction by the SPDC. However, such steps should be carefully assessed. EU has no reason to make rushed decisions.
4. The financial sanctions and travel bans seem to have a certain impact on the targets, the listed individuals are affected (travel restrictions, fear of frozen bank accounts etc.), although there is no confirmed information of changes in their behaviour. The problem is more to get the region to implement (resources, commitment, sanctions infrastructure etc.) and respect the sanctions. Here the EU could play a more decisive and active role in their relations with regional organisations like ASEAN, in persuading them to use their leverage on the regime in Burma/Myanmar (for example through ASEM). This could also be applicable on EU's relations with China, the actor with the most leverage on the SPDC.
5. As underlined in this report, psychological effects of sanctions are one element of targeted sanctions policies. Many point out that the inhabitants of the country in general and in particular military leaders are proud. This means that travel bans and asset freezes generates psychological effects which should not be underestimated. Such factors are difficult to evaluate quantitatively, however. The intensification or relaxation of such sanctions, then, is likely to have significant impact. This means that EU should at the same time offer to relax some measures and prepare for the introduction of new ones. Recommendations 6 – 10 suggest such measures.

Assess potential sanctions

6. According to some sources, the US ban on financial transactions in dollars has had a negative impact on the economic choices of Burmese entities as well as targeted individuals. There are indications that instead trade in Euros has increased. A similar European ban on trading in Euros for targeted individuals and entities could be assessed.
7. Present sanctions can be supplemented by backdating frozen bank accounts to track down financial transactions made during a period of time prior to the actual freezing of the assets. This makes such transactions public and strengthens the psychological effects on the targets. EU should also evaluate the current Financial Action Task Force on Money Laundering (FATF) mechanisms.
8. A recommendation is that EU supports the formation of a network of European companies who are interested in investing in Burma/Myanmar but so far have refrained from doing so. The willingness of this group to invest as soon as the circumstances in Burma/Myanmar change constitutes an incentive

for the regime to undertake reforms. This should also be encouraged on a national level. The issue could also be taken up in a UN connected forum, for instance the UN Global Compact. Furthermore, initiatives should be taken to have regional meetings with concerned companies and investors.

9. The oil and gas industry is a lucrative and capital-intensive sector. This sector is directly owned and controlled by the state. The possible economic and humanitarian consequences of an investment ban in this sector should be examined thoroughly.
10. A concrete idea is to focus on the SPDC's external business relations with foreign companies. The method used would be the 'naming and shaming' approach. Information about these companies would be made public. This would impede investors to invest in the country and at the same time make the Burmese leadership nervous. Another idea would be to focus on the environmental aspects of the timber issue for example. Burma/Myanmar has a large export of timber. In the office of the EU special envoy (recommendation 1) such measures could be assessed. Furthermore, the special envoy's office could conduct assessments and analyses on potential effects and consequences of future trade and investment bans, as these measures require thorough planning and analysing to be targeted and accurate.

Broadening the Burma issue

11. Finally, we recommend the EU to broaden the Burma issue internationally by focusing more on aspects that have a wider reach in terms of international support, for instance the Burmese population's suffering, the country's lack of democracy and the ongoing violations of fundamental human rights. This increases the possibilities of gaining support for the Burma issue in the United Nation (General Assembly as well as Security Council) and helps to overcome the North-South divides in the organisation on this issue.